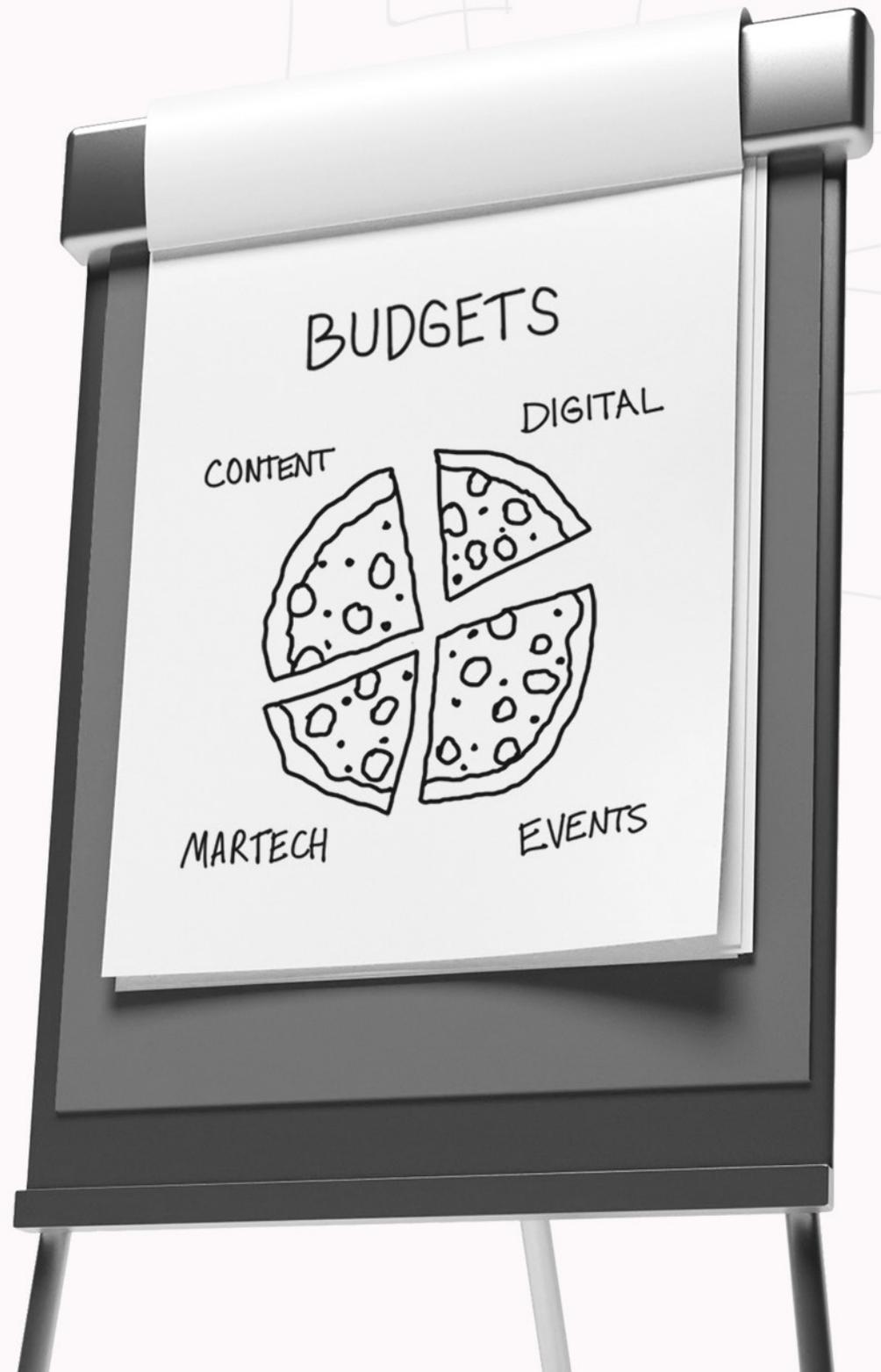


BUDGET LIKE A BOSS

BENCHMARKS TO GUIDE
YOUR MARKETING SPEND

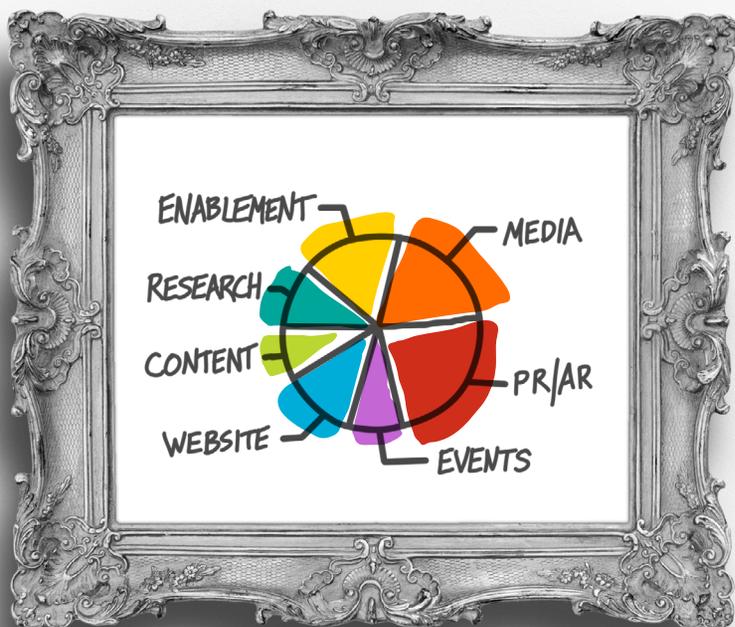




Don't Worry, We'll Make This Painless

We get it — budgets are tough. How much should you spend? Where should you spend it? How do you know if it's effective? How can you convince business leaders you've got the right plan?

No two budgets are alike. A good budget is a work of art, a masterpiece tailored specifically to your business and goals. Yes, some days it feels more like finger-painting than Van Gogh, but we're here to change that.



In this e-book, you'll learn answers to these questions:

- Why do budgets continue to rise?
- What does your growth strategy say about you?
- How much should you spend on people vs. programs?
- Which people and programs should you should focus on?
- How much should you spend on brand vs. demand?

And, because we know you geek out about this stuff, too, we've even provided specific budget breakdowns for two sample companies. **Very exciting stuff. Here we go!**



Budgets Are Rising

HCM marketing budgets have risen for four straight years. This is likely a result of the more than \$4 billion invested in HCM technology over the last three years. With this incredible growth in the industry, the surge of new entrants has complicated the battlefield. While startups fight to differentiate themselves from each other, established players find themselves working harder to fend off new claims to the territory. And the rising numbers are expected to continue.

60%	25%	15%
of marketers expect budgets to increase	of marketers expect budgets to stay the same	of marketers expect budgets to decrease

Over half of marketers believe budgets will continue to rise — which means competition will only increase.



It's important to note that while most marketers expect the increase in budgets to continue over the next year, 10 percent more marketers expect a decrease than did at the beginning of 2017.

