

# How much should an SME spend on marketing?

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At the turn of the millennium, the word 'marketing' was known to refer to advertising approaches such as billboards, newspaper ads, and television spots. When company heads discussed a marketing budget, they were wondering how much it would cost to produce X amount of leaflets or to put together a radio jingle.



Source: Max Pixel

Fast-forward to present day and that's all changed. Marketing has evolved to the point where online is now king, with budget discussions for small businesses, in particular, centering on the world of social media, search engines, and email.

The numbers back up this theory as well, with a recent report by Forrester Research highlighting the growing trend of companies spending [more on online advertising](#) and less on traditional, offline methods. As a small business, it's important that you're smart with your money, so with the help of one of Australia's most reputable financial services, [CashStop](#), we've put together a guide on where you should be investing your marketing budget in 2017.

## The numbers don't lie

Every single type of digital advertising has seen a marked [increase in its popularity](#) amongst businesses in 2017, with email and social media marketing leading the way. The reason for this growing trend is simple: online marketing costs less and is perceived to have a greater return of interest due to the fact marketers can more easily target certain demographics.

A recent survey of 200 US-based small businesses by email marketing specialists Get Response revealed how [70% of small businesses](#) are planning to increase their spending on online advertising this year. If you're one of the 2% planning on a spending decrease, you could risk being swallowed by the competition.

## What are my competitors spending?

Speaking of competition, it's good to know where your online marketing spending is in comparison with other likewise businesses.

SEO specialists Bright Local conducted research into small business spending on advertising in 2015 and found that the average marketing budget was around [\\$500 per month](#).

A CMO survey in the same year found that small business to business firms spent around 7-8% of their annual budget on marketing. That figure rose to 9% for small business to consumer companies.

On average, other small businesses spend around [7-12% of their total revenue](#) on marketing, so whatever your spending ends up being, try to make sure that it falls into that bracket.

### **Some figures to consider**

- The average cost of an ad on Google AdWords is currently \$2.32 per click
- The average cost of an ad on Facebook is currently \$1.72 per click
- Display ads have a click-through rate of just 0.05%

### **Where to invest your money**

Nearly six in ten (59%) small to medium-sized businesses will primarily target social media networks such as Facebook and LinkedIn in the year ahead.

Social media's closest rival comes in the form of mobile marketing. Half of small to medium-sized businesses said that they would target in-app and mobile site advertising in 2017.

One area that is growing in spending rapidly is review marketing, with companies putting more money towards maintaining their reputation online.

### **Takeaway**

The key takeaway from all of this is that spending on digital marketing is increasing year on year. At the same time, spending on offline advertising is decreasing, which suggests that there could be wiser ways to spend your marketing budget in 2017.

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