

# myweeklymarketing.

**Janice Hostager:** 0:04

I'm Janice Hostager. After three decades in the marketing business and many years of being an entrepreneur, I've learned a thing or two about marketing. Join me as we talk about marketing, small business and life in between. Welcome to My Weekly Marketing.

**Janice Hostager:** 0:29

Hey and welcome back to another episode of My Weekly Marketing. So today I really want to talk about how much you should spend on marketing. So as I start this episode, I have a bit of a confession. I entered the marketing world through the creative side of advertising. So I was an art director, I did some writing, it was all the creative things, so I've never really gravitated toward the numbers. In fact, I have vivid memories of being in grade school and sitting at our kitchen table doing my math homework in tears and telling my dad I just didn't get it. And I got through high school algebra and college math okay, but I really hit the math wall when I got to grad school and I had to take statistics. But that's another story.

**Janice Hostager:** 1:16

All this embarrassment to say is that I am not naturally drawn to the numbers side of marketing. I would always prefer to write or design something rather than to look at budgets and the numbers. But it didn't take me too long to figure out that business is all about numbers and avoiding them won't do us any favors. I really push back on certain entrepreneur influencers who say that all you really need to do is follow your dream. I'm going to tell you straight. There is so much more to running your business than following your dreams, and much of it is the numbers. 85% of small businesses fail because of financial reasons. So while money is likely not the reason you got into business, it definitely is an ingredient that you need to stay into business. So the reason I'm doing this episode about how much to spend on marketing is that people ask me that a lot, and it's a valid question and I'm sorry. The answer is it depends. It depends on whether you're just starting out or you've been in business for a while, the cost of your products or services, the stage of business growth, who your ideal customer is, the size of your market and so on.

**Janice Hostager:** 2:26

So, to start out, let me tell you a few issues that I personally noticed that businesses tend to encounter when trying to set up a marketing budget. Number one, underestimating the true costs. Many times businesses fail to account for all the

marketing expenses like the software subscriptions, photography costs if you hire a photographer, Canva, email service provider, website fees, freelancers, printing costs, etc. You really need to take all of that into account when you're setting up your marketing budget. Number two, a lot of times people have difficulty measuring their ROI or their return on investment. And I want to add that I have created a free marketing budget calculator on my website to help you out. It's at [janicehostager.com forward slash budget](http://janicehostager.com/forward-slash-budget) and I'll put the link to that in the show notes too.

**Janice Hostager:** 3:19

Number three, they fail to set clear financial goals for a launch or promotion. I think we jump in sometimes with promotions, with the best of intentions, and sometimes we're a little fearful to set a goal too high, since we're afraid we'll either jinx it or look stupid if we don't reach it. That's kind of been my experience anyway. But it is really important to set a goal, maybe a conservative goal, and then a real bigger goal, which is what I've done in the past. And you know, if you don't reach the big goal, it's okay, but at least you've set it out there, you put it out there and you have something to aim towards.

**Janice Hostager:** 3:58

Number four, ignoring lifetime customer value. This is a big one. Determining what your customer is worth over the lifetime of doing business with you is your lifetime customer value. Not knowing this number can lead to short-sighted marketing or short-sighted budgeting and a host of other issues when setting up a budget. Okay, so knowing that number like so if a customer does business with you, like for months and years, that is their lifetime customer value. So you need to know that number. And the fifth issue that I personally noticed that businesses encounter when setting up a budget is budgeting too much on ineffective channels, or oftentimes I see businesses budgeting too little with an underfunded marketing budget that doesn't get them any good results. When that happens, I find that people are frustrated and they want to give up and they say, well, just marketing doesn't work for me, or Facebook ads don't work, or whatever. So it's really important to be realistic about your budget not too big, not too small.

**Janice Hostager:** 4:58

So before you jump into all the details of this, as I touched on earlier, the first thing you need to do is know your numbers. When I ask new clients their numbers, I often get blank stares. So here's the numbers that you should know up front before spending money in marketing. Assuming you have an existing business, if you have a new startup, this is probably not going to work for you, and here's also why you need to know these numbers.

