

What should my marketing budget be for my small business?



Introduction

The times you think you can't afford marketing is precisely when you need it.

Currently, 38% of small business owners say they're seeing a drop in customer demand because of the rising cost of goods. With increasing competition for consumer dollars, you need your business to stay top of mind.

Marketing the right way is an investment that can help your business make sales and increase revenue, but how much should you spend on marketing?

We've put together this guide to help you determine your marketing budget for your small business.

Why setting a budget is important

Deciding what to budget for marketing can be difficult. Many small business owners or marketers decide to try a tactic without first determining their budget or desired outcome. If you underspend, you lose out on potential business, so underestimating your marketing budget needs can drastically and negatively impact revenue over time. On the other hand, you can't afford to be wasteful or inefficient with your marketing budget. The best way to determine the appropriate amount to spend on marketing is to set a marketing budget that aligns with your business goals.

What your budget should get you

Marketers who set specific goals say they are [successful 377% more often](#) than their peers who don't. But before you set a budget, it helps to outline your marketing goals based on your business goals. For example, say your business goal is to increase revenue 25% over the next year. To achieve this goal, you'd need to make some calculations like the following:

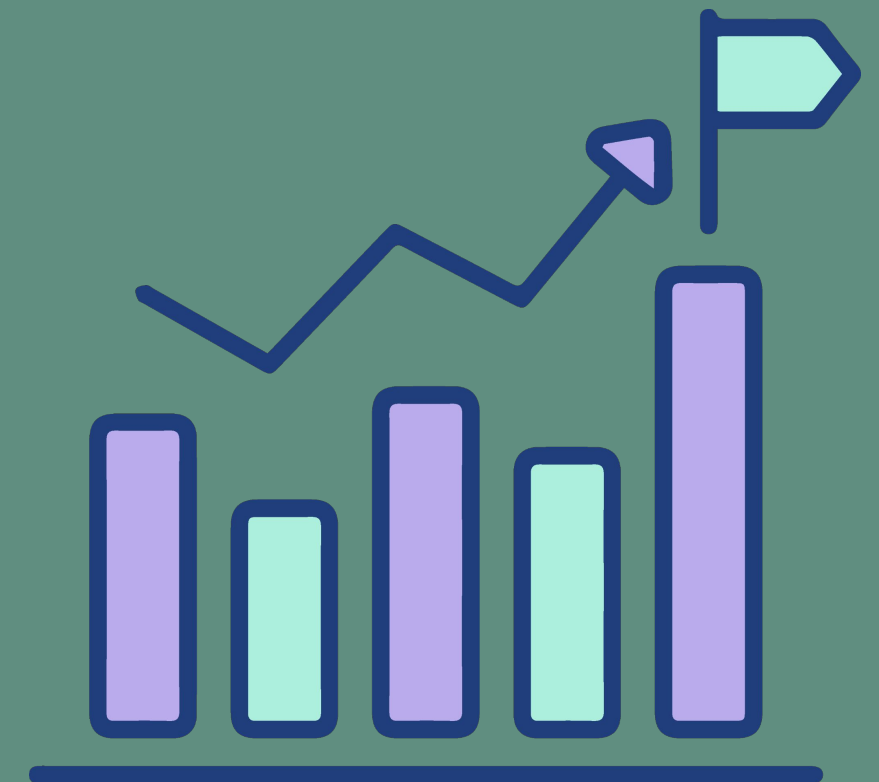
If your business earned **\$500,000** this year, your goal would be to earn **\$125,000** more for a revenue of **\$625,000**.

If your average sale is **\$2,500**, you need to gain **50 more customers** to equal **\$125,000**.

If you have a **25%** call conversion rate, you'll need to generate **200 new callers** to create **50 more customers**.

If **10%** of website visits result in calls, you need **2,000 website visits** to generate **200 calls**.

Thus, you now know your marketing goal is to attract 2,000 new website visitors to help reach your revenue goal. You can then decide [which marketing channels](#) and tactics will work best to achieve this goal.



