

# INDUSTRIAL MARKETING BUDGET GUIDE

Build a rock-solid budget that proves  
marketing is a smart investment.



A person is writing in a notebook with a pen. A smartphone is visible on the desk next to the notebook. The background is a blurred office setting. The entire image has a teal overlay.

“

A man who stops advertising to save money is like a man who stops a clock to save time.

”

– HENRY FORD

# STARTING THE INDUSTRIAL MARKETING BUDGET CONVERSATION

If you're like most marketers at industrial companies, building a strong business case for why marketing is a smart investment is an annual uphill climb. Whether it's defining what percentage of your overall budget should go to marketing, how to create a marketing budget based on objectives, or getting buy-in on your marketing budget from key stakeholders, you're not alone in the struggle.

In fact, 64% of marketers surveyed in IEEEGlobalSpec's 2019 Trends in Industrial Marketing<sup>1</sup> reported having difficulty, in some way with how marketing fits into their overall organization.

In this guide, we'll help you lay the foundation for setting up a successful marketing budget conversation with your CFO, including:

- Why it's important to start with changing perceptions of industrial marketing
- Why you need to create an industrial marketing action plan before you budget
- Two common industrial marketing budget approaches that can help you define an initial direction

Let's dive in.



# CHANGING PERCEPTIONS OF INDUSTRIAL MARKETING

Unfortunately, many companies in manufacturing and the industrial sector struggle to see marketing as a key driver of growth, evidenced by the historical lack of investment.

According to the 2018 CMO Survey<sup>2</sup> of nearly 3,000 marketing executives across various industries, marketing spend averages 11% of total budgets, or roughly 6.9% of annual revenue. In manufacturing, marketing spend drops to 6.4% of annual budgets, or a mere 2.7% of annual revenue.

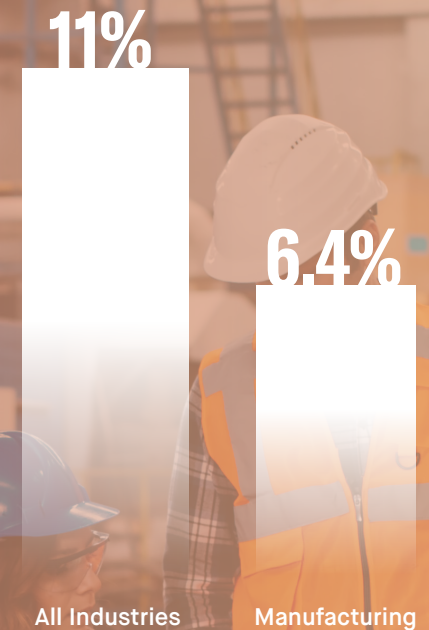
And, while the most recent 2019 CMO Survey<sup>3</sup> released in August shows that marketing budgets across industries are expected to grow in the next year, manufacturing was once again near the bottom of all industries surveyed.

While you may not have history on your side when it comes to making the case for industrial marketing in your annual budget, there are signs that the landscape will start to shift in 2020 toward more positive stances on industrial marketing spend.

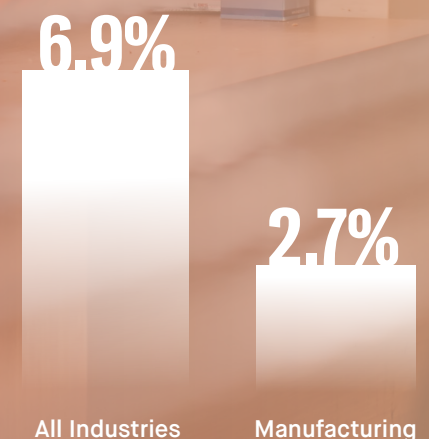
In IEEE GlobalSpec's 2019 Trends in Industrial Marketing<sup>4</sup>, 83% of manufacturers surveyed reported that their marketing budgets will stay the same or increase in 2020, with 31% of those companies planning to spend more.

You can use this positive industry trend as leverage to start reframing what industrial marketing can be for your company. Here's where you should start that conversation.

## AVG MARKETING SPEND OF ANNUAL BUDGET



## AVG MARKETING SPEND OF ANNUAL REVENUE





## INDUSTRIAL MARKETING IS NO LONGER JUST AN EXPENSE

The reason industrial companies don't assign measurable value to marketing is that we've been conditioned to view it as overhead. Sure, you can directly attribute things such as capital equipment and raw materials to increases in production capacity, but you likely struggle at trying to determine how many leads you generated from your last trade show.

