



How much should you spend on marketing?

There's a different answer for every business. Take a look at these *average marketing budgets* as a percentage of gross revenues: Retail: 4-10% ... banks: 2-5% ... law firms: 1-4% ... and industrial business-to-business companies: 1% of gross sales. Pharmaceutical companies allot up to 20% of *net* sales. New companies need to spend more than the average. Plus, an organization's specific market realities, business goals or competitive threats can warrant much heftier-than-average marketing budgets. It's important to note that industry averages like these are extrapolated from data on *media purchases* and *print*. Thanks to the Internet, these traditional expenditures are now only part of a far broader mix of tactics — nicely mapped out by David Meerman Scott in his *New Rules of Marketing and PR* —that can include everything from search-engine and viral marketing, to direct-to-customer press releases and branded or user-generated content such as custom magazines, whitepapers, or other helpful non-sales content on the website. These new tactics can blur the lines between sales, communications, marketing, and PR and can change how you think about all these budgets.

THE POINT

You need to start somewhere, so consider budgeting at least 5% of projected gross revenue for marketing

Why 5%? McKinsey & Company recommends budgeting about 5% of gross revenue for marketing, with small businesses (less than \$5 million in gross revenue) budgeting 7-8%. These are the same percentages many successful franchisors recommend – and often mandate – for their franchisees. Franchises are some of the most disciplined marketers around, and they're some of the most aggressively growing businesses. It pays to listen to what they know works.

Using the percentage approach to create an annual marketing budget

Type of Organization	Gross Revenue	Benchmark %	Marketing Budget
Start Up	\$500,000	8%	\$40,000
Small, Established	\$500,000	7%	\$35,000
Larger, Established	\$5,000,000	5%	\$250,000

Remember, mapping out your marketing budget is just start. Whether you target \$10,000 or \$1,000,000, the next step is the same: to define which messages, synergies and tactics will give you the highest return for every single dollar.