

# The marketing budget explained

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Have you ever wondered what amount you should set aside for marketing to grow your business? While many business owners are looking for an answer such as £5000 or 10% of sales, I think this misses the point. I believe the answer is...

You should not put a limit on your marketing budget.

Whenever you undertake any marketing activity, you need to know whether you make a profit or not. The only way to do that is to measure the results, and to do this, you need to undertake direct response marketing as opposed to purely brand marketing.

For small businesses, especially, it is crucial to ensure money spent on marketing is not wasted, so record the results of any marketing activity, whether that be direct sales letters, advertising, telemarketing or anything else.

As a minimum, you need to know...

- \* The cost of the marketing activity

- \* The sales generated from that marketing activity

- \* The profit made from those sales

If you make more from the marketing than it costs you, it



makes sense to continue until it stops making you a profit. Of course, you'll know when this is because you are measuring your results.

In calculating the profit made from any sale, you should consider the lifetime value from the new customers that you gain. The only other consideration is that you have to manage the cashflow in all of this to ensure you have enough funding before the income comes in. Who better to help you manage the cashflow or secure funding than an accountant?

**For help and assistance with this or any accountancy and tax needs, call 01652 650112. We are very happy to discuss without charge how we could help you further.**