

YOUR MARKETING BUDGET: AN OWNER'S MANUAL

Daily Operation & Basic Maintenance

Your guide to proper care and upkeep of a marketing budget



READ THIS MANUAL TO HELP YOU:

- ✓ Achieve smooth daily operation of your budget
- ✓ Reduce operator fatigue and friction in your workflow
- ✓ Transform your budget from a headache into a source of strategic insight

IBM[®]

 **Allocadia**
Marketing Performance Management

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Congratulations! You're the proud owner of a marketing budget.

When the general public thinks of a marketer's job, budget management doesn't always spring immediately to mind. Even among marketers, budgets may even be seen as an necessary evil, or an unfortunate prerequisite to getting more exciting things done.

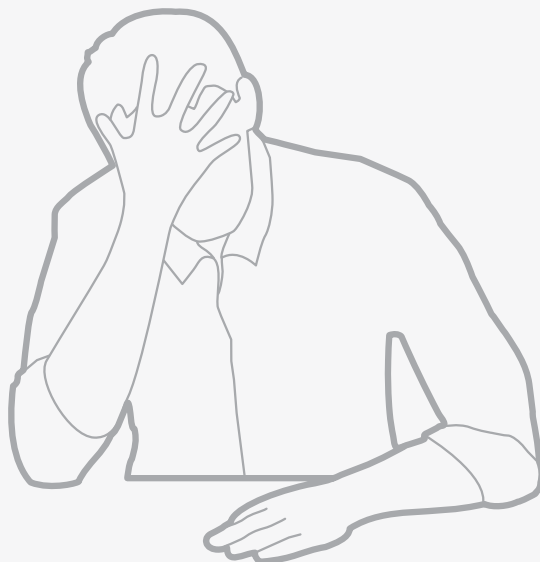
But while a marketing budget is indeed a means to an end, the insight you can gain from a well-crafted and well-managed budget can become a foundational piece on your journey to becoming a better marketer.

Planning, budgeting and marketing performance are like links in a chain: when your team builds its

marketing plans more strategically, it can budget with greater confidence, accuracy and efficiency.

And of course, those pieces are essential to understanding and fine-tuning your overall marketing performance.

You may be a marketing team lead with ownership over a budget or set of budgets, a marketing operations pro, or a field marketer with responsibility for investments in a specific area. No matter your role, if you've got an interest in the money side of marketing, you've come to the right place.



The Challenges of Ownership

Whether you've got years of experience with marketing budgets or you've been freshly designated to manage one, you're probably already aware of some challenges.

For starters, being a budget "owner" is a bit of a misnomer. It isn't really yours. Even though you and your marketing colleagues might be the ones to spend the dollars, many other stakeholders are involved. From Finance to Sales to marketing leadership, the way a marketing budget is handled can have ripple effects across the organization.

Budgets can also test your mettle. Their many moving parts will challenge your dexterity and attention to detail. You'll need to keep a cool head and adapt quickly when senior management changes your numbers on short notice.

Operating a marketing budget isn't an exact science. But with the right tools and practices in place, it can do wonders for keeping your team aligned. It can help, rather than hinder, your organization's marketing machine.



With proper maintenance and care, your marketing budget will become the solid backbone of your marketing activities for many quarters to come.



When all else fails, read the instructions!

OWNER'S INFORMATION:

Model _____

Serial Number _____

Date of Purchase _____

Safety Warnings



Do not operate your marketing budget while under the influence of alcohol, prescription drugs or extreme fatigue. This may lead to unwelcome consequences.



After working in a marketing budget for extended periods, numbers may appear smaller or larger than they actually are. Note that you are working with real currency with a real impact on the marketers in your organization.



Pay particular note to the currencies you are working with. There's nothing worse than thinking your budget is in U.S. dollars when really it's in Colombian pesos.



Do not attempt to operate a budget singlehandedly. From field marketers through to the CMO, every marketer has a stake in how marketing investments are allocated and spent.



With multiple tabs, version control issues, error-prone formulas and general unreliability, marketing budget spreadsheets can quickly get out of hand. This has been known to cause extreme frustration and the loss of tempers. Using cloud-based software like Allocadia is highly recommended.

