



# How much should I be paying for marketing?

**Six Questions to Ask When Shaping  
Your Marketing Budget**



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So, you're assessing a new proposal from a marketing agency. Or maybe you're nearing the end of an unsatisfying engagement and you'd like to explore other options. It can be daunting to assess all the agencies and experts at your disposal, forecast how much to allocate for your marketing efforts, and ultimately choose the right partner and plan to employ. To navigate these cumbersome decisions, you can use information from your past experiences and your current situation to help narrow the field.

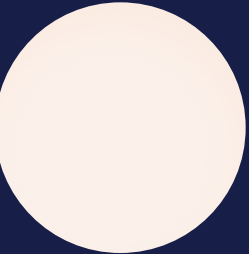
As part of our team's mission to foster a better creative experience, we've developed a series of questions aimed at helping organizations find the right marketing partner for where their business is now and where it's headed next. These six questions and their corresponding answers can help you determine how much you should be paying for your marketing efforts, what to consider when choosing a marketing partner, and how you and your team can contribute most effectively to your marketing endeavors.

This guide can be a valuable resource whether you're entering into a marketing relationship for the first time or if you have an existing partner that want to assess. We encourage you to use it as a workbook of sorts, or a reference guide.

Answer each question as honestly as you can – and invite additional team members to join in as necessary – to help you create the most accurate reflection of your current state.

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**There is no silver bullet in marketing, and you have to put in some effort to see results, but 10 times out of 10, working with the right partner and approaching your marketing strategically, with intentionality, will yield a better outcome than cutting corners and trying to beat the system with a quick fix.**



# Where am I, and how far do I want to go?

Before you can attach line items to a marketing budget, you need to know what you want to accomplish and how well you’re already equipped to succeed. As in many areas of business, emphasizing strategy before moving on to execution will serve you well.

## Strategic Considerations

The sections in bold below represent important considerations that will help lay the foundation for your process. Before you can get started, you need to have a thorough understanding of your goals, your current situation, your competitors and your audience.

### Establishing Specific, Measurable Goals:

- What do you want to accomplish?
- How quickly do you want to want to get there?
- Are your growth goals realistic?

### Surveying the Competitive Landscape:

- How large is your organization?
- How established are you in the marketplace, and do you have a competitive advantage?
- What is your unique selling proposition?

### Understanding Your Audience:

- Do your customers know who you are?
- What is the current perception of your business?
- Who is your target customer, how many are there, and where can you find them?
- Do you have a proven message you know will resonate with your priority audience(s)?

## Execution Mandatories

Once you’ve answered the questions in the left column, consider the elements below as a means to prepare for implementation. Having a better understanding of each, before you get started, will give you a running start on your project or campaign.

### Laying the Groundwork for Success:

- Have you established what success will look like, with key performance indicators (KPIs)?
- How many tactics will your approach include?

### Assessing the Competition:

- Who are your competitors, and how competitive is your market?
- What channels are they effectively employing?
- What offers are they running?

### Leveraging Your Network and Team:

- How strong is your sales network?
- Do you have a committed internal team with the skillset and bandwidth to contribute to the strategy, execution, and facilitation of your marketing objectives?

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### The answers to these questions inform

**where you need to start.** It’s also the first place where an experienced marketing partner can and should lend a hand. They can help you determine whether your needs are best suited for a project structure, or if you’re at a stage where it would make more sense to develop a sustained marketing presence.

If you’re looking to solve for a temporary issue or a single execution, you may choose to look for a sole practitioner, or perhaps a niche or boutique agency. If you’re looking for someone to help you align your marketing efforts with your sales goals, you’ll likely need a strategic, full-service agency.

The key is identifying a partner with demonstrated experience in your industry or with the services you need. Armed with the right information, they can leverage that experience to assess where in the maturity cycle your current marketing efforts rest and how they compare to your competitors in the space, ultimately revealing a clearer path to achieving your objectives.

# What should be included in my marketing budget?

A marketing budget is all encompassing and covers much more than just the fees you would pay to an agency partner. Allotting too little can hamstring your efforts before they have a chance to bear fruit. Projecting too much and not being able to follow through can be just as disastrous, because it can upend any momentum gained in the initial phases of your campaign.

Depending on the scope of your proposed campaign, any of the following may need to be factored into your budget. The more complex and aggressive your objectives are, the more elements from this list you'll need to account for.



