

How Much Should I Spend On Marketing?

In last month's column, I mentioned that I'm often asked "how much should a printer my size be spending on marketing and promotion." The answer I always give is that there's no single "right" amount for a printer of any size, whether you're talking about a total number of dollars, or a percentage of sales. The size of the marketing budget should be determined by the specific situation of an individual printing company.

It's possible, though, to make a few generalizations as a way to begin your own budgeting process. Most printing companies will fit into one of four categories in terms of sales volume and profitability: high volume/high profit, high volume/low profit, low volume/high profit and low volume/low profit.

The high profit companies are "healthy"—in other words, they're nicely profitable at current sales levels. I'm not going to assign a specific volume range to these volume classifications, though, because the first point I want to make is only that the larger companies in any competitive category should have more raw dollars to spend on marketing and promotion. A \$500M per year quick printer should have more to spend than a \$250M per year quick printer, and so should an \$8MM commercial printer as compared to a \$3MM firm. The low-profit companies are obviously "unhealthy" no matter what their current sales levels.

Healthy companies may have less of a *need* to increase sales, but no less desire. While I've had some printers tell me they have "all the business they can handle" right now, that's a situation that can change pretty quickly. The intelligent "healthy" printer will take steps to insure that he or she *remains* busy and profitable.

Top Down

I've always preferred to take a bottom-up, raw dollar approach to budgeting rather than a top-down, percentage approach. You start this by asking yourself three questions: (1) What are our sales goals for the year? (2) What kind of marketing activities will it take to make those goals a reality? (3) How much will they cost me?

The best way to determine the total cost of these marketing activities is to create a marketing calendar for the entire year. Let's say that part of your answer to Question #2 was an aggressive direct mail program, with mailings going out to some number of potential customers every month. Calculate the cost of each mailing, including all of the various components like printing cost, postage, the cost of the mailing list, and any creative costs. Then plug that activity and its monthly cost into each month on your marketing calendar.

Do the same thing with every activity you contemplate. When you're done you'll have 12 individual month's worth of activities and 12 monthly sub-totals. Add them all up and you have the first draft of your marketing budget.

I say first draft because you might not be comfortable with the total cost of all of the things you initially *want* to do. That's OK. The first draft of a bottom-up marketing budget is often a "wish list" that requires some adjustment.

But don't ignore the reality of this situation. If you can't spend the money you think it will take to reach your goal, you're unlikely to reach that goal! Your best move in that situation may be to change the goal, because you have to base all of the rest of your business planning an assumption of what your sales levels will be.

I'm pretty confident in saying that just about any sales goal is possible if you can spend the money it will take to achieve it. That's another way in which size can mean power in this business.

But it's not just a matter of marketing *big*, sales growth is also a function of marketing *smart*. And you can do that no matter where you fit in the figure above. I'll have more on *smart, situational marketing* for you in the next few issues.