Parts and Features



Marketing budgets have a lot of moving parts. Here are some of the terms you'll need to know as you operate yours.

Marketing Budget

The word “budget” can be used a few different ways:

- 1) noun:** a synonym for “plan”. (see Investment Plan below)

“I’m afraid hiring those acrobats isn’t in our budget.”

- 2) verb:** to add something to your plan. (see Investment Plan below)

“Don’t forget to budget for the rental of a popcorn machine when planning the annual customer summit.”

- 3) noun:** the location where your marketing investment numbers reside. The budget could be housed in a system like Allocadia, or in spreadsheets.

“Getting into the nitty gritty of our budget is always the best part of my day.”

Targets (a.k.a. Investment Targets)

The investment target is a top-down number that’s usually set by either the CMO or finance/corporate; it reflects the organization’s strategic priorities.

There are two types of investment targets:

Functional Investment Targets: “Sending the money to where the people are.” This is the traditional, practical way of allocating top-down budget dollars. Quite simply, money is distributed by region, team or cost center.

Strategic Investment Targets: “Placing the money according to objectives.” This is a newer method of target allocation, often recommended by analyst groups. With strategic investment targets, organizations fund marketing initiatives according to their go-to-market strategies.

Once these targets are set, teams are notified so they can start planning.

Plan (a.k.a. Investment Plan)

An investment plan is the set of bottoms-up activities and costs which marketers across the organization put together in order to meet their investment targets. For example, when given a top-down target of \$100,000 for brand and reputation, marketers will define how that money should be spent.

Commit (a.k.a. Investment Commit)

Money that has been earmarked for spending within the finance system. With the commit numbers, marketers are communicating to the finance team: “Please reserve these dollars, because we are going to spend them.”

Actuals (a.k.a. Investment Actuals)

The precise amount of money actually spent on a good or service, as recorded in your finance or ERP system. These amounts may or may not differ from the plan amount.

Forecast (a.k.a. Investment Forecast)

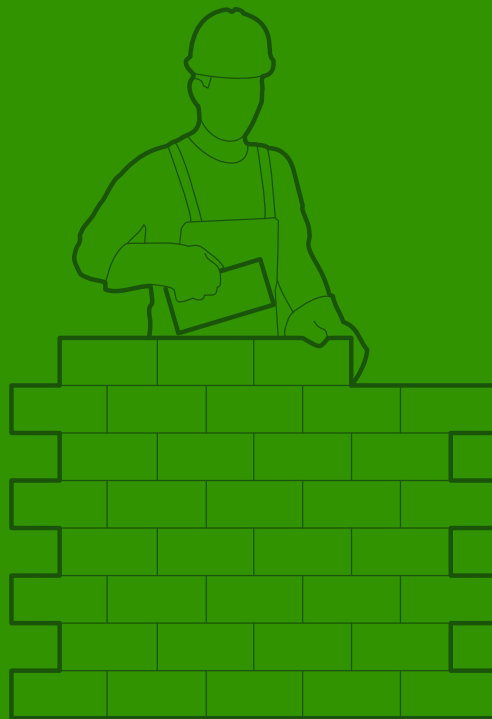
The forecast is a calculated figure that merges past actuals and future plans to give marketing leaders a true forecast of what they’re on track to spend in the coming weeks and months.

A Budget Basics



i Structuring a marketing budget

All but the smallest marketing organizations have multiple marketing budgets, and the way those budgets are put together can have far-flung implications.



Many marketers don't find themselves at liberty to choose how they'd like to organize their budgets. Structures are often dictated by Finance, or simply inherited from previous years.

But for those who are, we recommend structuring budgets to mirror the structure of your marketing organization. Here are a few common approaches:

Region: Many organizations structure budgets by region, since the field marketers running the marketing programs also operate within a specific geography. Currency issues are kept to a minimum.

Product Line or Company Division: This top-level structure divides spend according to product, business unit or even brand. B2C marketing organizations will typically adopt this format, with a secondary level of classification according to region or type of marketing activity.