This is another step where having the right partner on your side makes all the difference. If you're working with someone who understands your goals – and your limitations (i.e., budget) – they can help you choose strategically from the list of services they provide and help you get the best bang for your marketing buck instead of selling you on things that won't add value.

# How much marketing spend should I be prepared to allocate?

Now that you have a clearer picture of what you want and what it will take to get there, it's time to determine what it may cost. In a gross oversimplification of how to properly allocate funds for a marketing budget, the unscientific rule of thumb has long been to spend 3% of annual revenue to maintain current market share and between 5% and 10% to spark growth.

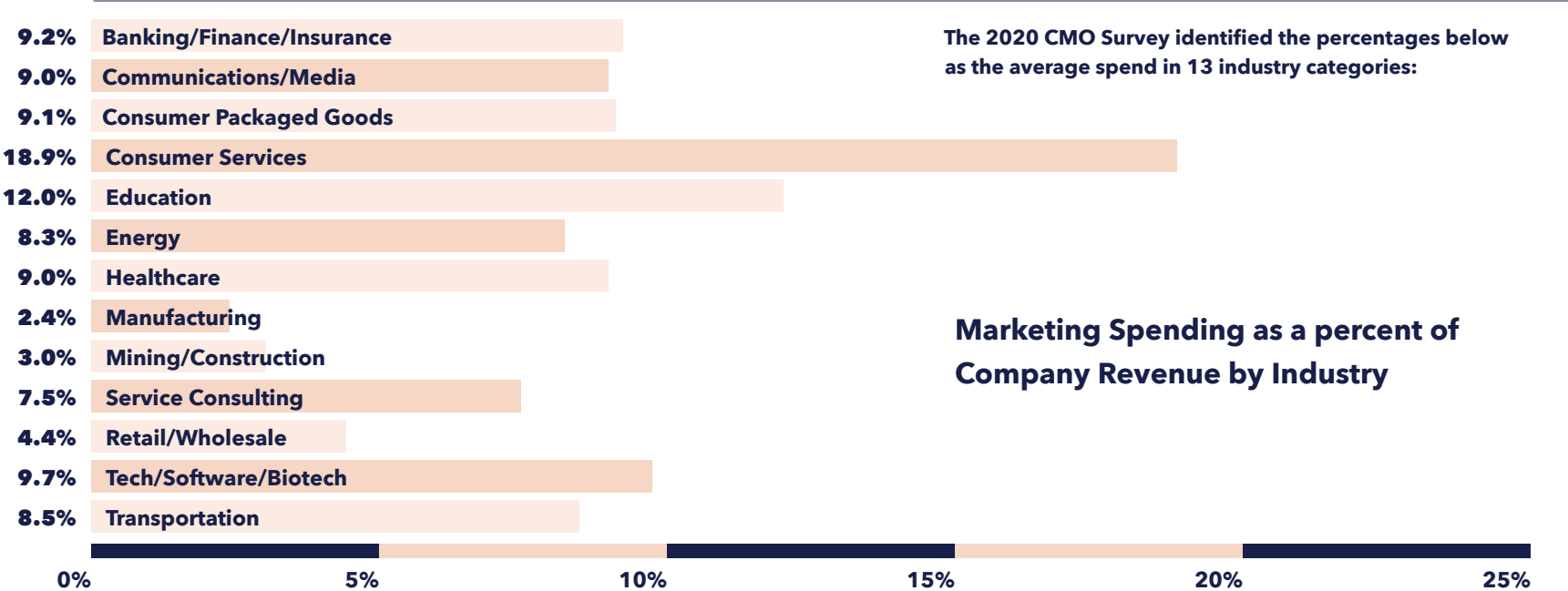
3%

Annual Revenue × 3% = Marketing Budget to Maintain Current Market Share

5%+

Annual Revenue × 5 to 10% = Marketing Budget to Spark Growth and Gain Market Share

This calculation isn't as precise as other more in-depth approaches, but in a pinch, it can give you a ballpark number of how much to allot for marketing. When embracing this train of thought, it's important to accept this number as an estimation and understand that environmental and industry-specific factors also play a big role in budgeting.



This year's CMO Survey yielded interesting results, showing that "marketing budget as a percent of firm revenues [has risen] again to 8.6% ... while marketing budget as a percent of firm budget remains steady at 11.3%." (<https://cmosurvey.org/>) This finding underscores the importance of treating your situation specifically rather than trying to answer your budgeting question with one-size-fits-all answer.

