

# MOLDMAKING TECHNOLOGY

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## SALES&MARKETING

# How Much Should You Spend?

Moldmakers can gain business by implementing a strategic marketing and communications plan.

By Tom Rankin

The guy who cleans my yard every fall promotes his business by putting copies of a messy, hand-written flyer in people's doors. When I asked him why he didn't print up a neater, typeset version, he said, "I tried that, but the hand-written one works better. It makes people think my prices are lower."

This just goes to show that there is no magic formula for promoting any business, or for determining how much to spend doing it. Just as every company is unique and individual, so should every company develop its own approach to advertising and promotion. Nor are there any guaranteed winners—what works wonders for one company at one time and in one situation, may be a total waste for another, or even for the same company in different circumstances. There are just too many variables to rely on common denominators.

### Advertising Is Valuable

One thing is certain, however: nothing ventured, nothing gained. Hard as it seems to believe, there are still shop owners out there who don't believe in advertising. By advertising, they mean marketing communications activities including public relations, direct mail, space advertising, Internet marketing and even literature development. They begrudge every penny spent, go for the cheapest deals they can find in design, production and delivery, and usually end up with exactly what they expect.

If you are of this opinion—if you've had a bad experience with a slick agency salesman or think you already know your market—the simple advice is this: you need to get over it. Yes, you can waste a bunch of money on marketing communications, and yes, there are snake oil salesmen out there. But in today's world, marketing communications in some form is an essential business function. Managed properly, it is an extremely cost-effective means of generating awareness of an interest in your business.

And you never know: a manufacturer once hesitated to do a news release on a new specialty mold release agent his company had developed because the market was so small. "There are only 10 companies in the whole country that can use this product," he said, "and I know them all." The news release was done anyway—on the grounds of general visibility—and after it appeared he said, "I was wrong. There are 11 companies, and I just got a half-million dollar order."

### Budgeting and Planning

The rub is there are always more things to spend marketing communications dollars on than there are dollars to spend. This is true of many things, but it is particularly true in the communications arena where choices can truly be confusing and there are no true right answers. As one manager complained, "I know at least half of my advertising spending is wasted; I just don't know which half!"

This is where planning and budgeting comes in. This doesn't mean, "let's print a brochure," or "we'll exhibit at the XYZ Show" planning. It means strategic planning—looking at needs and goals as far out as five years, and defining specific, measurable means of fulfilling them.

The process needs to be someone's specific job responsibility, usually someone related to sales. The plan needs to be put in writing with an official review and approval process, and management needs to monitor progress step by step. Only in this way, can you minimize the wasted half and maximize the rest.

As for determining budgets them-selves, the most commonly cited method is by percent of sales, with the percentage varying by industry. This method is used by many large companies—GM for ex-ample spends about 3 percent of sales revenue on advertising—and does pro-vide an excellent reference point. In the industrial, business-to-business world, tradition has it that companies should spend around 1.5 percent of sales on advertising. Thus, if you anticipate generating a million dollars in sales this year, you should allocate \$15,000 to advertising.

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However, this number should be taken with a couple grains of salt. For one thing, while many people assume the percentage is for their entire marketing communications budget, the figure is typically for media advertising only. That's the money actually put out to buy pages in magazines, billboards, Internet banners, etc. Costs to produce those ads—as well as all the other costs for brochures and sell sheets, trade shows, PR, direct mail, etc.—should be budgeted separately.

A small mold shop, especially, may need to allocate more than 1.5 percent just to develop acceptable literature or a decent website before even considering space advertising. Again, strategic planning can help set priorities, and tools like PR and e-marketing can help stretch your communications dollars.

Secondly, percentage-based budgeting does not factor in your competitive position. What if you are a start-up, just trying to make your mark? Or, you're a small specialty shop going up against a behemoth 10 or even 30 times your size: using the percentage basis would mean your competitor could drown you in his wake.

### Preferred Budgeting Methods

That's why the preferred method is to build a budget for marketing communications the same way you budget for every other legitimate business expenditure—from the ground up. When you buy a new machine tool, or put an addition onto your building, you make detailed plans. You assess your needs, analyze the options, compare costs, and figure out a return on your investment. The same is true for marketing communications.

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