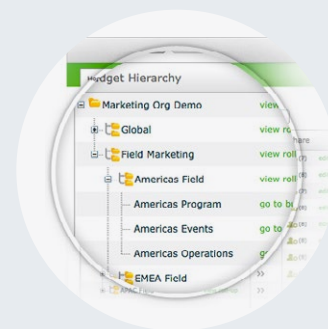
Function: Some companies will structure budgets according to functional areas of spend — events, demand generation or public relations, for example.

General Ledger, Cost Center or other Finance-Specific Structure: Since marketing budgets need to be reconciled with financial systems, many marketers classify their budgets this way. However, this is not ideal. Accounting codes tend to be broader than marketers prefer to think about their activities; i.e. a single code for anything that could be generally described as “advertising.”



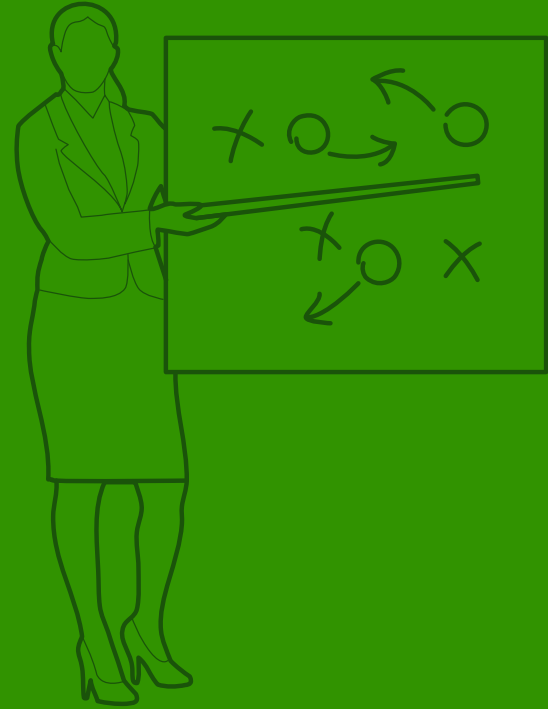
Tech Tip

Allocadia lets you structure your budgets however best meets your organization's needs, and easily change the hierarchy as your organization evolves.



ii Keep it Strategic

As a marketer, you're entrusted to be a good steward of a big chunk of your company's money. Making sure it gets spent in alignment with company strategic priorities is very important, but not always easy to do.



For example, your marketing leadership may decide to allocate 20% of global marketing spend towards upselling existing customers. You can bet your bottom dollar that at some point someone will ask, “So, *what did we spend on upsell this quarter?*”

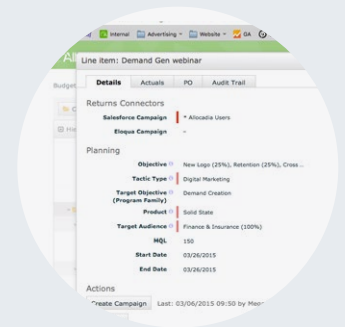
Hopefully you can get the answer easily (and hopefully it's close to 20%).

To do that, you'll need two things. First, a method of tagging spend according to one or more strategic priorities. And second, a way of filtering so that you can easily produce reports. Take these requirements into consideration when setting up your budget, and also when choosing a technology to use.



Tech Tip

Any line item on your budget can be associated with strategic objectives, start and end dates, or even campaigns in your marketing automation or CRM system.



iii Currencies

For multi-national marketing teams, currencies are a major budgeting challenge. Even if your company doesn't do any international business, there's a strong likelihood that you'll have vendors who invoice in a currency other than your home country's.



Two challenges come into play:

Tracking: Different budgets in different currencies can be tricky to manage, but things really get interesting when you have multiple currencies at play within the same budget. It's essential to track the currency of each individual marketing activity or line item.

We recommend rolling up everything to a single master currency across all your global marketing budgets (for example, U.S. dollars) to provide a unified view for marketing leadership.