Part of the reason some expect this drop is increasing pressure to demonstrate attribution — assigning credit from sales to specific marketing touch points the customer experiences before purchasing. Despite the competition and trends, marketers continue to find themselves forced to prove ROI and business impact — or face the dreaded budget cuts.



Where Is All That Money Going?

The greatest increases will come in a few key areas:

67% increased spend
in digital advertising

As community pricing keeps going up, marketers will need more money to make their messages go further.

51% increased spend
in content marketing

Content is still king. As videos become more popular and account-based marketing requires an increasing amount of content to execute, marketers are chunking out the change.

25% increased spend
in martech

On the hunt for attribution, marketers will shift more dollars to martech and ABM tech. Predictive tech, attribution solutions, and analytics platforms are the primary drivers. This trend is particularly concerning because few marketers have the processes in place to support these advanced tech stacks, leading to wasteful spending and potential system failure.



The takeaway? More money means more competition. As the dollar signs rise, it's even more important to get your ducks in a row and figure out where you can get the best bang for your buck.



What to Keep in Mind

If your marketing budget wasn't handed down from on high, count your lucky stars. However, with great power comes great responsibility. How will you determine what you need to hit your goals? Here are (more than) a few variables to consider:

- Growth strategy
- Business goals
- Company size
- Channel strategy
- Competitor spending
- Company segment
- Current brand awareness
- Current brand reputation
- Economic outlook



Are You Michael Jordan or Muggsy Bogues?