Set specific and realistic marketing goals

Once you've determined what your goals are for the year, write them down in the form of [SMART goals](#). SMART stands for specific, measurable, attainable, relevant, and time-based. |

- **Specific:** Put a number, date, or other quantifiable aspect to your goal, like dollars in sales or new visitors to your website.
- **Measurable:** Decide how you'll track the outcome of your efforts, such as by using marketing analytics tools.
- **Attainable: Be realistic.** If you had \$100,000 in sales last quarter, setting a goal in the millions will likely just lead to frustration or apathy.
- **Relevant:** If your goal is to add customers to your mailing list, spending your budget on billboards won't help because you can't ask people for their email address.
- **Time-based:** If you don't give yourself a goal date, your team won't feel the sense of urgency to reach the goal.

Break down your big objectives into actionable, shorter-term goals

Once you have [defined goals](#), you can break them down into monthly action items. For example, if you set an annual lead generation goal, you can determine how many leads you need each quarter. Then break that down into the number of leads and conversions you need each month. It also helps to calculate how much one digital marketing campaign costs. If your goal is 2 customers and you need 25 leads, at \$40 a lead, you will need to spend \$1,000 on ads. Use [Call Tracking by CallRail](#) and [Form Tracking](#) to check on your progress toward these goals with weekly reports.

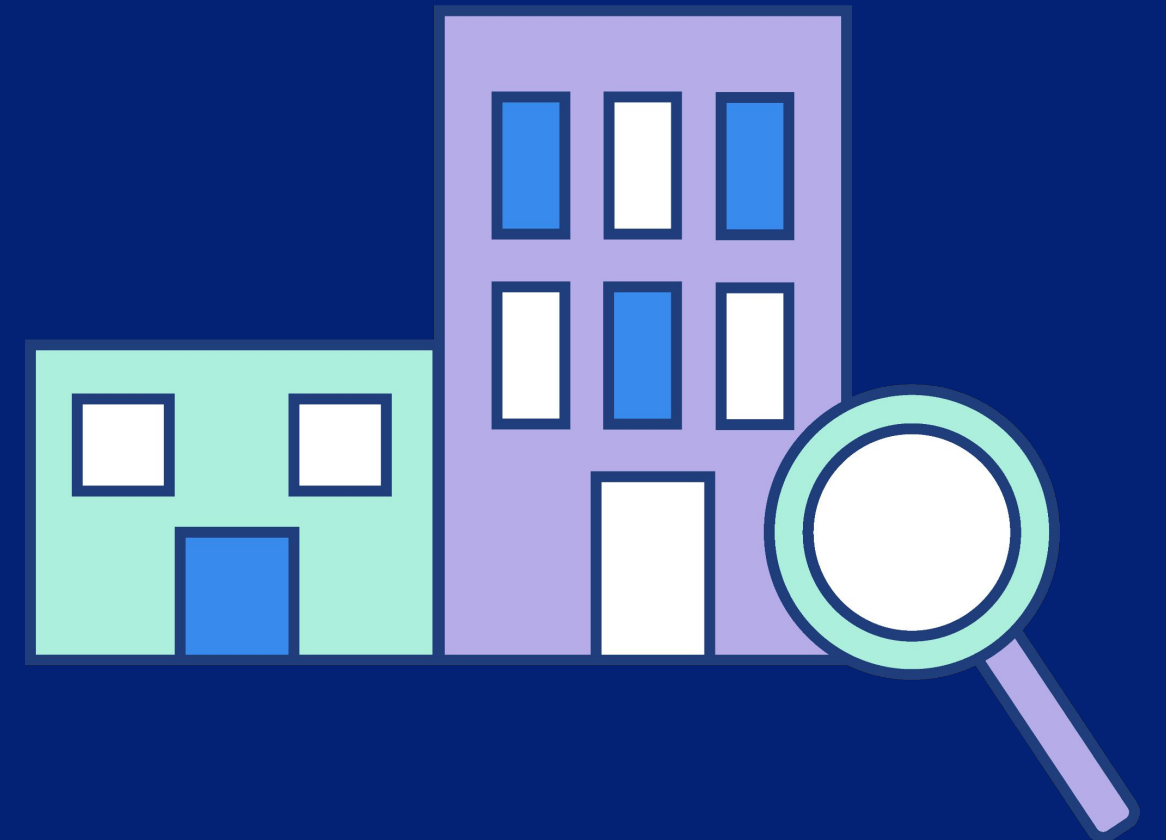
As you strategize, it's important to consider all buyer stages to help prospects move through the funnel. Consider top-of-funnel (TOFU) and middle-of-funnel (MOFU) goals. For example, use billboards, SEO articles, and business cards to increase brand awareness, and track the results using [Call Tracking](#) to see which efforts generated calls. You could also share thought leadership by providing ebooks for download, then [use Form Tracking](#) to measure and report on form submissions. If you also set SMART goals for those initiatives, you can use the results to revise your budget allocations accordingly.