And while you're at it, you'll need to consider not only what your budget should be, but also what your competitors' will likely be. If they're all spending closer to the 8.6% average identified in the CMO Survey, spending only 3% of your annual budget will likely have you falling behind instead of maintaining market share. You'll also need to contextualize these figures for your particular industry.

Depending on the duration and complexity of your sales cycle, you may need more or less in your budget to see positive change. In a longer, more in-depth sales cycle, your cost per acquisition may be greater and necessitate running more media over a longer period of time. These costs will be mitigated once you begin to achieve results, because a more complex sales cycle typically leads to a higher price point for an offering or service.

# How much marketing spend should I be prepared to allocate?

As important as establishing a budget is, it can be just as important to embrace adaptability and understand that marketing spend can fluctuate throughout the duration of your engagement.

## THINK OF IT LIKE A FAUCET:

**The tap can be loosened or tightened depending on your need, and your action certainly should be dependent on seasonal elements that come into play. If your business is cyclical and you can predict your valleys and peaks, you can plan to increase spend when it makes the most sense to gain a more consistent return or take advantage of upswells in activity.**

Marketing costs can vary wildly based on complexity and urgency, so it's important to understand the environment in which you operate and approach your marketing accordingly, opening or tightening the valve when necessary.

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**The faucet metaphor fails, however, if you turn off the faucet entirely. Marketing success is closely tied to consistency and momentum, so if spend is eliminated entirely, you risk taking a few steps backward.**

Although the intricacies of each campaign ultimately dictate costs, at Dotted Line, our base marketing services for small businesses and startups begin at \$3,000 to \$5,000 per month. This approach yields limited advertising and usually requires leveraging owned assets such as an existing website, network, email database and social channels.

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**On the other end of the spectrum,** larger companies that have more significant growth goals and are further along in their marketing maturation might consider individual campaigns as just one element of their brand portfolios that tie multiple channels and audiences together.

Large-scale campaign costs can vary from \$100,000 a year to \$500,000 or more for a single quarter. These larger campaigns typically incorporate more complicated and involved executions that require greater up-front planning, in-depth maintenance and real-time optimization.

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## EXAMPLES OF MORE COMPLICATED OFFERINGS:

- Public Relations
- Traditional (TV/radio)
- Web Design & Development
- Content Strategy
- Video and Content Creation
- Sponsorships
- Attendance at Events or Tradeshows
- Inbound Marketing
- Nurture Funnels
- Digital Lead Generation



# How can I accurately determine campaign ROI?

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Knowing how much to spend is predicated on knowing how much you'll receive. Some objectives, such as brand awareness and social growth, are more abstract and harder to tie back to a specific dollar amount than others, but to calculate ROI in its most basic form, you'll need to take your total earned profit and subtract your initial investment and any additional amount you spent on the campaign.

**Earned Profit - (Initial Investment + Additional Spend) = Return on Investment**

In less black-and-white scenarios, the return may not be as simple as a sum of money and you might need to dig a little deeper to find a metric that proves fruitful. For example, when dealing with a sophisticated lead generation campaign, understanding total ROI is only one piece of the puzzle. There are any number of metrics, from cost per site visitor to percentage of repeat clients, that you can track to provide better clarity of performance.

The best way to appreciate marketing success is to establish benchmarks for several key

milestones in the sales process – getting people to your website, getting their contact information, interacting with several pieces of content – so that you can begin to see which ones mostly closely tie to the outcomes you're looking for.

Then you can track those datapoints and their effectiveness over time. This will allow you to assess the value of your spend as it ushers prospects through the purchase funnel, ultimately yielding a comprehensive understanding of what is gained with each additional dollar you contribute to your marketing efforts

## Example:

**Scenario:** Congratulations! You have been appointed as marketing director for Serious Corporation, a company that sells world-class widgets. You've been given the green light to execute a three-month paid media campaign that serves Facebook ads to your target audience and drives that audience to a dedicated landing page where they are invited to enter their contact information to receive a white paper explaining the importance of widgets, the competitive landscape, a methodical process for how to select the right one for your individual needs, and an option to purchase an exclusive widget through your online portal.

