

Developing a Marketing Communications Budget.

The definitive guide for aerospace marketers.

A BDN Aerospace Marketing White Paper

BDN has compiled a range of information and guidelines to develop a budget that will drive your strategies, plans — and results — for 2010 and beyond.



Ask the experts

Aerospace marketers often ask, “how much should I spend on marketing,” and the answer is, “it depends.” The purpose of this White Paper is to provide a range of data and relevant benchmarking for you to use in planning and discussions with management. In addition, BDN Aerospace Marketing has identified some useful trends.

How much should I spend overall?

According to the Harvard Business School, generally speaking, across all industries and over complete product lifecycles, 3% of revenue should be spent on marketing communications. This is a solid guideline we consider realistic for our industry, but it does require some adjustment for specific scenarios, such as:

Product/Brand launches: Add 2–5%

Mid-late product lifecycles: Subtract 1–5%

Is there a new or powerful competitor challenging your competitive position? Add 2–5%

Are you trying to change your brand position or grow market share? Add 1–3%

For most medium-sized businesses, the percentage of revenue that should be dedicated to a marketing budget is determined by industry and size:

Under \$5 million: 7–8%

\$5–10 million: 6–7%

\$10–50 million: 5–6%

\$50–100 million: 4–5%

Over \$100 million: 2–3%

Benchmarking

How much do aerospace companies spend? Two relevant studies (note that they are limited to advertising

spending, not marketing overall) can help us better understand aerospace industry spending.

Here’s what Phillippe Malaval and Christophe Benaroya report in their book, “Aerospace Marketing Management.”

“The communication budget depends on the objectives (in terms of awareness, image, etc.) and the initial conditions (first try, success or failure of previous actions, lifecycle phase of the product being promoted, strength of the competition, etc.) Even if in overall terms, that part of the turnover devoted to communication in B to B is less than that for the consumer goods sector (1% versus 3% respectively), there is nonetheless a wide range of spending depending on the size of the company and its willingness to showcase itself to the general public.”

As you can see from the chart, below, spending in the industrial products category (including aerospace) lags significantly, which can be explained by the restricted target





ADVERTISING TO SALES RATIOS

Industry	2008			2007			2006		
	Advert. as % of sales ¹	Advert. as % of margin ²	Annual % advert. growth ³	Advert. as % of sales ¹	Advert. as % of margin ²	Annual % advert. growth ³	Advert. as % of sales ¹	Advert. as % of margin ²	Annual % advert. growth ³
Aircraft.....	0.2	0.8	13.4	0.1	0.6	12.1	0.1	0.5	8.9
Engines & Turbines.....	1.3	6.0	7.3	1.6	6.5	16	1.4	5.5	16.1
Misc. Transportation Equipment.....	1.3	6.6	3.3	2.3	11.6	-0.1	1.5	7.4	11.1

Source: Advertising Age. 1: Advertising/net sales. 2: Net sales – COGS. 3: Average annual compound growth rate in ad spending

audience and the use of less costly media (trade press and shows).

A recent study, by Advertising Age magazine, above, details advertising to sales ratios for aircraft, engines and turbines, and miscellaneous transportation equipment. It's worth noting that spending in these categories generally aligns with the findings of Malaval and Benaroya.

How are budgets allocated?

In addition to overall spending, it's also useful to note how companies allocate their budgets. A 2009 Sales and Marketing Industry Study conducted by Go-To-Market Strategies revealed the following breakdown by category:

MARKETING BUDGET ALLOCATIONS

Advertising.....	31%
Website development.....	17%
Events.....	15%
Public relations & analyst relations.....	10%
Collateral.....	6%
Research and concept testing.....	6%

Source: 2009 Go-To-Market Strategies study

What are the spending trends today?

Global Markets Direct, in association with IDC Research, just released a report entitled "Global Aerospace Industry Outlook to 2010 — Marketing and Sales Strategies and the Impact of Recession and Recovery," that captures the

opinions and forward-looking statements of over 450 aerospace industry executives (73% C-level, Directors and Senior Engineers).

Sixty-one percent of industry executives say they will increase

How to get the budget you need (and impress the boss)

Another recent study (Blackfriars Marketing Index,™ a quarterly measure of corporate marketing demand and spending) indicates a strong

“61% of industry executives say they will increase their marketing expenditures over the next 12 months.”

their marketing expenditures over the next 12 months; and only 24% have plans to cut back.

Why? Because 56% of the 450 aerospace respondents surveyed believe that demonstrating confidence to their customers by increased marketing activity in the current business climate can give their company an edge.

We couldn't agree more. In times of economic crisis, it's easy for companies to cut marketing when it is viewed as an expense and a tool to gain immediate sales. Instead, marketing budgets should be viewed as an investment used for achieving long-term sales goals and strengthening brand image — and marketers should demonstrate their contributions through robust measurement and reporting.

correlation between the corporate perception of marketing, marketing measurement practices, and the marketing budget.

In this study, 57% of companies surveyed measure the results of their marketing efforts, i.e. marketing communications. Those that measure their results had marketing budget increases that were nearly twice the percentage of those that did not measure results — 11.2% versus only 6%.

What's more, 23% of executives at companies that do not measure marketing performance were dissatisfied with marketing efforts, compared to only 9% of executives at companies that do measure performance. This tells us that measurement of performance creates satisfaction, which drives confidence.

“If you want to protect and grow your budget, you need to be measuring the effectiveness of your work and proving your worth to upper management.”

What does this mean to aerospace marketers? If you want to protect and grow your budget you need to be measuring the effectiveness of your work and proving your worth to upper management.

The bottom line

It is our experience that many aerospace companies do not allocate adequate resources to support the goals and objectives they establish for their marketing organizations. This is one reason we advocate a strategic planning process that includes development of a marketing communications plan or roadmap that identifies specific marketing communications tasks (and associated costs) required to achieve each objective, with a measurement system built-in.

Research and experience show that a marketing communications program, tied to growth and sales with measurable results and return on investment, ensures that your brand, sales and growth will be defended in downturns and will recover faster when the economy picks back up.

Let the 2010 planning begin!

About BDN Aerospace Marketing

BDN Aerospace Marketing works exclusively with aerospace companies to meet their marketing and sales objectives and deliver measurable results. A total package of powerful integrated marketing solutions is the key. Services include: research and audits, strategy development and implementation, and integrated marketing plans. We implement programs using digital media; public relations/thought leadership/social media; advertising; print materials; trade shows; and more.

Do you have a marketing challenge? Are you wondering who can help? How much will it cost? Will it be effective? Contact BDN President Kyle Davis for a phone consultation: 1-480-924-0690. 📞

THE BUDGETING PROCESS

Here is a basic blueprint for determining what specifically needs to be done to get desired results, how to do it and what the costs will be.

1. Identify the specific marketing initiatives and/or sales objectives that must be accomplished and define desired results for each. Management must clarify and approve each desired result as well as identify and define the expectations and problems anticipated with accomplishing each. This step is critical to ensure alignment with corporate marketing objectives, to create accountability for successful results and to drive confidence in the budget.

2. Create a Marketing Communications plan or roadmap identifying and defining the specific marketing communications tasks that will be required to achieve each objective.

Organize goals and their tasks into campaigns whenever possible (branding campaign, positioning campaign, product launch, etc.) to create momentum and economies of scale.

3. Estimate the costs of tasks and resources necessary to execute the Marketing Communications plan.

4. Develop metrics and a control process to justify the requested budget to management and monitor performance of the plan. Marketing Communications plans call for specific actions to happen within specific timeframes and with specific performance standards – these are the metrics of your plan. 📊