But rather than forcing marketers to plan and budget in that master currency, we recommend allowing them to plan and budget in their local currencies. Keep the currency conversion process centralized. This approach is faster and less error-prone, and simply more intuitive for regional marketers.

Exchange Rates: Ensuring the accuracy and consistency of exchange rates can be a time-consuming affair. Issues arise when marketers use inconsistent exchange rates.

Finance departments typically specify the rates to use, so make sure these are communicated promptly to every marketer. Since these rates can change on a monthly or quarterly basis, ensure you have a way of capturing the rate used for each line item at the time of purchase.



Tech Tip

With Allocadia, managing shifting exchange rates becomes straightforward, and each budget automatically rolls up into a master currency.

		Currency	POs	
	edit invite	USD	map (0)	
(7)	edit invite	GBP	map (0)	
(7)	edit invite	NOK	map (0)	m
(7)	edit invite	EUR	map (8)	m
(6)	edit invite	USD	map (0)	m
7)	edit invite	CNY	map (0)	
	edit invite	HKD	map (4)	
	edit invite	USD	map (0)	
		USD		

B Improving your daily budgeting workflow



i Staying on top of your budget

The term “set it and forget it” definitely doesn’t apply to marketing budgets. They’re dynamic and require frequent maintenance.



Staying on top of your budget is all about flexibility. When you’re able to easily pinpoint the status of any budget, area of spend or individual line item, you can quickly identify areas where you have underspent and overspent.

From there, you can identify areas of potential reallocation and squeeze the most effectiveness out of the marketing dollars you’ve been allocated.

Recommendations for staying on top of your budget:

Forecast, forecast, forecast: Even among enterprise marketing organizations, skipping the forecasting step is surprisingly common. It’s essential to have a place to record the information that comes to light between the time you originally create your plan/budget and the time the money is spent.

Update those forecasts: As soon as a change to the timing or cost of a marketing activity comes to light, update your planned (forecasted) spend. This will give you a holistic picture of what you’re on track to spend versus your budgeted spend.

Note: use caution when updating planned (forecasted) spend on spreadsheets: if you overwrite the previous amount, you’ll lose that data. Tracking what changes to the forecast that had to be made throughout the quarter can help you forecast more accurately in the future.



Tech Tip

Allocadia can capture snapshots of your forecasted amounts at a specified point in time, so you can compare them with how your forecasts ended up at the end of the quarter.

Quick reference sidebars let you keep your finger on the pulse of your budget, giving you a better chance to hit your targets.



Budget Measures

Q1 Target	\$1,500
Q1 Left to plan	\$39,100
Q1 Left to spend	\$42,000
Q1 Plan vs Frctd	\$1
Q1 Frctd vs Actual	\$1

ii Internal collaboration

No marketer is an island. Budgets were meant to be shared, but sharing comes with challenges. When you improve collaboration, you improve your budget workflow.



Spreadsheets are one of the most commonly used tools for marketing budgets, but they simply weren't designed for collaborative use. If you've pulled your hair in frustration for one of these reasons, you're not alone.

Formula errors: You get your budget spreadsheet back from your pal in field marketing, only to discover that she's broken or overwritten all those formulas you so lovingly hand-crafted.

Version control: It's 7 p.m. on a Tuesday, and you've just realized that all the changes you input into the spreadsheet were for naught because you weren't working with the latest version.

Permissions: Since no one person has permission to view all the various budgets, a bevy of spreadsheets exist and one unlucky soul has the time-consuming task of mashing them all together. *"That sounds like fun!"* said no one ever.

A system that sidesteps these headaches will save dramatic amounts of time for your marketing team.

But no matter what tool you use for marketing budgeting, we recommend you have some method of

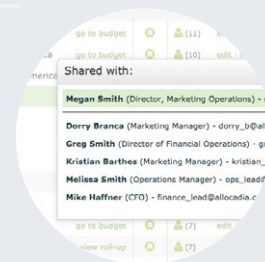
communicating not just about your budget, but within it. Leave a breadcrumb trail. For example, leave a note to say why you've moved something around, or attach a hyperlink to provide more information about an event, for example.



