Top 10 MOST IGNORED Rules of Marketing

#5 - Good Marketing is NOT an Expense

Yeah, the IRS lets you write it off – and that's a good thing. So, from an accounting and tax perspective, marketing is definitely an expense.

But from a business perspective it should never be. Good marketing must be looked at as an investment – **money spent to attract customers and increase sales**.

The reason most small and medium sized businesses don't look at marketing as an investment is that they have no clue what the **return on investment** (ROI) is for their marketing campaigns. Money gets spent, sales come in – so executives assume it must be working. But, staking your business on what you or your employees think, feel, guess, or have a sense of what may be happening isn't something you really want to do.

To know your ROI, you've got to do a great job of tracking and analyzing the results of your marketing. You need to track not only expenditures, but offers, leads, sales, and frequency to get a handle on just how each marketing dollar is performing.

For example: suppose you ran two marketing campaigns with two different offers. You do like most business and track just expenditures and returned coupons. As a result, you find that Campaign #1 cost you $100 for each redeemed coupon and Campaign #2 cost $200 for each redemption. It looks like Campaign #1 wins hands down.

But suppose you're better than most businesses and you continue on to track initial sales from the campaigns. The average sale from Campaign #1 was $150 while the average sale from Campaign #2 was $275. Now, Campaign #2 with its $75 net (vs. Campaign #1's $50 net) is starting to look a bit better.

Finally, you'll go somewhere that very few businesses go – you're gonna track **frequency**. You'll keep a tally of how many times in the following 90 days the buyers from each campaign returned to your store and how much money they spent each trip. Campaign #2 buyers returned an average of 3 times in the next 90 days spending an average $60 each trip. Campaign $1 buyers on average didn't return to the store at all. **Campaign #2's net is now up to $255**, putting it far in the lead.

Not only that, you've also discovered that the offer for Campaign #1 caused buyers to come in and take advantage of the low prices advertised while the offer from Campaign #2 created customers who, on average, returned for more of what your business offers.

By looking at these marketing campaigns as just expenses, most businesses would have stuck with Campaign #1 and would have chucked Campaign #2 to save a few bucks.

They would also have tossed out 5 times the gross profit and thrown away a campaign that created the kind of loyal, repeat customers every business craves.

Good marketing **must never** be an expense.

