

## MARKETING BUDGET: TOWARDS AN EFFECTIVE MARKETING PLAN

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### ABSTRACT

*Creating a marketing budget is an important task for the marketing department and it chalks out the areas where money will be spent. Given the resources will be always limited, an effective marketing budget needs to focus on areas where the spend is necessary. Such an effective marketing budget has so many benefits associated with it. It helps the business to remain on track financially without overspending, it helps channelize the funds to items which have more growth opportunities, it also helps to create benchmarks and goals, and helps create a long-term plan for the business. To create an effective marketing budget, the plan needs to align with the marketing goals and focus needs to be given to the key priorities. Moreover, evaluation needs to be carried out in terms of ROI measurement, which will tell the business whether the investments are in the right areas or not.*

**Keywords:** Marketing budget, marketing plan, marketing goals, ROI.

### Introduction

A marketing budget documents how much the business plans to spend on marketing over a particular period, similar to a year, quarter, or month. While budgeting for marketing, we need to consider all costs associated with marketing, like paid ads, hiring costs, marketing tools, website maintenance expenses, and more (Storm, 2020).

Below are the benefits of having a marketing budget:

1. It assists with staying on track financially: When planning for a marketing strategy, a marketing budget is expected to help stay on track financially. The marketing budget will help track how much the business is spending on each strategy and whether it is overspending. Without a budget, the business is probably going to overspend.
2. It allots assets into the right places: A marketing budget plan will help put the marketing assets in the right place. With a marketing budget, a business realizes the amount it can place into each marketing strategy of interest. It allows to figure out which strategies work with the budget.
3. It helps set benchmarks and goals: Having an budget helps set realistic benchmarks and goals that push the business ahead. Based on the budget, the business can set realistic expectations for various marketing channels and better understand the income expected to make the marketing efforts worthwhile.
4. It helps plan long term: A marketing budget allows creating a long-term plan. This point of

view keeps from having to battle for additional marketing spend and stop campaigns because of financing changes. While the business needs some adaptability into the budget, a drawn-out financing plan enables create a more predictable and effective marketing strategy.

5. It's an investment in a business' development: Note that marketing is definitely not a cost — it's an investment. Marketing is an investment in the business' development and advancement. With a marketing budget, the business will capitalize on the investment.

### Literature Review

There is ample research on the topic of marketing budget. Below are a few abstracts from recent literature.

Kumar and Pauwels (2020), have posited that, most organizations lessen spending in recessions, particularly on advertising items that might be simpler to cut. At the present time, advertising agencies are battling to stay afloat, and Google and Facebook are announcing considerably lower advertisement incomes as showcasing spending plunges with the business cycle. Organizations that have bounced back most firmly from past recessions typically didn't cut their advertising spend, and much of the time really expanded it. In any case, they changed what they were spending their advertising financial plan on and when to reflect the new setting in which they worked.

Zhao et al. (2019), have argued that, while marketing budget allocation has been studied for decades in traditional business, nowadays

online business brings considerably more challenges because of the dynamic environment and complex decision-making process. In this paper, we present a novel unified framework for marketing budget allocation. By leveraging abundant data, the proposed data driven approach can assist us with conquering the challenges and make more informed decisions. In our approach, a semi black box model is worked to forecast the dynamic market response and an efficient optimization method is proposed to solve the complex allocation task. To begin with, the response in each market segment is forecasted by exploring historical data through a semi-black-box model, where the capability of logit demand curve is enhanced by neural networks. The response model reveals relationship among sales and marketing cost. Based on the learned model, budget allocation is then formulated as an optimization problem, and we design efficient algorithms to solve it in both continuous and discrete settings. Several sorts of business constraints are supported in one unified optimization paradigm, including cost upper bound, profit lower bound, or ROI lower bound. The proposed framework is easy to execute and readily to handle large scale problems.

Smith (2020), has opined that, as firms keep searching for new ways to optimize expenditures, marketing managers have been forced to examine the transitory targets of efficient allocation levels and effective firm performance. Budget optimization has become the driving factor for marketing and sales expenditures given these optimal expectations. Although various investigations exist addressing the relationship between marketing expenditures and sales performance, the impact of this information has been gradually applied. Furthermore, next to no past research examines marketing budget allocation optimization in varying product categories or differing geographic regions. Therefore, this examination will examine organizational, regional and performance determinants and their relationship to the marketing contribution performance in a cross-cultural context. The suggestion is a firm level examination of variables to confirm impact on marketing performance across cultural settings.

