

How to Create a Small-Business Marketing Budget

A business's goals, target audience and revenue will all help determine its marketing budget.

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A marketing budget is an estimate of how much money a business plans to spend on marketing its products or services during a given timeframe, such as a year. Costs that should be taken into account when creating a marketing budget include [marketing software](#), staff payroll, ad campaigns, signage, promotional materials, events, digital assets and potentially third-party services.

Your marketing budget is both informed and dictated by your marketing strategy, which should determine your business's goals, customer base, market niche, branding and preference. Failing to create a marketing budget could lead your business to overspend and affect your broader [business budget](#), or underspend and deprive your business of the exposure it needs to establish a strong customer base. But it's also important to remember that this is an estimate and can be adjusted as your business evolves.

Determine your marketing goals

Your goals are the results you want your marketing efforts to yield. The end goal of all [marketing](#) is to grow your business in some way by increasing sales, but you want to try to be more specific. Examples of marketing goals could be to drive traffic to your company website or increase engagement rates on social media posts. The more specific your goals, the more clear your strategy — and the spend associated with it — will be.

Think like your target audience

Your target audience is the group of people most likely to transact with your business. You'll want to tailor your marketing outreach to best reach this group and convert them into paying customers. Performing market research can help you narrow down who this group is, as well as how they discover and interact with businesses like yours. Whether it's through social media, email, direct mail, commercials, search engines, or other means, knowing what platforms you'll incorporate in your marketing plan will help you estimate the costs associated with them.

Consider your revenue

Many businesses base their marketing on a percentage of their gross revenues. The benefit of this approach is that your marketing budget will rise along with your sales. However, keep in mind that marketing generates sales — not the other way around. That means a startup business likely needs to budget a disproportionate percentage for marketing compared to its sales. For new businesses, look at your sales projections for your first year in business — this should be part of your [business plan](#). For more established

businesses, you can leverage real data and financial reports to determine your revenue and how much of your overall budget you can allocate to future marketing based on your goals.

The average marketing budget in 2022 was 9.5% of a company's overall revenue.

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This figure will vary across businesses based on size, industry, revenue and more. There are also plenty of low-cost and even [free advertising](#) tools to help keep your marketing costs down.

Use budgeting templates and tools

Free [business budget templates](#) abound to help you calculate your marketing budget. You can also consult SCORE's [annual marketing budget template](#), as well as the organization's other small-business resources. If you're looking for something more automated, [budgeting software](#) is designed to help you manage, track and forecast budgets. However, before you pay for standalone software, first check with your [accounting software](#). Many of these platforms include budgeting and forecasting tools and since they're already tracking your business's other financial information, you don't have to worry about transferring data between programs.

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