

How much should you invest in marketing?

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26 Aug 2015

Deciding how large the marketing budget needs to be is one of the most important parts of promoting your company. This is complicated because you do not want to spend more than needed and you do not want to spend less than you should in order to have successful results...



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While some people will tell you that there is some sort of equation that you can use in order to see exactly how much to spend, the truth is that things can get a lot more complicated than math.

Deciding how much to invest in marketing campaigns is all about math, data analysis, creativity and a lot of thinking. A huge part of everything is the return you would get based on how much investments are made. Marketing has the goal of creating business opportunities and leads. We are thus faced with ROI (return on investment) marketing, which is what you have to think about when answering the question above.

ROI marketing

ROI marketing is basically a useful measurement tool for you. It will measure the profit that you make based on the investments you are faced with. If you want to figure out ROI, you have to identify some figures and then utilise the ROI formulas you would find everywhere on the internet. Based on what you use, the following have to be considered:

- Marketing investments - production cost or media cost
- COGS - cost of goods sold - how much it costs to produce a product
- Revenue - net profit, gross profit or total revenue

ROI marketing components

ROI marketing has various components you have to consider:

- Understanding lifetime customer value

When you understand [lifetime customer value](#) it is much easier to figure out exactly how much you can gain when you acquire a brand new customer. Identify variables that are important like: average gross profit margin, revenue per customer, capital cost and average years per customer. Try to estimate target acquisition cost on a per customer cost.

Company data is important and you have to think about the marketing budget total cost. Divide that by how many customers you made with the investment so you obtain acquisition price.

- **Determining marketing budgets**

Divide target revenue by average customer revenue. The number should be multiplied by target acquisition price. That offers a ROI goal and an overall annual revenue goal, allowing you to calculate targeted marketing expenditure.

- **Setting marketing ROI goal**

Establish ROI threshold and then stick to it. If the initiative is not hitting a threshold, the campaign has to be cut or budgets have to be cut. [MC Electronica](#) used this to great success by constantly shifting budgets from one marketing campaign to the next. That is what you have to do too.

- **Monitoring ROI**

Always measure your marketing campaigns. Do it often so that you can figure out what to expect as soon as possible. Results of the measurements have to be used to constantly improve campaigns while maximising marketing dollars.

ABOUT BORIS DZHINGAROV

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