**Janice Hostager: 5:24**

Number one is we just talked about your lifetime customer value. It's the average revenue your business can expect from a single customer over the duration of your relationship with them, so from their first purchase with your company to their last. That number is important because if your customer average spend is like \$10,000, okay, so a customer over the lifetime of that customer spends 10 grand, you can afford to maybe spend you know five \$600 to acquire that customer. It would still be an incredible return on investment. Another business may only have a lifetime customer value of \$100. So obviously that impacts their marketing budget as well and their spend quite a bit.

**Janice Hostager: 6:05**

The second thing you need to know is your sales goals, so the revenue you hope to make on promotions or launches, as we talked about earlier. If you don't know your goals, it's easy to overspend or underspend your marketing. The next number you need to know is your Customer Acquisition Cost or your CAC, this is the total cost of acquiring a new customer, whatever that cost is in marketing, so the cost of paid ads, discounts, coupons, even like video, software tools, etc. What is the total cost of getting a customer? And the fourth number I think you need to know is your cost per lead. So this is the cost of generating a new lead. A lead may or may not become a customer, so that's a different number than your customer acquisition cost or your lifetime customer value. So if you can do your research and get those numbers, then you can kind of start looking at your total numbers for a budget. So here's what goes into determining your marketing budget.

**Janice Hostager: 7:05**

Number one determine if you're focused on brand awareness, lead generation or customer retention. Okay, so your goals shape where you spend and how much is necessary. For example, an awareness campaign often requires more paid ads, and if your goal is customer retention, your efforts might focus a little more on email marketing or remarketing or showing ads to people that have already been to your site, or maybe loyalty programs and no paid ads. So it really can be different based on what your goals are for your marketing. Number two thing that you need to look at is what is your business stage. Startups or new businesses may need to invest more heavily in marketing maybe 10 to 20% of their revenue to establish their brand, whereas established businesses often focus on maintaining or growing with a 5 to 10% of revenue budget. Number three thing to look at is what is your gross revenue? So gross revenue is the total amount of money a business earns from sales, before subtracting any of the expenses. Again, a common baseline is to allocate five to 10% of your gross

annual revenue for marketing. So, for example, \$100,000 annual revenue equals five to \$10,000 in a marketing budget. For early stage growth or fast growth businesses, you may want to allocate 10 to 20% to accelerate your results, but again, it depends on all the other variables that you've got going on.

**Janice Hostager:** 8:40

Number four, who is your ideal customer? Once you determine who your ideal customer is, then you can figure out what platforms they use and where they spend their time. And that will guide where you invest. Google ads, social media ads, SEO or in-person promotions, or even promotions outside the box like sponsoring special events or getting scrappy and handing out flyers at a coffee shop. It all costs you money. It all costs you different amounts of money, but knowing who your ideal customer is will let you figure out what you're going to do and the amount that you need to spend to do it. Okay, number five what are the marketing norms in your industry? Some industries are way more competitive and require a lot more, higher spend. For example, if you have an e-commerce or a B2C business or business to consumer business, you may need more for paid ads and social media, especially if it's a competitive industry, if you have a B2B or a service-based business, you can sometimes do a little better by prioritizing content marketing and relationship building, which requires a whole different type of spend.

**Janice Hostager:** 9:49

Number six, your resources and your capacity. Consider what you can do in-house versus outsourcing to freelancers or agencies. Don't forget tools and software costs, like Canva or a CRM platform or email tools. Personally, I recommend outsourcing Google ads if you can afford it, since it's easy to lose money if you don't know really how to set them up correctly. Facebook ads used to be a whole lot easier, but they've become more complicated to set up too, so it really depends on what you're comfortable doing on your own. But whatever it is, look at your own time, your skill set and your comfort zone and consider what to outsource and what you can do yourself. Remember your time is also worth money. Don't sell it short.

**Janice Hostager:** 10:37

Number seven seasonal trends. Some businesses need higher promotional budgets during busy seasons like Mother's Day or Christmas or for trade shows. Pay attention to those when you're putting together your budget. And number eight, as we talked about before lifetime customer value. Knowing how much your customer is worth over the lifetime helps you decide how much to spend on acquiring them. And the last thing that you need to consider is what level of return on investment do you expect? A successful

marketing strategy generally generates maybe two to five dollars for every dollar spent. So if you're not hitting that mark, you may need to reassess your budget or your strategy.