How much should you spend?

Executives often [determine the marketing budget](#) by calculating it as a percentage of revenue or an industry standard and/or based on size. Each business owner or marketer needs to research what makes sense for their business, but it helps to understand what others businesses are doing.

If you're starting from scratch, consider that B2C product marketing budgets average [14.2% of company revenue](#) and B2C services marketing budgets average [8.7% of revenue](#). While marketing spending has increased [across online and offline channels](#) as well as across industries, your budget may look different and will depend on your industry, size of business, customer base (B2B or B2C), and your product or service.

No matter the industry or size of your business, your marketing budget can be the key to growth and success. Even a [small budget can be maximized](#) by taking advantage of emails, reviews, content marketing, social media, and public recognition like awards or press releases.



Test and adjust your marketing as you go

Your initial marketing budget is like a hypothesis you test repeatedly over time. Nothing should be considered set for the long term. Use trial and error, but minimize error by looking at industry averages until you establish your own baseline for comparison. It's also important to learn from previous mistakes.

You can try out different tactics and channels by using some common types of marketing testing, including:

- **A/B testing:** Compare results from two versions of the same element, like an email subject line or image in an ad.
- **Multivariate testing:** Compare multiple differences to see which performs better.
- **Usability testing:** Learn how intuitive and useful your site is for users through surveys, expert evaluation, or automated testing software and services.
- **Content testing:** Learn how your audience engages with and responds to your content.

Other types of testing include sample groups, geo-marketing testing, and eye tracking on websites. Whatever kind of testing you do, the focus should be on how you will use the outcomes to continue to improve your marketing.

Analyze and improve using data

The only way to improve marketing is to test campaigns and their elements by using tracking and analytics. Make it a habit to review the results regularly. Don't wait until a campaign is over to check the results or you may miss out on opportunities to optimize spending. For example, if a campaign is performing well above average, it makes sense to move more funds into it. On the other hand, if a campaign shows no results in a month, you'll want to change something to prevent further waste.

If you track your efforts, you'll be doing better than the [64% of small businesses](#) not using call tracking software. By using tools like CallRail, you'll drive higher-quality leads to your small business, helping you get the best possible return on your marketing spend. You'll also reduce risk by measuring leads from every activity, including previously untrackable ones like phone calls from Google or out-of-home ads.

Features like [dynamic number insertion](#) can also help you track customer behavior more accurately. Dynamic number insertion assigns a unique phone number to each of your online sources. It then shows visitors that number when they land on your website from that source, whether it be a PPC ad, organic search, or somewhere else online.

60% of small businesses [do not have visibility into the marketing source](#) that drove a prospect to reach out.

What you should spend on

Technology

How you allocate your marketing budget ultimately depends on a lot of factors specific to your company. One area small businesses can't afford to ignore is marketing technology (martech). Businesses of all sizes need tools to help them create assets, distribute content, and analyze results. The [top tools marketers use](#) to track ROI are analytics (58%), call tracking (47%), and form tracking (43%). These technologies help small businesses continually improve their efforts, with marketers reporting that they spend an [average of \\$156,098 a year](#) on tracking tools.