This expenditure mindset is the reason why industrial marketing is often the first thing to go when it's time to "reduce spending flexibility" in the budgeting cycle. For nearly a century, industrial companies have relied on direct sales to attract and close leads while marketing was responsible for generating a much smaller percentage of leads to help fill the pipeline. As a result, direct sales received the lion's share of the budget.

When you consider this, it's no mystery why industrial marketing and sales have long run on parallel paths. Industrial marketing teams are typically relegated to static roles in the buying process, more often fulfilling requests from the sales team rather than working with sales to influence buyer behavior.

To combat this, industrial marketers have to educate internal stakeholders on how digital technology, marketing, and industry 4.0 have shattered traditional barriers between marketing and sales. It's more critical, than ever before, to invest in marketing as a critical function of delivering value at every stage in the industrial buying process.

## INDUSTRIAL MARKETING IS ESSENTIAL TO THE NEW BUYING PROCESS

To say that the industrial buying process has changed is an understatement. With a wide range of digital channels available to source information on potential suppliers, industrial buyers are increasingly online, informed, and independent when it comes to researching companies before purchasing.

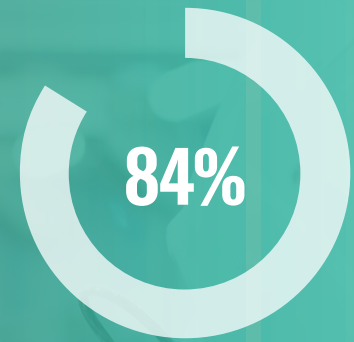
Thomasnet research<sup>5</sup> shows that 71% of industrial buyers look at fewer than 5 suppliers when making their decision, while Gartner's exploration into the new B2B buying journey<sup>6</sup> shows that when considering purchase, buyers spend a mere 17% of their time meeting with potential suppliers and only 5% or 6% of time with any one sales rep when comparing you to your competitors.

Add the fact that 84% of engineers consume content digitally<sup>7</sup>, and you have a strong argument to make for shifting how you look at marketing's role in the industrial buying process.

“*The truth is, industrial buyers no longer need to rely on the sales team to get what they need to make a purchasing decision, which means there are fewer and fewer opportunities for sales reps to deliver value and influence that decision.*”

It's time to help your sales and finance teams understand that to make those interactions count, your industrial company needs to ensure marketing (especially digital) has a dedicated seat at the budgeting table.

But first, you need to do some groundwork.



of content consumption by engineers is digital<sup>8</sup>



of buyers pay attention to your website, first and foremost<sup>9</sup>



of buyers expect a response within 24 hours<sup>10</sup>

# START WITH INDUSTRIAL MARKETING PLANNING

Before you dive headfirst into the industrial marketing budgeting process, you need to formulate a plan that will help you meet your objectives, provide guidelines for where to spend, and help you make the case to stakeholders that marketing is a smart investment.

Defining your industrial marketing action plan should be step one in building the foundation before you tackle the budgeting process, especially in the digital age where the landscape is constantly shifting and industrial buyers expect value from prospective suppliers at every stage of the buying process.

Not only does an industrial marketing action plan help you define how to deliver this value by zooming in on your ideal customer's wants and needs and aligning your sales and marketing teams around a common definition of success, it's also essential for determining the right marketing strategy, tactics, and spend to increase the return on your marketing investment.

A plan is also a competitive advantage for your industrial business, especially when you consider that:

- Over 90% of engineers surveyed in IEEE GlobalSpec's 2019 Smart Marketing Report<sup>11</sup> are more likely to do business with companies that regularly produce new and current content
- Only 21% of manufacturing marketers surveyed in Content Marketing Institute's Manufacturing Content Marketing 2019<sup>12</sup> reported that they have a documented content marketing strategy (with only 39% surveyed reported having documented personas)
- 51% of those same manufacturing marketers surveyed by Content Marketing Institute<sup>13</sup> regularly prioritize audience information needs vs. 73% of B2B content marketers

The clear path to setting an industrial marketing budget that drives new growth for your company starts (and ends) with a strategic planning process. But, before you dive into creating an industrial marketing action plan, here are a few key considerations.

## GET ALIGNED WITH SALES ON OBJECTIVES

As an industrial marketer, you are a key stakeholder in the sales process as much as your sales reps are integral to marketing's success. An important part of your role is to communicate how marketing intends to contribute to selling your industrial products and services, and to engage sales in a dialogue on key objectives that ladder up to overall business goals.