Tech Tip

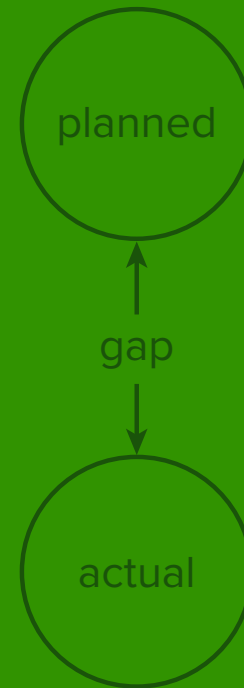
Allocadia is a collaborative space where many marketers can work on the same budget without worrying about version control issues, formula errors or other spreadsheet headaches.

A comprehensive permission management system lets organizations control exactly who has full or partial access to each individual budget.



iii Dealing with actuals

Planned spend. Actual spend. For any marketer, the most important thing about these two numbers is the gap between them.



Since it's typically finance departments who actually dole out money, they're the ones with the nitty-gritty data about how much each marketing activity has cost. Reconciliation is the process of mapping these spent funds to parts of the marketing plan.

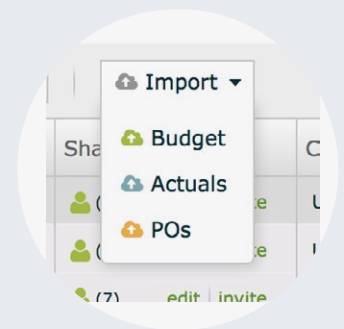
For many marketers, the reconciliation process can be one of the more daunting parts of the daily budget workflow. There's often an unfortunate time delay between when the money is spent and when the reconciling of actual spent amounts is done.

That's why we recommend you reconcile early and often. The more frequently you reconcile your actuals, the better handle you'll have on your progress throughout the quarter. You'll be able to stay within one or two percent of budget and eliminate end-of-quarter scrambling to spend hastily or shift money around.



Tech Tip

Allocadia integrates with your finance system so your actual spend data gets automatically imported — eliminating manual reconciliation.



iv Reallocating funds

A marketing budget can be a little like a chess game, with your activities as the pawns. They'll often need to be moved around or even sacrificed for the greater good. You'll need to do this strategically.



Reallocation of funds within the same budget is a big part of the daily workflow of every marketing team. If you've forecasted under budget for participation in an event, why not spend those extra funds on promotional giveaways? Reallocations between time periods are also commonplace. For example, when an event gets delayed, the spend will still occur — just in a different quarter.

In most organizations, marketers risk losing dollars not spent. Reallocations help you spend to target — in other words, leaving no dollar behind!

If you're moving money between activities, or between quarters within the same budget, reallocating funds is normally simply a matter of shifting amounts between cells on a spreadsheet (or better yet, in Allocadia!). Move money at will as long as your quarterly or annual planned spend amounts stay consistent. Just keep two things in mind: First, reallocations may affect the balance of your spend; be mindful to maintain your strategic allocation targets. And second, don't run afoul of your finance department's guidelines for reallocations.

It's helpful to keep a record of all the reallocations that happen throughout the quarter. It can help marketers become more accurate in the future with their bottoms-up plans, while Finance or Corporate can use it to improve future top-down allocations.



Tech Tip

The audit trail feature automatically tracks every move, change, addition and deletion to your budgets.

A circular inset showing a screenshot of the Allocadia software interface. The 'Audit Trail' tab is active, displaying a table of user actions. The table has columns for 'Time' and 'User'. The data shows several entries for the user 'megan@allocadia.com' between the dates 11/20/2015 and 11/21/2015.

Time	User
11/20/2015 09:41	megan@allocadia.com
11/20/2015 09:37	megan@allocadia.com
11/20/2015 09:35	megan@allocadia.com
11/20/2015 09:35	megan@allocadia.com
11/20/2015 09:35	megan@allocadia.com
11/20/2015 09:33	megan@allocadia.com
11/20/2015 09:32	megan@allocadia.com

v Budget transfers

The previous section of this manual covered reallocating marketing dollars between activities or between quarters. But for marketers in larger organizations, there are also many situations that call for transferring funds between separate marketing budgets.