By routinely tracking your campaign spend and examining how many members of your audience take each one of these actions, you can better understand the effectiveness of your marketing at each stage of the consumer journey.

**Results:** You spend \$3,000 to run the Facebook ad campaign. Over the three-month flight, your ad is seen by one million people. 75,000 of that million click on your ad. 25,000 of those who click actually navigate to your dedicated landing page. 5,000 of the page visitors submit their email addresses to receive the white paper. 1,250 who receive the email open it. 400 of those prospects complete a purchase at \$75 a widget.

# How can I accurately determine campaign ROI?

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Now that we have comprehensive reporting from the campaign, we can use these numbers to better understand the effectiveness of your \$3,000 spend.

Identifying the effectiveness of a single campaign is just the beginning of your tracking endeavors. Where these metrics can provide the biggest value is serving as benchmarks as you continue to market over time. A positive result like the one highlighted in the example above can lay the groundwork for more extensive campaigns where you can attempt to replicate or improve your level of success on a larger scale. **If you could achieve a 9:1 return on \$3,000, is your audience and budget robust enough to do the same with a \$100,000 campaign?**

These immediate wins and short-term gains are exciting and should be celebrated, but the secondary benefits of these campaigns (audience growth, click-throughs, page visits, etc...) can lead to much greater long-term gains. The added brand awareness created through these efforts cannot be measured in hard dollars, but is worth its weight in gold.

Once you have these numbers, it's essential to establish relationships with partners who understand their gravity, are set up to leverage the data they identify,

and can use the proper tools and software to maximize your ROI. Systems like [HubSpot](#) are great resources for tracking campaign metrics and ensuring the maximization of data collected.

As you're vetting a potential agency partner, find out if they have a HubSpot certification or similar accreditation to prove their adeptness with campaign planning, data handling and ultimately mining insights from those results.

## ROI Super Chargers

Data is important, and it should guide many of your marketing decisions, but it's also important to consider what exists outside of the numbers. We call these elements ROI superchargers - factors outside the equation that can boost your ROI exponentially without increasing spend.

### Committed and Integrated Team

Having an internal point of contact and team members who appreciate the value of marketing – and the bandwidth to periodically collaborate with your agency partner – will do wonders for your results. Not only will the partnership feel more complete, it will also allow your agency to have a more intimate understanding of the day-to-day happenings and people in your organization, which is useful when it comes to leveraging your marketing executions.

### Service-Level Agreement Between Sales & Marketing

Marketing and sales are different, and your collective team needs to understand where these two functions should work together to drive optimal results. Creating alignment between them is a  $1+1=3$  equation that helps in every stage of the sales cycle. You wouldn't go into business with an external partner without a formal agreement on expectations, so why should your internal process be treated any differently?

### Intentional Frequency of Messaging

By harnessing a strategic approach to campaign flighting and utilizing an intentional cadence, you can yield better results and build on the momentum your previous efforts create. Without consistent frequency, it becomes much harder to maximize the value of your spend and easier to unintentionally create wasted efficiencies, ultimately dragging down your ROI.

## Example Results:

Campaign Spend:	\$3,000	Email Submissions:	5,000
Ad Impressions:	1,000,000	Nurture Email Opens:	1,250
Ad Clicks:	75,000	Purchases through Email:	400
Page Visits:	25,000	Widget Price:	\$75

Cost per Impression:	\$0.003
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**$(\$3,000 / 1,000,000 = \$0.003)$**

Necessary spend for a prospect in your target audience to see your display advertisement.

Cost per Click:	\$0.04
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**$(\$3,000 / 75,000 = \$0.04)$**

Necessary spend for a prospect in your target audience to interact with your display advertisement.

**NOTE:** Not all clicks go directly to the landing page; clicks are also recorded if a prospect navigates to your social page, "likes" or "shares" your post, or even clicks on the photo or video of your social ad.

Cost per Visitor:	\$0.12
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**$(\$3,000 / 25,000 = \$0.12)$**

Necessary spend for a prospect to navigate to your dedicated landing page from your Facebook ad promoted through this campaign.

**NOTE:** This number does not account for multiple visits back to the landing page by the same prospect unless they click on the ad more than once. Organic traffic back to the landing page often contributes a large portion of total visitors but does not come into play when determining this metric since you're only gauging the effectiveness of your paid media campaign.