As you consider each of these factors, the most important thing you can do is keep your expectations in check. If you have a Michael Jordan budget, you can shoot for Michael Jordan goals. If your budget is more like Muggsy Bogues, you've still got a great year ahead, but you need to be realistic about what shots you can afford to take.





The Million-dollar Question (Seriously)

What is your strategy for growth? Are you looking to gain control over a bigger share of market or maintain profit by whatever means possible? If you try to do both, you will succeed at neither. Your growth strategy will have a significant impact on the size and kind of budget you need to build, which we'll talk more about later. First, let's take a look at a few real-life examples of market-share strategies.

What Becoming the Market Leader Really Takes

The following four companies in the chart below were all using market-share strategies in the race to acquisition. Taleo was spending 31 percent of its \$95 million in revenue on sales and marketing. While no small undertaking, this was nothing compared with the 156 percent SuccessFactors spent (of \$32 million in revenue). Of course, this aggressive spending paid off: In 2011, SuccessFactors overtook Taleo with \$328 million in revenue and was acquired by SAP.

Percentage of Revenue Spent on Marketing

	2006	2007	2008	2009	2010	2011
successfactors	156%	112%	82.4%	52.6%	48.1%	47%
Taleo	31%	29%	32%	33.1%	32.8%	36.3%
cornerstone <small>realize your potential</small>	N/A	85.2%	86.2%	64.4%	64.3%	62.7%
workday	N/A	1,769%	259%	83%	54%	53%

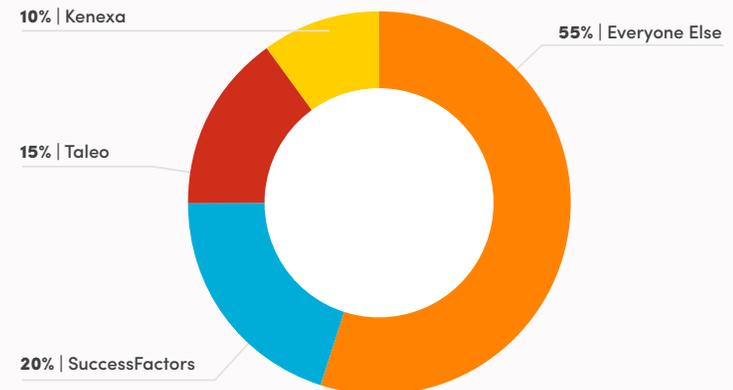
A Look at the Market Share Distribution in 2011

As we mentioned before, it's important to remain realistic about how much of the market you can actually control. In 2011, even after six years of aggressive spending, SAP SuccessFactors only held 20 percent of the market.



Owning even half the market is an unattainable goal.

Market Share Distribution in 2011





So, How Much Should You Spend?

It's difficult to recommend exact percentages because so much depends on your strategy and, as we've seen, how much your direct competitors are spending. However, here are some basic rules of thumb to get you started.

Market Share Strategy

+30%

Profit Strategy

15%

\$10M

12%

\$50M

9%

\$250M

For market-share-driven companies, you should probably spend at least 30 percent of revenue on just marketing. This varies greatly between a \$2 million company and \$50 million company.

For a profit-driven strategy, the larger the org, the lower the budget can go. This is because larger organizations usually have the brand equity, brand awareness, and market share to optimize their spending — as well as being bound by the limits of a saturated market.



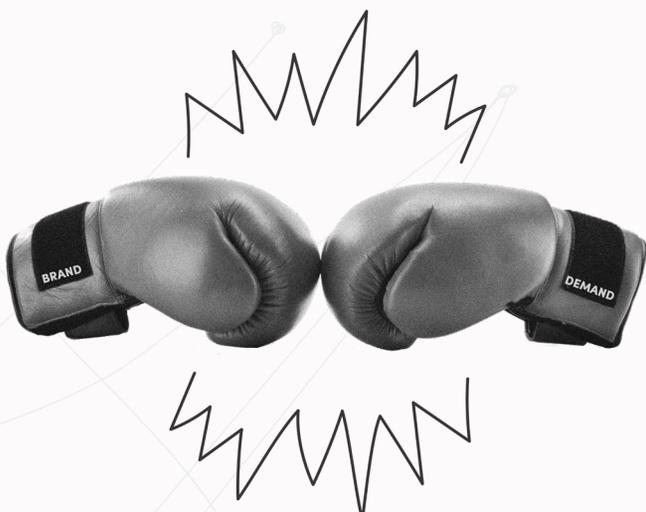
Pro Tip: Attribution

As mentioned before, when it comes to getting budgets cleared by leadership, attribution is your MVP. Marketing teams that have accurate attribution models in place, or own accountability for profit and loss, have a 25 percent higher budget than those who don't.