Depending on how your budgets are structured (see Budget Basics), this could represent moving funds between regions, teams or functional areas. For example, the events team may be on track to spend below target for the quarter.

Budget transfers can be messy and time-consuming, often generating a flurry of emails. Unlike reallocating within the same budget, there's much more involved here than simple copying and pasting. Most organizations have strict procedures to be followed, and errors can lead to double-counting and other financial management headaches.

To ease this burden, we recommend allowing “horse-trading” — empowering marketers to transfer funds between budgets at their discretion, so long as the dollar amount is under a certain threshold and a record of the transaction is captured.

Some companies, such as those in regulated industries, are forced to disallow budget transfers. But if that's not the case in your organization, and your company doesn't yet allow horse-trading, we recommend you advocate for it.

Allowing funds to flow freely among marketing groups will increase collaboration and make the marketing organization more agile as a whole. Groups can collaborate to co-fund activities, and the most successful teams can be rewarded with extra funds to spend.



Tech Tip

For global marketing teams, Allocadia's budget transfer function removes the administrative headaches from moving money between budgets.



C Achieving harmony with finance



No owner's guide would be complete without advice about how to avoid unnecessary wear and tear. For those operating a marketing budget, the best way to do that is to ensure a smooth and harmonious relationship with the finance department.

In many companies, the two departments don't see eye to eye. Finance folks may see marketers as free-spending loose cannons, while marketers often regard finance people as uncreative, nearsighted bean-counters.



Here are three pointers for lubricating that friction:

1. Communicate spend statuses: A lot of time can pass between the time funds are budgeted and when an invoice arrives at the company's door. To a finance person, that's a black hole. Shed a light into it by communicating the status of your marketing activities.

Use a tagging system to let finance see two intermediary steps: Committed and Occurred. When an activity has been Committed, an agreement to spend the money is in place but the invoice may not have arrived yet. Occurred simply means that the activity has happened, whether or not it has yet been invoiced.

This kind of visibility will help finance manage cash efficiently and generally keep them happy.

2. Get on target and stay there: Nobody likes surprises, especially not finance types. One of the many reasons to spend as closely as you can to your targets is to avoid leaving the finance team scrambling to adjust for a dramatic over- or under-spend.

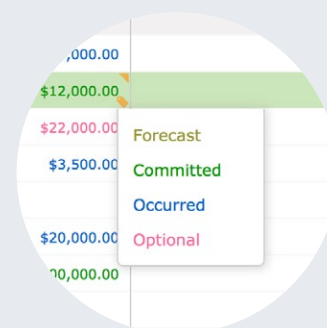
3. Communicate results: Marketing is one of the biggest areas of spend in the entire company, yet finance folks don't often get to see "behind the curtain" of what those dollars achieve. Even though it's not strictly required for their job, copy select members of the finance team on some of your marketing performance reports.

Understanding how much marketing contributes to the company's bottom line will help bring the two departments into closer alignment.



Tech Tip

Marketers can tag any line item as Forecast, Committed, Occurred or Optional. It's also easy to generate finance-specific information such as accrual or forecast reports.



D Budget Reporting & Visibility



Marketing budgets are not a private affair. Since a surprisingly large number of people across the organization have a stake, sharing and reporting are an integral part of daily marketing budget operations.

Each of the key players in your marketing organization has a different role and level of responsibility, and these can vary dramatically according to the company. But despite these differences, every marketer will care about three types of metrics when it comes to budgets:

Quantitative metrics: *How much are we investing?*

This is the most straightforward type of information to get out of a marketing budget. To show this, you'll need to compare planned investment amounts with actual dollars spent (over/under).

Qualitative metrics: *What are we investing in?*

As stewards of the company's marketing spend, it's critical to demonstrate that your investments are aligned to the top-level priorities of the business.

To paint this picture, you'll need to tag each of your marketing activities in relation to company-wide strategic objectives (for example, new logo acquisition or cross-sell).