Cost per Contact:	\$0.60
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**$(\$3,000 / 5,000 = \$0.60)$**

Necessary spend for a prospect to submit their personal information through your dedicated landing page.

**NOTE:** There is a delicate balance here in determining what information you should aim to collect. The more fields you ask a potential customer to fill out, the less likely they are to do so. When deciding for your own scenario, weigh the value of what you're providing in exchange for their personal information and ensure that it aligns with your request.

Cost per Acquisition:	\$7.50
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**$(\$3,000 / 400 = \$7.50)$**

Necessary spend to gain a customer.

Return on Investment:	\$27,000
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**$((\$75 * 400) - \$3,000 = \$27,000)$**

ROI is how much money the campaign brought in less your initial investment. While this example doesn't factor in agency fees or the cost to develop the whitepaper, it paints a picture of how you would begin to assess return. Using this example, the campaign resulted in a 9:1 return on the contributed funds.



# How do I find the right marketing partner?

Finding the right marketing partner is just as important as crafting the right message and sending it through the right channels. A less experienced or less effective partner can mean doom and gloom for a campaign before it begins, so it's important to ensure your new partner has the capability and expertise needed to help you achieve your goals.

There are many ways to rate and verify a potential partner's ability to follow through on your expectations.

In this section, we've identified several key areas you'll want to consider and tactics to employ in your negotiations to confirm that you're forming a partnership with the right person or agency.



## Strategy

An experienced agency partner always starts with strategy. All expectations and recommendations should be tailored to your organization through research, whether that means third-party data, personal discovery, or qualitative findings from stakeholders and focus groups.



To ensure your partner appreciates the importance of strategy, determine if they're keen to dive into tactics right away or if they'll take the necessary time to understand the metrics you want to achieve and build a strategy to meet those goals. A partner who'll proceed absent a strategy grounded in research and data is one who likely won't be able to deliver optimal results – and who'll have a hard time adjusting and adapting to the data they do collect, if any at all.

## Expertise and Commitment to Partnership

Your partner should possess the expertise and tact to guide and inform you throughout the entire marketing process, from initial planning to execution, analysis, optimization, and follow-through. As you're entering into dialogue, speak with them about their approach to working with similar clients.

Do they operate "hands off" and just deliver a finished product and periodic updates? Or are they intentional about working with you and your team to achieve ideal results? The greatest show of investment from a partner is their dedication to learning your business, inside and out, even beyond what's necessary to accomplish their marketing executions.



When discussing this element of the relationship, inquire them if they have any case studies that demonstrate their expertise in your industry. Have them describe the role they see you and your team playing.

## Accountability

A quality agency should have the ability to adeptly manage project deliverables, scope, budget, and timeline and hold themselves and your team accountable to the project plan for timely delivery. The benefit for many organizations that partner with an agency is having them act as an extension of their very own team. If an agency you're meeting with isn't willing to operate as such, then you're going to end up increasing your workload, as you'll be required to perform many of the project management and administrative tasks yourself.



**During your negotiations, if you're unsure of their ability to provide accountability, ask them for a sample project schedule and inquire about how they share their reporting. Determine if they have a set cadence for meetings and if they can provide a calendar and a clear plan.**

## Creative Quality

The partner you select should be able to demonstrate creative quality in all executions they play a hand in, and on a macro level as it pertains to their staff. You should feel confident in whoever will be developing the requisite assets for your campaign and the work they've produced previously. Before you determine the creative merit of an agency, look at their staff and determine who is the head creative.



**Research their creative director and study his or her previous work. If they don't have a creative director and instead only staff designers or art directors, they may be too small and inadequate to perform all the work you expect. If you feel comfortable with their team makeup after your research, examine their portfolio to see the work they've produced. In presentations, you'll only see their best work, so looking at a complete portfolio can provide insight into their true standard of creative.**

## Tracking and Reporting

Expert agencies excel in their tracking and reporting of all campaign activities. In an industry where everything is measurable, if a potential partner isn't leveraging data, they're more than a step behind. Before selecting a partner, review their case studies and see how much they focus on results grounded in meaningful data. It's one thing to be fastidious in reporting, but if nothing is being done with the data that's collected, it's all for naught.



**We advocate asking for a sample report from a previous project and looking into what tools and software the agency is proficient with and leverages to paint a more complete picture. If proper analytics and optimization are not applied, you run the risk of being subjected to a cookie-cutter plan rather than one custom-fit for your organization.**

Ultimately, everything you experience in the negotiation process of bringing an agency on board is a microcosm of how your partner will operate in real life.