Brand vs. Demand

A mix of brand awareness and demand generation is key to any marketing plan, but most businesses do not have the budget required to support the media investment for a 50/50 split. Make the most efficient use of your budget and focus on the type of marketing that best accomplishes your business strategy. If you're pursuing share of market, your main goals will be to maximize awareness for your brand, functional associations, and brand attributes. A profit strategy will focus more on marketing that creates leads, sales meetings, and closed deals.



Market Share Strategy



Profit Strategy

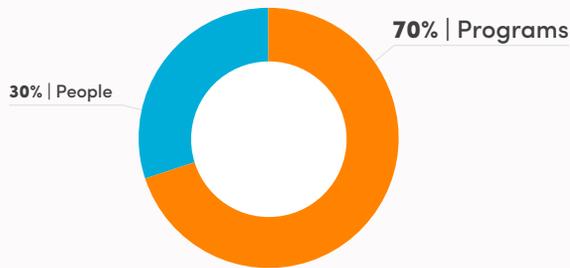




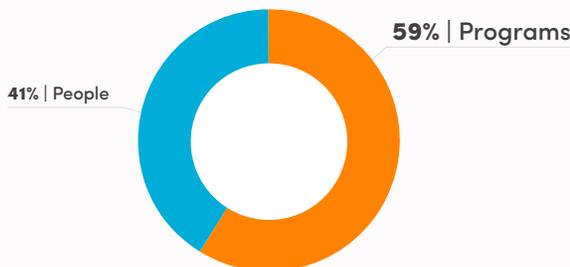
How Much Should I Spend on Programs vs. People?

With a market-share strategy, economies of scale allow you to spend more money per channel and per in-house marketing person. If you have a higher program-to-people ratio, you may have greater productivity with your marketing staff and/or a higher nominal spending rate. A lower program-to-people ratio may indicate that your marketing staff is underutilized and may be able to execute on a higher level of program spend.

Market Share Strategy



Profit Strategy



Total Program Spend per Full-time Marketing Employee

Your marketing program spend per full-time marketing employee is an indication of your organization's capacity per person.

A number of factors influence this KPI, such as:

- Company size
- Channel strategy
- Sector
- Marketing strategy

To avoid waste, it's crucial to find the right balance between people and programs. You need to spend on programs, but you also need to spend on the people required to make those programs effective.

Market Share Strategy

\$400,000 Marketing Staff Throughput

Profit Strategy

\$255,000 Marketing Staff Throughput



Your Budget Playbook

It's also important to make sure you're spending on the right kind of people and programs. Different strategies require different budgets, different channels, and different skill sets. Make sure you're positioning your staff and programs in a way that optimizes and supports your strategy.

	Awareness		Demand Gen
effort	Market Share Strategy (Brand Awareness)	Integrated Marketing (Awareness + Demand)	Profit Strategy (Demand)
Staff/Skillset	<ul style="list-style-type: none"> • Advertising • Content • Public Relations • Analyst Relations • Technical Marketing 	<ul style="list-style-type: none"> • Product, solution, industry marketing • Campaign management • Event marketing • Web development • Marketing operations 	<ul style="list-style-type: none"> • Direct marketing • Field marketing • Partner marketing • Sales enablement • Marketing operations
Programs	<ul style="list-style-type: none"> • Advertising (digital, out of home, print, community takeovers) • Public Relation • Analyst Relations • Collateral Research 	<ul style="list-style-type: none"> • Events (trade show, user conferences) • Advertising (digital, out of home, community) 	<ul style="list-style-type: none"> • Direct marketing • Digital (email, retargeting)