Outbound marketing

Outbound marketing is when you push your message out to the world. It's less targeted than inbound marketing and often interrupts what the audience is doing. Outbound marketing includes:

- **Brand work**
Your brand is your identity, and customers should be able to recognize your brand on sight. But brand work isn't just visual. Your brand's personality should be reflected in your content, tone, and priorities. Branding requires a lot of work to develop and can include creating a logo, deciding on a color palette, and drafting a style guide. But once it's done, it doesn't need to be refreshed for a while.
- **Traditional advertising**
Traditional advertising is what companies used before the internet and includes billboards, direct mail, and TV and radio ads. Some small businesses don't use or need traditional advertising, but for those who do, Call Tracking makes it trackable.
- **Search engine marketing**
Search engine marketing (SEM) lets you get traffic from paid search, and it often achieves results faster than SEO, which relies on the organic attraction of visitors to your site by trying to rank higher on the search engine result page (SERP).

- **Paid social**
It's often worth it to test paid social, which involves advertising on platforms like Facebook and YouTube, since it works great for some businesses. However, it can require a lot of effort and maintenance, so it's not worth it for every small business.
- **Events**
Plan and participate in events to show how your small business contributes to the local community. This will help to build relationships within your local area and increase awareness of your business and products. Events can be expensive though, so consider hosting online events and partnering with complementary businesses, which also serves to widen your audience.
- **Customer loyalty programs**
These programs let you market to existing or previous customers. You can create offers and promotions that keep your business top of mind.

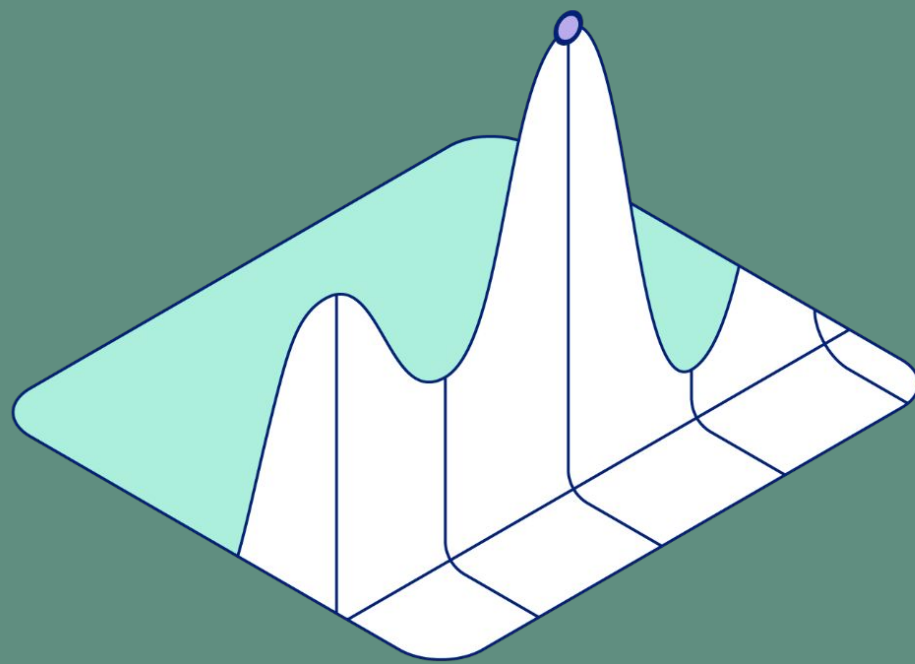
Some options like paid advertising and email marketing are often good for small businesses because they can be tested with small budgets. The top channels where marketers are spending their budgets are paid search (11%), paid social (10%), email marketing (8%), sponsored content (8%), and influencer marketing (7%), according to CallRail's report, ["Marketing Risk vs. Reward: How small- to medium-sized businesses calculate marketing risks and where to take them."](#)

