



What to Spend on Marketing for 2017

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By Marc Emmer

How much should you spend on marketing in 2017?

For years, companies have fervently debated how much they should spend on sales and marketing. Indeed, it can be difficult to find relevant benchmarks when establishing sales and marketing budgets.

In my experience, most companies — especially those in the B2B space — focus on sales and underspend on marketing. However, research indicates that marketing spend may be on the rise. The **2016 CMO Survey** by the American Marketing Association and Duke University found that, in the next year, companies plan to spend 13 percent more on digital marketing and 7 percent more on marketing overall.

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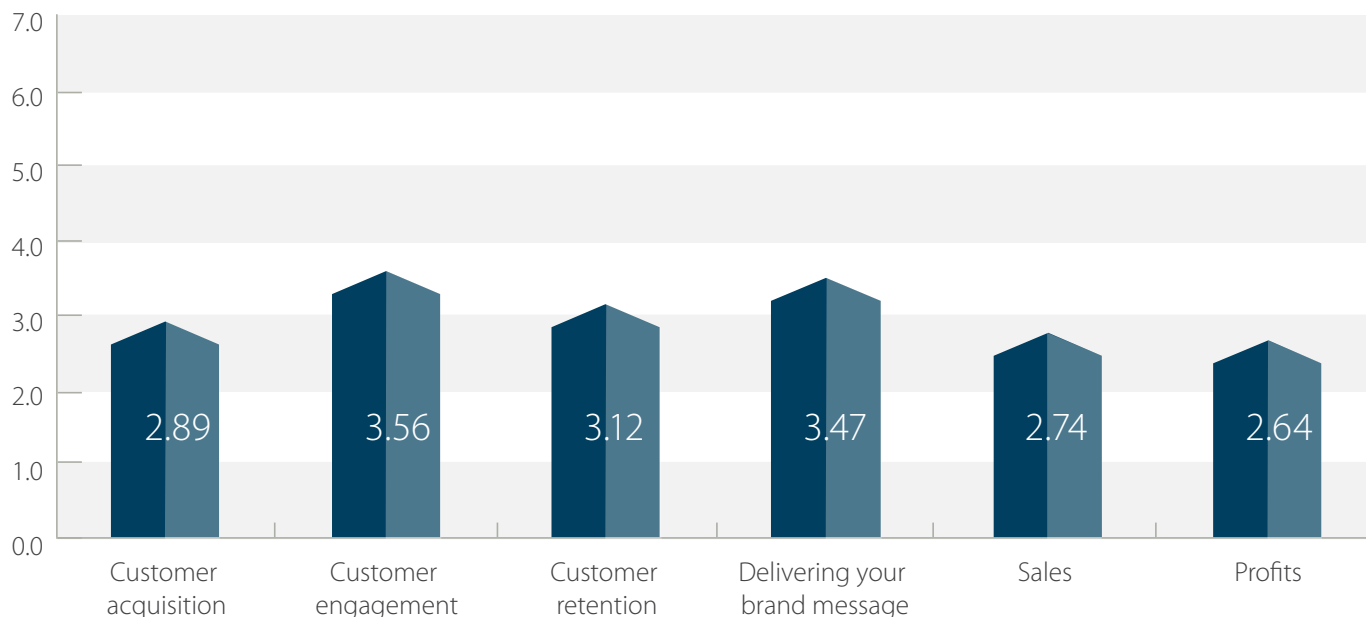
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Summarizing survey findings

As you prepare your marketing and sales budget for 2017, it can be helpful to consider these key findings from the CMO Survey:

