

NUMBER CRUNCHING



Once you have developed your marketing plan, there are some other numbers you will want to pay attention to. For example, how much should you be spending in order to have an effective marketing plan that will improve your position in the marketplace relative to your competition?

Before we answer that question, let's address a situation which, in many businesses (particularly small businesses), keeps the firm from budgeting an appropriate amount of money for practice development. It is the idea that any expenditure comes directly out of the owners' or partners' slice of the profit pie. Companies are drawn to marketing because they feel the "squeeze" from every direction. All too often, a firm's short-term orientation, and the belief that any new expenditure will automatically shrink the next pay check, is the ball and chain which keeps a good marketing program

on the ground.

You are probably looking seriously at marketing because of the feeling that you are not being paid adequately for your time and effort. You may very well be busy, but you're probably not busy with enough of the most profitable work or the most desirable clients. If this is your situation, what is going to change it? The only thing that can change it is that your firm, or business, becomes willing to allocate sufficient resources to accomplish predetermined worthwhile goals.

The first question you have right now, is probably, "How much should we be spending?" Here's an answer only a lawyer could love, "It depends"! There is no arbitrary percentage figure of gross revenue which should be devoted to marketing by a service business. What you should spend relates to what the businesses' goals are. The company should be spending a sufficient amount of money to realistically obtain its goals. To under budget is worse than spending nothing. Spending less than you need to realize the ultimate benefit of a marketing tool is more than a total waste of time and money. You can't just dip your toe in the water and find out whether you can swim. A company which wants to advertise on television and try it for a month to see if it works, or a firm which wants to do a major, one-time mailing to a large list with no follow up and which then waits to analyze the results

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will always be disappointed and frustrated. Companies like this have no clue as to what type of commitment it takes to properly make a decision about the effectiveness of the marketing effort. Not only is all the money wasted, but the failed efforts demoralize the entire staff. All too often, this causes people to throw their hands up in the air, saying, "Marketing isn't going to work for us." Then they perpetuate the loss of market position relative to their competition by doing nothing or next to nothing. It becomes a self-fulfilling prophecy. If you must dabble, take up painting or golf, but refuse the temptation to dabble in marketing activity. That is a sure way to lose your money. Most established service businesses spend between 2% and 7% of gross revenues on marketing activities. What you should be spending depends upon your companies' goals.

Just as important as how much you decide to spend is how you will allocate those funds. Let's look at an example of a hypothetical business which has decided to aggressively market itself. A business decides to allocate 8% of gross revenue to marketing activities. Management is convinced that they are being aggressive and will remain competitive in the marketplace, but this is not necessarily so! Spending a lot of money is no guarantee of anything. When deciding how to allocate your marketing budget, consider the following guideline.

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For some reason, people love to produce fancy brochures, have a big splash on TV and spend megabucks on Yellow Pages or radio programs. Then, most of us will totally ignore the largest source of new business which is right under our nose. For example, a medium-sized firm had recently gone on a marketing frenzy. Without a plan, a budget, or market targeting, they "went nuts with marketing stuff." Over the span of a few months, they first spent money on an institutional ad in a large regional newspaper with most of the circulation far beyond their market. Then, they tried a coupon type cooperative mail program and put a large full-page ad in a free TV listing guide that was usually distributed as a "freebie" every week in local convenience stores. Little significant new business resulted. The senior partner looked plaintively at me and asked, "Scott, what do you see that we are doing wrong?"

After confirming that a high percentage of their new business is referred and that the firm hadn't spent one thin dime on maintaining the relationships with their best source of new

business, my obvious response was for them to allocate some money to a client and a referral source communication program. The senior partner's reply was "Well, we can't do everything!" That partner's observation certainly is true for all businesses. However, before you do anything else, you must absolutely allocate sufficient resources to developing and maintaining a consistent client communication program. This is most assuredly what will give you the most bang for your marketing buck.

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