Inbound marketing

Inbound marketing is attracting or pulling your customers to you by talking about their interests, concerns, and challenges. Customers may seek you out or find you when searching for solutions. For example, an accountant who targets entrepreneurs may want to attract small business owners, so rather than paying for an ad on YouTube, they share information on LinkedIn about how to get your bookkeeping and tax records in order. Individuals looking for content on those topics may find those posts and choose to connect with the accountant. Some inbound methods include:

- **Website and search engine optimization**
[46% of small businesses report using search engine optimization](#) (SEO). Website and search engine optimization (SEO) relies on your website's content to organically attract visitors. It involves frequent improvements to your site including optimizing pages for relevant keywords, improving load times, and designing user-friendly pages so that search engines will include your site in their top results.
- **Social media**
Small businesses should have a presence on the social media platforms where their customers and prospects visit. These sites could include Facebook, TikTok, or YouTube, depending on your product and customer demographic. People can learn more about your company and also engage with your brand.
- **Content marketing**
Content creation and distribution [can be less costly](#) than many outbound marketing methods, but content marketing still requires time, strategy, and effort to learn which topics resonate best with prospects.
- **Reviews and user-generated content**
This is a low-cost, low-effort strategy that can have a big impact because prospects can see what real customers thought of your products or services.





Measuring your marketing

These inbound and outbound efforts should generate leads, convert prospects, and keep customers happy. Other activities, like email marketing and reporting, support and enhance these efforts. In fact, measuring, analyzing, and acting on the results of your marketing efforts are key steps to creating an optimal marketing plan. Use tools like Google Analytics, Call Tracking and Form Tracking, and analytics within each platform (like Facebook and LinkedIn) to make better decisions and to unify data from different tools in [CallRail's reporting dashboard](#).

One metric that is essential to marketing success is cost per lead (CPL). CPL is how much it costs to acquire a lead. Your analytics program should help you track these numbers. CallRail does this with the [Multi-Touch Cost per Lead Report](#) which can break down the number of leads and cost by channel. You can see if and where you're hitting your goals, where you're spending too much, and on which channels you should increase spending.

As you try various marketing methods, keep records of how much you spent on each and what the return was. For example, a dental office may create weekly reports to see what actions generated the most calls and which brought in patients. If 20 new patients call on a radio ad for a free exam, while you got no calls from social media, you may want to rethink the energy your team is putting into making TikToks. That isn't to say you shouldn't try new marketing channels. It's important to keep an eye out for new marketing trends to try so that you don't miss out on opportunities.

How to get the best return on your marketing investment

All of those marketing activities—even the “free” ones—will cost you at least in terms of time and resources. Much of your marketing and advertising will require paid campaigns, paid accounts, or professional help.

Prioritize activities

Which marketing activities are best suited for your audience and for your business goals? If your customers are looking for high-end renovations to their homes, you would want ways to focus on local homeowners with disposable income. It would make sense to invest in content like photography you can share on social media sites or participate in groups looking for remodeling ideas. And it's probably worth it to spend time placing testimonials on your website, but probably not buying a billboard in an industrial area.

Manage marketing more efficiently

Tools like [CallRail's Call Tracking](#) means you no longer have to ask how a customer found your business. One home service business – [Climate Pro](#) – simplified their marketing by using Call Tracking to track their digital ads and offline sources (like their vehicles) by assigning them different phone numbers.



Maximize your ad performance

The right tools can help you learn which campaigns and keywords are driving calls, texts, and form submissions. CallRail's call recording, transcription, and [Conversation Intelligence](#) can help you narrow down the keywords your customers are using. Then you can adjust your budget accordingly by bidding more on the most effective terms and phrases. One small business, Cornerstone Foot Care, used CallRail to learn which keywords were driving calls to [increase revenue by 40%](#).

Ready to get more from your marketing? Plan your small business marketing budget with confidence – with CallRail.

Try CallRail free today