**Janice Hostager:** 11:20

So you may be wondering what exactly should go into a marketing budget. Well, typical elements included in a marketing budget are digital marketing, so social media ads, SEO or search engine optimization, email marketing, things like that. Traditional marketing, so print, tv, radio, collateral. Collateral is printed items that are not necessarily flyers, or could be flyers, for sure, but printed items or swag, right, water bottles, canned koozies, whatever it is that you have printed with your logo on. All of that is considered in traditional marketing. And also print ads, which is something we don't do a lot of anymore, but that is definitely a line item that should go into your budget. Also, tools and software, such as your CRM and any analytics tools that you use, and professional services, such as agency fees, freelancers cost, maybe photographers and so on.

**Janice Hostager:** 12:19

When determining where to spend the money, think strategically. You may get a lot of new visitors with a billboard, but the cost of running that billboard will likely not pay dividends. If it's not a business where you're going to be marketing to the masses, it's likely money going to be wasted. Again, it's important to know your ideal customer and lifetime customer value so you can allocate budget based on customer acquisition cost and your expected return on investment. Okay, so, if you're curious, here's a sample budget breakdown.

**Janice Hostager:** 12:49

So let's do this for two businesses first. The first one is that a business that has a ten thousand dollar a month budget. Now, if you're just starting out, that number sounds astronomical. I totally get it, but we'll do a smaller one next. Okay, so that for the ten thousand dollar a month budget for paid ads, you might want to allocate forty percent of that, or four thousand dollars a month for Google search ads, meta ads, for lead generation, mostly. At that budget amount, I'd also recommend spending about 25% on content marketing, such as blog posts, maybe video production, working with writers and the production costs of doing all of it. For social media, I'd recommend about 15% for organic posts, influencer campaigns, paid help to get it all out there and posted. 10% on SEO, so that's keyword research, maybe assistance building some links. And email marketing about 5%, so that would be for newsletters, email service provider cost, etc.

And then tools and resources about 5% also. So that would be software for analytics, a CRM, etc.

**Janice Hostager: 14:00**

Now let's do a budget breakdown for a company who can invest about \$500 a month for marketing. So for paid advertising, 40% of \$500 a month is only \$200. That's not going to go especially far. So if you're going to do paid advertising at that budget amount, you will have a much better conversion rate with targeted ads on Facebook and Instagram for audience discovery and lead generation, rather than trying to sell directly on Facebook with that ad spend. I'd use that small amount of money, a budget, entirely on list growth, to maximize that amount of spend. I would not recommend, at a small amount like that, going into Google Ads because you're just not going to get a whole lot of results from it. But you can certainly test it and try it. All of these are just things that I've learned from doing ads myself and for my clients, but certainly, if you want to do it, feel free to test it out and see how it works.

**Janice Hostager: 15:00**

The next breakdown for a \$500 a month spend would be content marketing and I would spend about 20% of that on content marketing. That's about \$100 a month For that. I would build brand authority and attract organic search traffic, right. So I would probably publish four blog posts or create a monthly video relevant to your audience, and I would use SEO tools like Moz or Ubersuggest to identify topics and keywords. They both have free versions if you don't want to invest in a paid version, and I think that would probably help you out enough if you're just doing four blog posts or one video a month.

**Janice Hostager: 15:41**

If you want to DIY it, you could certainly write your own blog posts using free tools like Grammarly and ChatGPT for ideas and create social content with free and affordable tools like Canva. For email marketing, 10% of that would go to your budget, would go to email marketing. That's \$50 a month. For that. I would use email marketing software like Kit, which has a free starter plan, that's formally ConvertKit, it's now called Kit and you can create a simple lead magnet like a checklist or a guide to grow your email list and then send two to four value-packed emails monthly to engage your subscribers. I actually prefer to send out an email every week to keep your business top of mind, but if you're strapped for time and you're strapped for money, sending something out on a consistent basis, like two to four times a month, is absolutely fine. For marketing tools. I would suggest 10% of that budget go to that. That's \$50 a month.