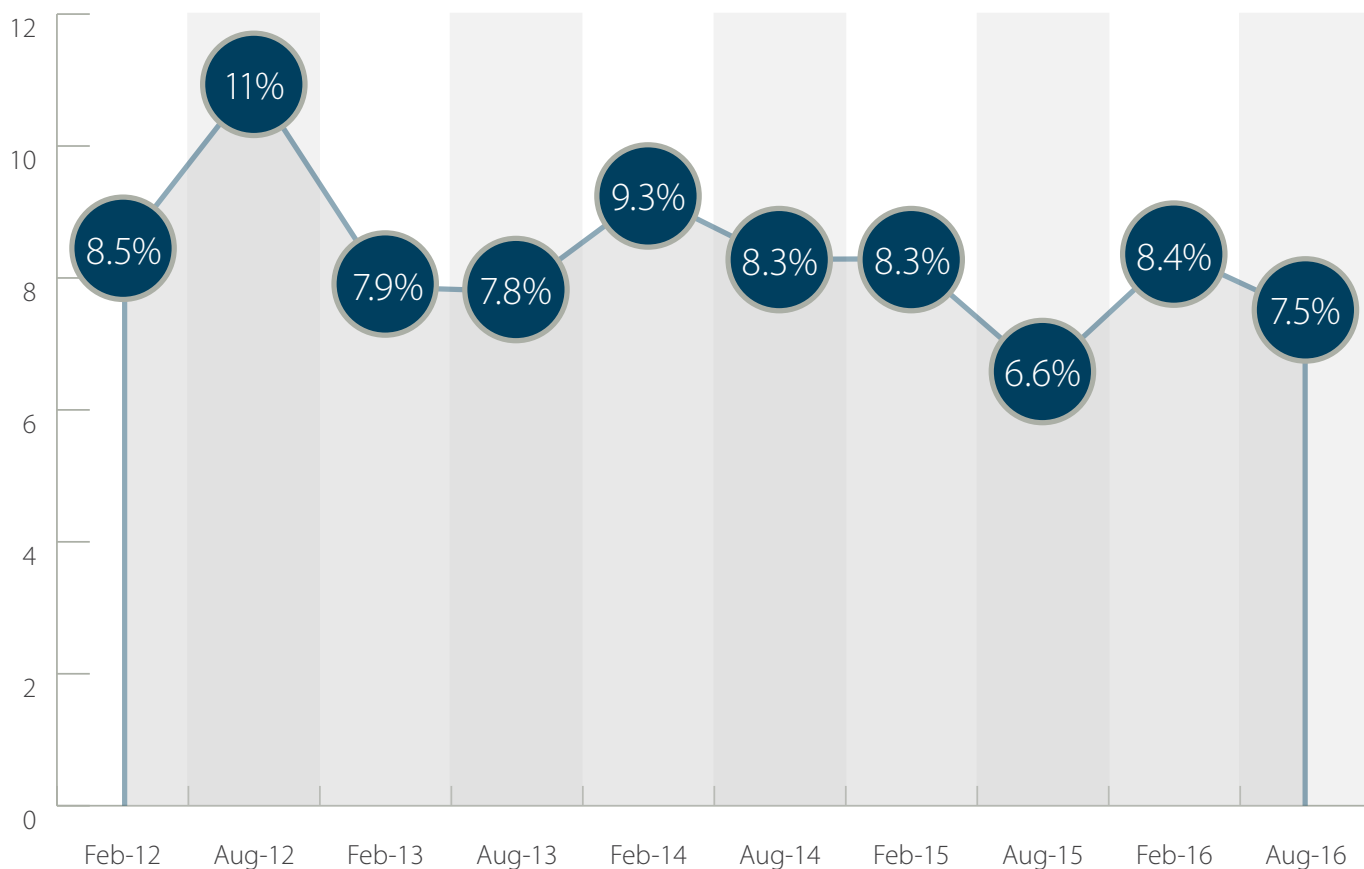
- **The B2B space is changing.** B2B marketing spending is on the rise. B2B companies are also shifting toward a more contemporary view of marketing. Many have put increased emphasis on market research and are integrating CRM, SEO, dynamic websites, and mobile tools into their marketing strategies.
- **Companies find it hard to measure ROMI.** Only 36.7 percent of companies report that they can quantitatively measure the impact of marketing on their business. Therefore, many still struggle to measure their Return On Marketing Investment (ROMI).
- **Mobile, social and digital marketing is on the rise.** Mobile marketing spending is projected to increase by 160 percent over the next three years. Companies project a 10 percent increase in digital marketing spending during the next 12 months. Social media spending is expected to rise by nearly 100 percent in the next five years. Most social media investments throughout the next 12 months will be in content creation.