Consider how many objectives to set, your definition of success, and who will be accountable for measuring the KPIs that are moving you toward accomplishing these objectives. Keep it realistic, as you will be accountable for those objectives during the next budget review.

Here are a few high-level questions to help start the conversation:

- What are your top-five priorities for this quarter?
- What are the top opportunities in your pipeline?
- What channels do you expect will produce the best results?

And, here are a few examples of sales and marketing objectives based on these questions:

- Increase Marketing Qualified Leads (MQLs) by X% in Q3
- Increase win/close rates by X% on Sales Qualified Leads (SQLs)
- Increase percentage of overall traffic from organic search by X%

Finally, here are a few examples of KPIs based on the above objectives:

- Organic search traffic to website
- Paid traffic to website
- MQL quantity
- SQL quantity
- MQL to SQL conversion rate
- Close rate (SQLs to sale)

# 1

What are your top-five priorities for this quarter?

# 2

What are the top opportunities in your pipeline?

# 3

What channels do you expect will produce the best results?



To help further solidify a successful industrial sales and marketing alignment, consider creating a Service-Level Agreement (SLA)<sup>14</sup> between both teams. An SLA will help you establish a marketing budget that supports actual objectives, not just vanity success metrics.

For example, marketing could agree to generate 50 leads per sales rep, and sales agrees to work 80% of those leads at least five times over the course of the month before those leads are recycled to the top of the sales and marketing funnel.

## TRACK AND MEASURE **EVERYTHING**

Website visits. Trade show traffic. White paper downloads. Webinar attendees. Everything can be monitored and measured for performance to determine whether your industrial marketing efforts are moving you toward your objectives.

Assigning unique tracking codes and phone numbers to your various industrial marketing efforts will help you accurately measure every piece of marketing your leads engage with as they enter your marketing funnel.

Maybe a customer came in through your website, visited ten pages, downloaded your brochure, and then got halfway through your contact form before deciding your form had too many fields. Maybe you've found that customers that read a certain case study always pick up the phone and call.

This information is invaluable and allows you to track what actions lead to conversion and ultimately how every marketing dollar is performing.

## **BE TRANSPARENT AND ADJUST ACCORDINGLY**

Industrial marketing is not “set it and forget it” — it's a two-way street. There should be regularly-scheduled meetings to report on how marketing has contributed to sales, and how sales is nurturing those delivered leads. There should also be regular touchpoints to review KPIs and overall progress toward your objectives.

If you're seeing success, share what you believe is responsible for those successes so it can be repeated. If marketing is missing the mark, be prepared to analyze why it's failing so you can make adjustments.

If you've done your due diligence in establishing clear KPIs, then reporting should avoid showing positive trends through useless vanity metrics (which does nothing for the long-term health of your sales pipeline). Always be prepared to show the direct correlation between marketing and revenue. If you can demonstrate how industrial marketing performance is contributing to reaching your overall business goals, it will become the source of connectivity between marketing, sales, operations and finance, and help solidify the foundation for having a successful annual marketing budget conversation with your CFO.



## PICK YOUR MARKETING BATTLES WISELY

According to IEEE GlobalSpec's 2019 Trends in Industrial Marketing<sup>15</sup>, the top three ways industrial marketers say their marketing team will fundamentally change over the next 5 years are: more focus on the customer, content creation and distribution, and digitally focused initiatives — all three of which are fundamental changes when you consider the aforementioned shifts in industrial buyer behavior.

The truth is, you can't do it all and expect to effectively reach industrial buyers when they need (or want) to be reached. Some channels and tactics are more effective than others, so you should concentrate on areas that are proven to work.

Not surprisingly, industrial marketers are increasingly shifting their efforts to content creation<sup>16</sup>, using marketing automation platforms such as HubSpot, and delivering hyper-personalized marketing messaging to create memorable experiences that satiate buyers' needs to find information that solves their problems.

A recent report on Industrial Technology and Marketing Trends<sup>17</sup> shows that Content areas with the most growth in spend in manufacturing marketing are video (41%), case studies (33%), and SEM (30%).

*“So, if you're not considering content as a key line item in your industrial marketing budget, you're already behind the curve.”*

Finally, be sure to consider the capabilities of your internal marketing resources when defining where to focus your efforts. Your in-house team may be able to turn around a brochure or piece of sales collateral, but working with dedicated outside resources may offer additional speed and specialization that could save you significant time and money.