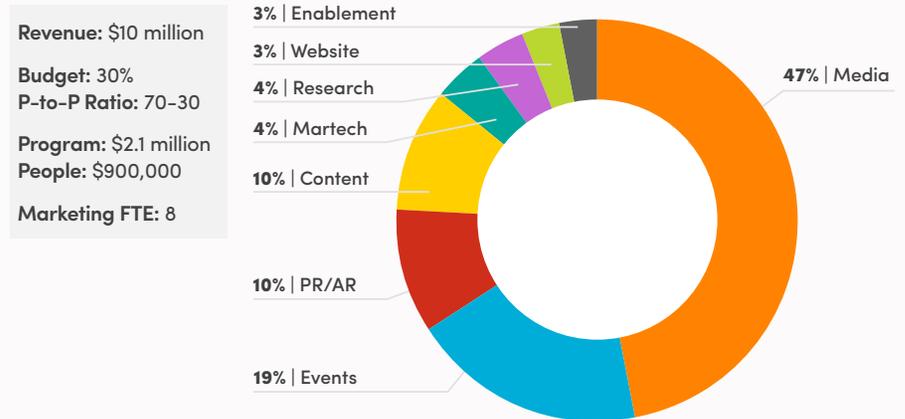
Show Me the Money

OK, now it's time for the good stuff. Here are two typical budget breakdowns, both \$10 million companies, one with a market-share strategy and one with a profit strategy. You'll see our recommended budget, program-to-people ratio, and full-time employee count.

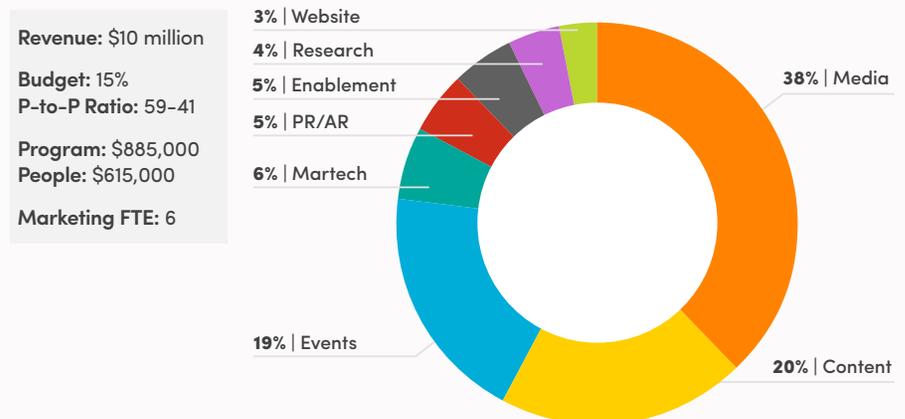
For a market-share strategy, you should spend almost half of your budget on paid media (mostly brand awareness). Events will take up about 19 percent, with content and PR/AR taking third and fourth place.

For a profit strategy, you won't need to spend quite as much on paid media. However, you'll want to optimize paid media for lead generation, which is why you should budget more for content (20 percent), martech (6 percent), and enablement (5 percent) than market-share companies.

Market Share Strategy



Profit Strategy





Deep Dive: Paid Media Spending

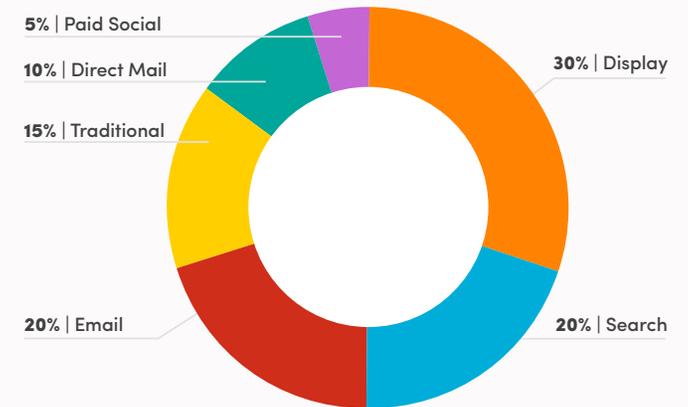
Now, let's break down paid media and see how strategy affects which channels you should target.

Paid media for market-share companies should primarily focus on display ads (**30 percent**), with email and search spending coming in second (**both at 20 percent**). In third place comes traditional channels (**15 percent**), such as print ads, billboards, and other out-of-home marketing.

For profit-driven companies, most of your paid media budget will go to search (**30 percent**). Email will take the second spot (**25 percent**), with significantly less going toward display (**18 percent**) and traditional advertising (**5 percent**) than that of a market-share company.