**Janice Hostager: 16:43**

You could certainly find some free tools, as I just talked about Google Analytics, Ubersuggest and Moz. For a CRM, you could use HubSpot or Zoho. They also have free plans to start out with. Social media management \$50 a month. I would use Buffer or Hootsuite so you can schedule posts across those platforms and remember to focus only on the platforms where your audience is most active and just let the rest go for right now until you grow your business a little more. I would also put in 5% for experimenting and testing. That's \$25 a month. You could test a small influencer partnership or run a paid post to increase visibility on social media platforms. You also might want to try new content platforms like a live video. And then the last 5% for the \$500 a month budget would be for education and learning. I would use \$25 a month to invest in online courses, books, memberships to improve your marketing knowledge, because that's gonna pay off down the road.

**Janice Hostager:** 17:48

Okay, so let's say you have your budget and you have your big promotion or launch coming up, how do you know when to adjust your budget? This is also another question I've had. So, first up, you really wanna monitor your key performance indicators, or your KPIs. These key metrics include your revenue growth, so are sales increasing? If so, allocate more marketing to capitalize on the momentum that you have going on. Your customer acquisition costs.

**Janice Hostager:** 18:15

If your customer acquisition costs is decreasing, consider scaling up efforts that are driving low cost leads, right? So sometimes we run an ad. We think we've got a budget set for that ad, but you're getting really good results. So go ahead and increase the budget on that, because if you're not spending that much, you might as well spend it all, right? Remember that marketing spend isn't really an expense, it's an investment. You also might want to move money around if you've got some ads that are underperforming and others that are overperforming, so that you can kind of balance everything out a little bit. And then, of course, pay attention to your conversion rates. If you're seeing higher conversion rates, invest more in the channels that are delivering the good results.

**Janice Hostager:** 18:58

You should also adjust your budget if you spot trends in your growth, so you might start noticing more business in seasonal periods, like in the summertime or in the wintertime, when customers are more active, or you might be growing consistently. Then gradually increase your budget as revenue grows so that your marketing keeps pace with the

demand. Or you might have unexpected growth, which is always welcome, right. So if you're experiencing rapid growth, invest in scaling up your customer acquisition efforts with that. You also might need to adjust your budget if you need to invest in an expert somewhere.

**Janice Hostager:** 19:34

Sometimes we're just starting out. We do a lot of things ourselves, but as we grow, we really can't always keep up. Social media is one of those things that people often outsource, but I'd also recommend someone to help with Google ads and Facebook ads, as I mentioned earlier, because they can be tricky at first. You may also want somebody to shoot photography for you, or there's a lot of different things that would go into marketing that you might want to outsource. So if you need to invest in someone, then move your budget around a little bit to make money for that, and as your company grows, you may need to increase your budget for higher ad spend or upgrading tools or software, or maybe even hiring some staff, and I also like to plan for flexibility. I like to set aside 10 to 15% of your budget as a contingency fund so you're able to adapt if there's a shift in the marketplace or unexpected opportunities arise. For example, maybe somebody wants to do a partnership with you or have you host an event, and sometimes campaigns do exceed expectations and you might want to scale it up, so it's good to have a little bit of contingency fund for that. So, okay, we've covered a lot today.

**Janice Hostager:** 20:50

To wrap it up, when setting up your paid advertising budget, you want to know your numbers determine a healthy marketing budget based on your revenue goals, numbers, customers trends, stage of business and seasonal fluctuations. We also talked about what should be included in your budget, as well as a sample breakdown of budgets. And, finally, we learned when to adjust your budget. Like I said earlier, if you need help with any of your budget, you can visit my budget calculator at [janicehostager.com/forward-slash-budget](http://janicehostager.com/forward-slash-budget) and it will help you with your own specific numbers. For information on anything we talked about in this episode, visit [myweeklymarketing.com](http://myweeklymarketing.com). Forward slash 92. That's all for this week. If you found this helpful, please subscribe, and I'd so appreciate a good review on your podcast platform of choice. Thanks for joining me today, see you next time. Bye for now.