**And likely, they're on their best behavior when first meeting you.**

**If the level of care is below your expectations, then expect an experience that's even less satisfactory moving forward.**

# What can I do to empower and assist my new agency partner?

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Although it may not affect your marketing budget on the front end, any efficiencies you and your partner are able to develop in your relationship will ultimately have a positive impact on your budget. By eliminating potential issues before they occur, you can save the time, energy and cost they would take to correct. If you assume your success is predicated on your advertising efforts and the relationship between you and your partner, you should pay equal attention to both.

To allow your partner to operate at maximum efficiency, there are several steps you can take:

## Ensure Alignment

Align internally, within your organization, and then with your agency on outcomes from the outset of your relationship. Tell your partner what you want to accomplish and establish what success looks like in writing.

Keep sight of these goals throughout the campaign and be sure to refer back to them when making decisions going forward. The key to executing a smooth and effective campaign lies in strategic planning before launch and a willingness to adapt as the project progresses.

Once alignment and trust have been established, set the expectation for routine status check-ins to guarantee your campaign is tracking toward success.

## Dedicate Time and Effort

Be prepared to contribute the necessary time and resources to meet your goals. View this as a true, equitable partnership. Just as your new partner will work hard to understand and appreciate your business, members of your team should take this opportunity to learn about your marketing initiatives and how they can best help support them.

A display of commitment to a common goal is the fastest way to build trust, and if it's forged on both sides of the relationship, both parties will benefit immensely.

## Trust Your Partner as You Do Your Team

If you've diligently researched multiple firms in pursuit of finding the right partner and thoroughly vetted them along the way, the biggest mistake you can make is treating a partner as an adversary once they come on board. It's easy to perceive outsiders as a threat, but if you're sitting on the same side of the table as opposed to across from each other, you'll be much more effective. Coordinate early and often and whenever wires are crossed, and refer back to the engagement summary and campaign goals regularly. When you're at a crossroads, make the decision that brings you closer to achieving what you set out to do.

By treating your new partner as a member of your team, ideation and agreement will be much easier to come by. The alternative leads to butting heads on even the smallest elements of a campaign. Encourage feedback and critique on your performance and offer the same in return.

## Share Outcomes with Your Partner

Your partner will be able to determine marketing effectiveness through their metrics, but nothing shows true success like end goal reports that only you and your team have possession of. If you have a Point of Sale (POS) system or something comparable that tracks performance, work with your partner to establish the most important metrics and come prepared to meetings with those numbers.

Once combined with the marketing numbers, the metrics you pull should be shared with senior leadership on a routine basis. This level and transparency of reporting will allow an internal marketing or sales team to look like rock stars for their organization, which is a true win-win.

**Without complete transparency around actual results, your partner will be reduced to guesswork, even if they have a complete mastery of marketing analytics. By being open with your agency, you can expedite process improvements and optimization.**

## Be Open About Work Style Preferences

This is no time to be shy. If you're entering into a relationship with a new partner, treat it as you would any relationship and concede that there should be give and take. If there's a certain way you like to work or practices you believe would be beneficial if employed, speak up. At the same time, offer the same courtesy to your partner and be receptive to their suggestions.

**Make sure you ask for what you need to be effective, and be willing to listen to what the agency needs so you can work together to achieve success.**

After an earnest review of these six questions and thoughtful consideration of your answers, you should be one step closer to identifying the right partner to work with, how much you should allot for your marketing efforts, and what your role should be in an agency-partner relationship. However, even armed with this knowledge, we want to reiterate that there is no panacea to marketing woes.

Each scenario and environment is different and, as such, should be approached with serious thought and in-depth analysis. There's no substitute for working with a partner that has experience in your field and the expertise required to implement the proper research, strategy and execution to get you where you want to go.

**If you'd like to discuss your findings, or if you're struggling to answer one of these guiding questions, [sign up for a Communications Brainstorm with Dotted Line](#). In this one-on-one consultation, we'll determine your level of preparedness to work with an agency partner and help connect the dots of your marketing strategy.**

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Since its founding in 2014, Lauren and the agency have grown to support 50+ emerging middle market and Fortune 1000 organizations in the healthcare, real estate and development, professional services, consumer goods and financial services industries.