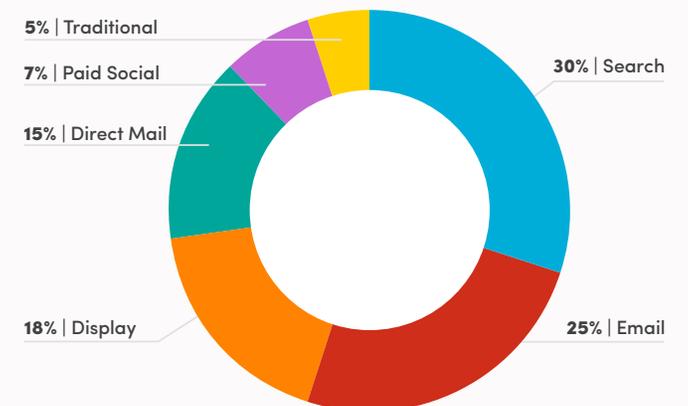
Media: \$987,000
Display: \$296,100
Search: \$197,400
Email: \$197,400
Traditional: \$148,050
Direct Mail: \$98,700
Paid Social: \$49,350

Market-share Strategy Media Breakout



Media: \$336,000
Search: \$100,890
Email: \$84,075
Display: \$60,534
Direct Mail: \$50,445
Paid Social: \$23,541
Traditional: \$16,815

Profit Strategy Media Breakout



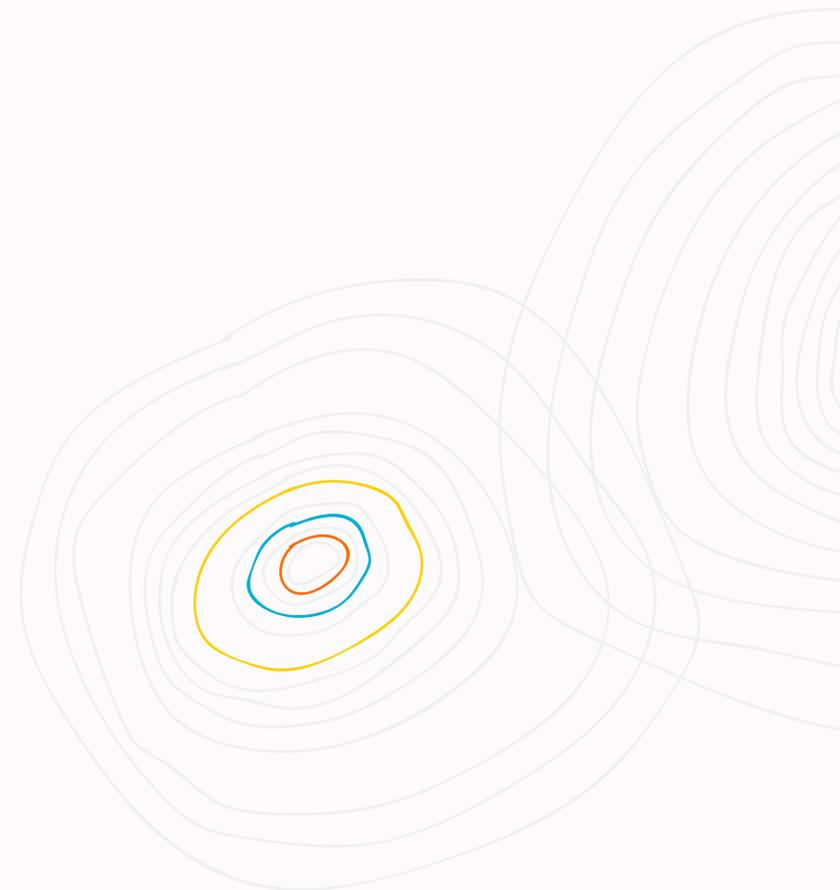


There you have it, folks.

We hope you find these benchmarks helpful as you set out to create the budget that works for you.

Have any questions?

LET'S TALK



About The Starr Conspiracy

The Starr Conspiracy is a full-service digital agency that helps HCM industry innovators propel brand awareness, drive leads, and eat market share like nobody's business. We're not your typical marketing and advertising agency – we meld digital advertising, brand innovation, and industry insights to change categories, industries, and – yes – even the entire notion of B2B marketing as we know it. Revolutionaries hell-bent on shaking things up are welcome. Conformists, please stay home (you'll hate working with us, anyway).