Specifically, a sample of 770 retail trade firms from Japan, Germany and the United States are empirically investigated trying to answer the accompanying primary inquiries: (a) Does a common set of high-ranking determinants for Maximum Net Marketing Contribution exist among retail trade firms from the examined nations, combined? (b) Does a one of a kind set of high-ranking determinants for Maximum Net Marketing Contribution exist inside the retail trade firms from each nation, individually? To confirm the classification capability, the variables examined utilize both a nonlinear probabilistic neural network (PNN) and a linear multiple discriminant analysis.

According to Magalhaes (2018), the importance of marketing budget optimization is undeniably growing. A review by Gartner showed that marketing budgets increased to 12% of company income in 2016, from 11% in 2015. Not exclusively are marketing budgets increasing, advancements in data assortment and analytics deliver firms an entirely different array of marketing information to decipher, opening additional opportunities to marketing budget optimization. Notwithstanding, in spite of the development in investment, the majority of the current literature regarding the subject is as yet debating ideas and definitions, lessening its utility to managers that look for streamlined and practical information to apply to their companies. This leads to the target of this dissertation, which is to gather and analyze the assessments of marketing specialists regarding key measurements and patterns related to marketing budget optimization, according to the kind of company. Through a Real Time Delphi methodology used to gather the assessments of specialists on the matter, this dissertation came to several intriguing resolutions. The main end is that the subject of marketing budget optimization is non-consensual, because of its complexity and degree. This means that the kind of company alone was adequately not to reach a consensual resolution among specialists, as other criteria, for example, the market that the company operates in, its competition, product lifecycle, and goals are also viewed as crucial.

According to Bondarenko et al. (2021), this article examines the importance of optimizing advertising budgets for enterprises in the face

of fierce competition for the consumer. It highlights the rules that business proprietors ought to consider when fostering a marketing budget and notes the change in the impact of marketing in the sales funnel. The process of optimization of advertising budgets is introduced. Also, the main approaches and methods of forming the marketing budgets of enterprises are highlighted. The method is considered exhaustively, taking into account the effectiveness of the use of marketing budgets. And recommendations are given on the allocation of budgets inside advertising channels, contingent upon the goals and size of the enterprise.

Guler (2021), Arica et al. (2019), Fischer and Alber (2018), have contributed to the topic of marketing budget across diverse industries.

### **Creating a Marketing Budget**

#### **1) Knowing buyer's journey:**

The buyer's journey are the steps business's audience takes as they 'journey' from being a prospect to a paying customer. Knowing the buyer's journey helps understand how the audience interacts with the marketing — and where to set the goals and budget to better reach the customers (Conley, 2021).

#### **2) Aligning budget with marketing goals:**

How much to spend and which areas to spend will depend on the marketing goals. So, when creating the marketing budget, ensure spending money on things required by the current marketing goals — goals set based on the audience and their journey from prospect to customer.

These could include:

- Display ads to promote a new product launch.
- Sponsored social media posts to generate followers on new Facebook page.
- Paid search engine ads to drive traffic (and purchases) to a specific product page.
- Contract bloggers to get more organic search traffic to the company's website.

#### **3) Hidden marketing costs:**

In many cases, unanticipated costs can force marketers to spend more than they had budgeted. When people allocate budget for

product marketing, they tend to think only in terms of product launch and promotional activities. Resources need to be set aside for doing research testing before the product is actually launched.

#### **4) Remembering the Priorities:**

It is important to assess what is nice to have versus what is necessary so that expenses can be organized. By evaluating where the budget is being allocated and the results it is easier to figure out what should get the budget and what should not.

#### **5) Measuring the ROI:**

To judge the effectiveness of the marketing budget, measuring the ROI – return on investment is important. With this evaluation, the business can allocate more funds to things which are working out and lower spend on things which are not generating enough returns.

### **Conclusion**

Given that resources available at the business's disposal are limited, a well-defined marketing budget is the need of the hour. There are several benefits of having the marketing budget. First, it helps the business to stay on track financially. Second, it helps allocate resources to the most deserving items. Third, it sets benchmarks and goals for the various marketing channels. Fourth, it helps business to think long term. Lastly, the budget is an investment in the growth of the business.

To create an effective marketing budget certain things are important to consider, such as, a focus on consumer on where he interacts with the marketing, aligning the budget with the marketing goals, an eye on hidden costs, a focus on priorities and measuring the effectiveness of the budget by calculating ROI. The evaluation of the generated returns provides a tangible feedback on the effectiveness of the budget and it can be modified accordingly for the next year. Moreover, it helps measure the soundness of the marketing strategic plan and to make suitable changes accordingly. All in all, a detailed marketing budget helps navigate the course of marketing efforts in an organization.

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