Concentrate on your strengths and bring in outside resources as available. The 80/20 rule applies here more than ever: focus on the areas that give you the most bang for the buck and revisit underperforming or riskier strategies when you've clearly defined and optimized the strategies proven to work.

## CREATING YOUR INDUSTRIAL MARKETING ACTION PLAN

Now that you have your objectives and KPIs set, an agreement with sales on ownership and accountability for performance, and some recommendations on channels and strategies (e.g. content marketing) to consider — it's time to create an industrial marketing action plan to align strategy, tactics, and timing to achieve your objectives.

But before we move on to the common marketing budget approaches, here is an overview of what to consider incorporating into your marketing action plan:

- Key challenges and top objections during sales process
- Links to competitive analysis or documentation
- Brand standards and positioning documentation
- Objectives and KPIs
- Ideal client profile, target personas, and buyer journeys
- Budget breakdown by channel/tactics
- Channel specific strategies and tactics
- Broad timeline that maps out persistent activities, seasonal campaigns, etc.



# TWO APPROACHES TO SETTING YOUR INDUSTRIAL MARKETING BUDGET



Once you've laid the foundation by reframing perceptions and creating a strategic marketing action plan, you're ready to consider the right approach for your industrial marketing budget.

While no two industrial marketing budgets are cut from the same cloth, there are a few common approaches to consider that can help you define an initial direction.

## APPROACH 1 MARKETING BUDGET BY PERCENTAGE OF SALES

If you're considering common approaches to setting an industrial marketing budget, you may be intrigued by the simplicity of the Marketing Budget Ratio (MBR) formula. MBR is determined by dividing your marketing investment by your total revenue, and is expressed as a percentage of total gross sales. If you can't reference previous year's sales, you'd calculate MBR based on projected sales.

Using the MBR formula, it's fairly standard to find companies spending 10-20% of gross revenues on marketing, though this number varies for B2B and industrial companies depending on which source you use:

- The Gartner CMO Spend Survey 2017-18<sup>18</sup> found that, on average, manufacturers spend 11.3% of revenue on marketing (compared to the 2.7% reported in the 2018 CMO survey).
- The 2019 CMO Survey<sup>19</sup> says that B2B Product manufacturers will spend 8.6% of revenue on marketing (and 8.7% for B2B services).

As you can see, no one truly agrees on a "rule of thumb" percentage. This is because the MBR is a somewhat arbitrary number. It doesn't consider the following factors:

- Business size: how established your business is in the market
- Industry: it's important to know how and where your competitors are marketing
- Growth: new businesses that are establishing their brand typically need to spend more – up to 20% of revenue

The MBR is not a hard and fast number, but it does provide a ballpark for planning. We typically recommend against MBR because it treats marketing as an expense, not as a way to attract leads.

$$\begin{array}{ccccc} \$500,000 & / & \$10,000,000 & = & 5\% \\ \text{marketing investment} & & \text{annual revenue} & & \text{of total gross sales} \end{array}$$

## APPROACH 2

### MARKETING BUDGET BY OBJECTIVES

Setting an industrial marketing budget by objectives means treating your marketing budget as an investment that will deliver expected, quantifiable results. Let's say your objective is to attract at least one new lead per day. How much do you need to spend on advertising? What channels have the best conversion rates? How is your audience using social media? How much should you spend to get the results required?

This approach requires an in-depth understanding of your customers, including:

- The ideal types of customers and industries you should target
- Where customers go for information
- How customers enter the sales funnel
- The time it takes to nurture leads into customers
- How sales opportunities are won

Using this information, you can create scenarios and begin to quantify how your budget will be used (as well as what would happen if it was taken away). Objective-based marketing budgets are derived from estimations, so be sure to include worst-case, expected-case, and best-case scenarios. If your industrial marketing budget meets the minimum rate of return, it is backed up by a solid business case, and your anticipated outcomes forecast profitability, then you're likely to get an enthusiastic thumbs-up from even the most difficult-to-satisfy CFO.



# IT'S TIME TO BUILD YOUR BUDGET

Now that you've read our guide and have your marketing budget template in hand, you're ready to take the next steps toward proving that industrial marketing is a smart investment.

Here's a recap of the key steps to help you approach your marketing budget with confidence:

1

Be prepared to educate your team on how industrial marketing has changed.

2

Develop attainable, realistic objectives and KPIs.

3

Align with sales on ownership and responsibility for objectives.