How Mobile Marketing Performs (1=poor, 7=excellent)

Marketing spending as percent of company revenues

Overall	7.5%
B2B Product	8.7
B2B Services	6.0
B2C Product	10.2
B2C Services	6.1%



- **Companies are investing close to home.** Almost 80 percent of companies' marketing budgets are spent on domestic markets.
- **Traditional advertising is decreasing while CRM is increasing.** Companies plan to spend 3.2 percent less on traditional advertising this year compared to last year. On average, 7.1 percent of spending will be on CRM, up from 6 percent last year.
- **Research is integral to the process.** 43.6 percent of participants spend a portion of their marketing budget not only on direct marketing expenses, but on research beforehand and throughout their campaigns.



How to determine your budget

As you look to construct your sales and marketing budget for 2017, keep the following six tips in mind.

1. Outline costs and develop a sales scorecard.

List sales and marketing on multiple lines on the P&L, so that true costs are not masked or distorted. Set aside adequate spending for digital assets including an annual refresh of your website with dynamic design. Ensure that you have content, including testimonials, white papers and case studies, to support your position. Video has emerged as a cheap method for educating customers and prospects. Develop a sales scorecard that measures new customer sales, SEPR or acquisition costs (more on this below).

2. Ask questions to clarify your spending decisions.

Answering the following five questions will help bring clarity to your budget decisions.

- How does our sales and marketing strategy align with our business goals?
- How will marketing and sales work together to create synergy and economic value?
- What is an acceptable return on investment?
- How much should the marketing budget be?
- Where and how should the money be allocated?

3. Assess the performance of your existing marketing and sales.

One useful tool for measuring the effectiveness of your marketing and sales is the “Selling Expense Productivity Ratio” (SEPR), which looks at revenue generated for every dollar spent on sales and marketing. While it may be difficult to compare your SEPR vs. other companies, you can track increases each year to determine additional spending. In other words, when your SEPR increases, additional investment may be warranted.

Another way to view the ratio is through acquisition cost. Naturally, companies must measure their acquisition cost and find an appropriate equilibrium for their investment. While the attributes of acquisition cost may vary, a simple way to measure is by dividing the selling expense by the number of new customers, assuming salespeople do not service existing businesses. (In that case, calculate the estimated time they spend selling to new customers.) For example:

Acquisition Cost = Selling Costs \$3,000,000 \ New Customers 150 = \$20,000 (per customer)

SEPR (Margin) = Selling Costs \$3,000,000 \ Lifetime Value of New Margin Dollars \$7,000,000 = 43 percent

This is one of the reasons why we're seeing more spend on Search Engine Optimization and the like. The Return On Marketing Investment (ROMI) is much higher with SEO than with traditional marketing methods.

4. Allocate budget for different activities.

Companies should recognize that there is a base budget required to protect existing volume, and a different level of spending required to generate incremental volume (new business).

Marketing, as a function, is in the business of improving sales productivity. When crafting a marketing plan and corresponding budget, you must assess how to allocate various activities. Naturally, this allocation will vary from one company to the next. Industries with a direct sales force could easily spend 20-30 percent of revenue on sales, while online businesses may spend zero.

5. Pay attention to mobile marketing.

Mobile marketing extends even beyond the reaches of traditional and social media marketing. Some say mobile is the future of marketing, though many note that it has already arrived.

When deciding how much budget to allocate for mobile, consider the performance metrics in the sidebar (see "How Mobile Marketing Performs"). Because mobile marketing can happen in real time and is location-sensitive, marketers who aren't reaching customers on their mobile phones are missing out on a large chunk of the market.

6. See the big picture.

As you build your 2017 budget and marketing plan, keep your eye on the big picture. Consider alternative methods for influencing customers and prospects. And make sure that you spend enough on marketing to improve the productivity of your sales team

About the author

Marc Emmer is President of **Optimize Inc.**, a Management Consulting firm specializing in strategic planning. He is an author, speaker and consultant recognized as a thought leader throughout North America as an expert in strategic planning. The release of Marc's book, *Intended Consequences* was covered online by Forbes, CNBC and Fox Business.

Marc has also served as an advisor to several serial entrepreneurs and currently serves as the Vice Chair on the Board of Directors for Account Control Technology Holdings, Inc. Marc is an accomplished speaker, having delivered over 225 key note speeches for organizations such as the Association for Corporate Growth, and speaks internationally for Vistage, the world's largest CEO peer group organization. His weekly strategy blog is received by over a thousand senior executives.

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