

## **Tracking Marketing Expenses**

by Scott D. Butcher, FSMPS, CPSM, Vice President, JDB Engineering, Inc.

*This article originally appeared in the November 2013 edition of A/E Marketing Journal.*

Most companies believe that they have a pretty good handle on their marketing and sales (or business development) expenses – but do they really? Do you?

Here are major categories that you should be tracking:

### Labor

- Marketing & Sales Staff
- Non-Marketing/Sales Staff

### Non-Labor

- Travel
- Proposals
- Brochures and marketing materials
- Public Relations
- Advertising
- Website and social media
- Photography
- Marketing consultants (research, graphic design, etc.)
- Trade shows
- Entertainment
- Organizations/societies (client/industry organizations, not professional or trade societies)

There are a number of metrics published by AEC industry content providers, based upon detailed surveys, as well as less formal metrics shared on websites and through social media. In general, companies typically spend 4% to 6% of their net revenues on marketing. This figure may be much higher for firms that primarily serve as prime consultants, lower for sub-consultants, and vary greatly by market or industry. A “2009 Marketing Salary and Expense Survey” published by the SMPS Foundation found that firms spend, on average, about 8.0% of their net revenue on marketing, with contracting firms spending the lowest at 5.6% and construction managers spending the highest at 8.7% of net revenues.

Your largest marketing expense is most likely labor, which may be three-quarters (or more) of your total marketing budget. And while it may be easy to track expenses of dedicated marketing staff (business development representatives, marketing directors, marketing coordinators), the hours spent by non-marketing staff may actually be an area where your data is lacking.

Whether it is an estimator attending a pre-bid, an engineer meeting with a client to discuss a proposal, or even a project superintendent talking to a client about upcoming work, this is all marketing time and thus should be recorded as such. Time spent like this is often just charged to general overhead accounts, or not tracked at all, meaning that the marketing efforts of staff are being under-reported.

Conversely, for companies that charge hourly rates and have chargeability goals, there is a danger of staff overstating their marketing time. There are countless anecdotal stories of staff being over budget on a particular project, and “hiding” some of their time by charging it to marketing. There may also be

staff without a lot of revenue-generating (billable) time charging their general overhead hours to marketing in an effort to appear more productive.

Gaining a true handle on marketing expenses can be a complicated task, but is well worth the effort in order to benchmark with other firms in your industry. Furthermore, you will be able to regularly evaluate the effectiveness of your efforts.

Calculate your annual marketing expenses as a percent of net revenue (formula is Marketing Expenses / Net Revenues), and compare this figure year-after-year. If net revenues are decreasing and yet marketing expenses are remaining steady or increasing, than you are experiencing a declining return on your marketing investment.

Did you hire a new business development representative that added labor cost but did not result in new contracts? Did staff members that were previously busy with billable work slowdown and start charging their hours to a marketing account? Have your sales efforts shifted from existing clients to new prospects, which require a greater investment of time and money to convert to a client?

Ultimately, you need this comprehensive data so you can not only manage your costs but also evaluate your company's expense trends to make sound business decisions to increase marketing effectiveness without negatively impacting revenues.

Scott D. Butcher, FSMPS, CPSM is vice president of JDB Engineering, Inc. ([www.jdbe.com](http://www.jdbe.com)) and president-elect of the SMPS Foundation. He has more than two decades of A/E/C marketing experience and is a Fellow of the Society for Marketing Professional Services.