These metrics also come in handy in specific situations. For example, a new competitor might emerge in your industry. Are you spending enough on market intelligence this quarter? For a query like this, you'll need to report on marketing spend according to activity type, strategic objective or program family.

Revenue Impact: *What are we getting out of our investments?*

It's the big question for every marketer: marketing ROI. Getting an answer requires going beyond your marketing budget to link marketing investments to returns.

Here's a summary of how quantitative, qualitative and revenue metrics are relevant to each marketer:

	CMO	Team/Regional Marketing Leads	Field Marketers
Quantitative	"Is our global marketing organization spending according to plan?"	"Is my region or team over-budget (or under-budget) for this period?"	"Have I spent the right amounts within my specific areas of responsibility?"
Qualitative	"Are our marketing investments generally aligned to the company's overall strategic goals?"	"A certain percentage of our team's spend this quarter is designated for Brand & Reputation. Are we on track?"	"I'm considering investing in a specific campaign. Which of our company's big-picture priorities does it support?"
Revenue Impact	"Is our marketing spend helping us reach our revenue targets?"	"Will my region hit its revenue targets this fiscal year?"	"How much revenue have my programs impacted?"

Other common budget reporting situations

"I've been asked exactly how much we've spent on trade shows in Latin America over the last two quarters."

Also known as a fire drill, this is an example of the type of specific, often urgent, request that is frequently foisted upon unsuspecting marketing team leads. To avoid a boatload of manual tabulation, you'll need the ability to cross-reference budget line items in multiple regions or activity types.

"What will I do if my budgets are boosted or cut?"

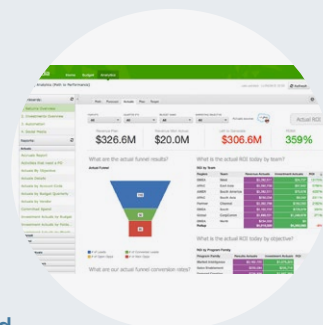
Prepare for this inevitable situation by outlining what your budgets (or plans) would look like in scenarios such as a 10% boost, a 10% cut or even a 20% boost. When your targets get changed, you'll be armed for a frank discussion of the impact of those changes.

(Allocadia's Scenario Planner feature makes this a snap. For more information, see our publication, [The Gold Medal Playbook of Marketing Planning](#)).



Tech Tip

Allocadia provides a huge range of out-of-the-box reports. You can also slice and dice your budget, plan and performance data in almost any way you can think of to create customized reports for any of the stakeholders in your organization.



Thank you for reading this Marketing Budget Owner's guide. We hope this information will help reduce your operator fatigue and help keep your marketing budget in good running order for years to come.

Operating your marketing budget like a well-oiled machine will do wonders for your team's marketing performance, its relationship with other departments, and your own marketing career.

Spotlight on Performance

This owner's guide focuses specifically on marketing budgets, but performance and ROI are even more critical to a marketing department. A CMO or marketing leader's career hinges on them. The better she understands the organization's marketing performance, the better she can make strategic decisions for the future — and justify them.

Budgeting is just one pillar of what Allocadia can do. It's also a tool for collaborative and strategic marketing planning.

But best of all, it's a central system of record that connects all the pieces in your marketing technology stack. With budgets and plans linked to data from CRM, finance and marketing automation systems, marketing leaders can use Allocadia for visibility into the overall picture of their marketing performance. Powerful stuff.

Learn more at allocadia.com/product-overview

User Support

For assistance with any aspect of your marketing budget, contact Allocadia.

We have replaced hundreds of rusty, outdated spreadsheets with modern, easy-to-use tools. We supply both the parts and the labor, getting you up and running quickly with new budgeting technology.

Visit <http://www.ibm.com/watson/marketing/> for more information, or call **1-866-426-4206** to speak with an IBM representative.



The Gold Medal Playbook of Marketing Planning

This 14-page playbook outlines the three levels of strategic marketing planning: Bronze, Silver and Gold. Putting them into practice will help you successfully advocate for more budget and increase your leadership team's confidence in marketing's outcomes.

Contact your IBM representative for a copy today.