4

Develop a strategic industrial marketing action plan.

5

Build your marketing budget based on strategy, industry knowledge, and measurable objectives.

6

Secure budget approval as early in the year as possible.

7

Report and measure progress toward your objectives throughout the year.

# ABOUT INDUSTRIAL

INDUSTRIAL is a full-service, B2B agency that plans and executes integrated marketing strategies for manufacturers, distributors, workforce recruiters, and other industrial-focused clients. From manufacturing trade conferences to industry panel discussions, the agency's team leaders are deeply engaged in all matters industrial, from speaking at Fabtech, IMTS, and Metalform, to contributing to publications like Metalforming Magazine, Quality Digest, and [IndustrialMarketer.com](https://www.industrialmarketer.com). They are also a two-time honoree in Nashville Business Journal's "Best Places to Work" list and named to the Inc. 5000 fastest-growing companies list three years in a row.

To learn more about INDUSTRIAL's full-serve marketing portfolio, visit [weareindustrial.com](https://weareindustrial.com)



# NEED AN EXPERT TO GUIDE YOU THROUGH IT?

We've partnered with leading industrial companies of all sizes (and budgets) to make marketing the strength of their business.

Contact us today to start a conversation about your industrial marketing needs and how we can help you stand up what makes you stand out.

 **INDUSTRIAL**

[www.weareindustrial.com](http://www.weareindustrial.com)

[hello@weareindustrial.com](mailto:hello@weareindustrial.com)





## ENDNOTES

- 1 [https://www.globalspec.com/advertising/wp/2019\\_marketingtrends](https://www.globalspec.com/advertising/wp/2019_marketingtrends)
- 2 [https://cmosurvey.org/wp-content/uploads/sites/15/2018/02/The\\_CMO\\_Survey-Highlights\\_and\\_Insights\\_Report-Feb-2018.pdf](https://cmosurvey.org/wp-content/uploads/sites/15/2018/02/The_CMO_Survey-Highlights_and_Insights_Report-Feb-2018.pdf)
- 3 [https://cmosurvey.org/wp-content/uploads/2019/08/The\\_CMO\\_Survey-Highlights-and\\_Insights\\_Report-Aug-2019.pdf](https://cmosurvey.org/wp-content/uploads/2019/08/The_CMO_Survey-Highlights-and_Insights_Report-Aug-2019.pdf)
- 4 [https://www.globalspec.com/advertising/wp/2019\\_marketingtrends](https://www.globalspec.com/advertising/wp/2019_marketingtrends)
- 5 <https://business.thomasnet.com/lp-2019-industrial-buying-habits>
- 6 <https://www.gartner.com/en/sales-service/insights/b2b-buying-journey>
- 7 <https://marketing.engineering.com/research-report-how-engineers-find-information-2019>
- 8 <https://marketing.engineering.com/research-report-how-engineers-find-information-2019>
- 9 <https://business.thomasnet.com/lp-2019-industrial-buying-habits>
- 10 <https://business.thomasnet.com/lp-2019-industrial-buying-habits>
- 11 [https://www.globalspec.com/advertising/wp/2019\\_marketingtrends](https://www.globalspec.com/advertising/wp/2019_marketingtrends)
- 12 <https://contentmarketinginstitute.com/2018/11/manufacturing-content-marketers/>
- 13 <https://contentmarketinginstitute.com/2018/11/manufacturing-content-marketers/>
- 14 <https://blog.hubspot.com/blog/tabid/6307/bid/34212/How-to-Create-a-Service-Level-Agreement-SLA-for-Better-Sales-Marketing-Alignment.aspx>
- 15 [https://www.globalspec.com/advertising/wp/2019\\_marketingtrends](https://www.globalspec.com/advertising/wp/2019_marketingtrends)
- 16 <https://contentmarketinginstitute.com/2018/11/manufacturing-content-marketers/>
- 17 <https://marketing.engineering.com/industrial-technology-marketing-trends-2019-research-report>
- 18 <https://www.gartner.com/en/marketing/insights/articles/2017-2018-cmo-spend-survey-highlights-demand-for-results>
- 19 [https://cmosurvey.org/wp-content/uploads/2019/08/The\\_CMO\\_Survey-Highlights-and\\_Insights\\_Report-Aug-2019.pdf](https://cmosurvey.org/wp-content/uploads/2019/08/The_CMO_Survey-Highlights-and_Insights_Report-Aug-2019.pdf)