

Make Marketing DOLLARS STRETCH

Developing marketing budgets can help cultivate responsible spending habits and increase profits for dealers.

by **Leslie Stevens**

Conventional wisdom says you need to spend money to make money. The questions, then, are how much money do you want to spend, and where do you want to spend it? Getting a grip on these critical elements will result in maximum profits for your installation company.

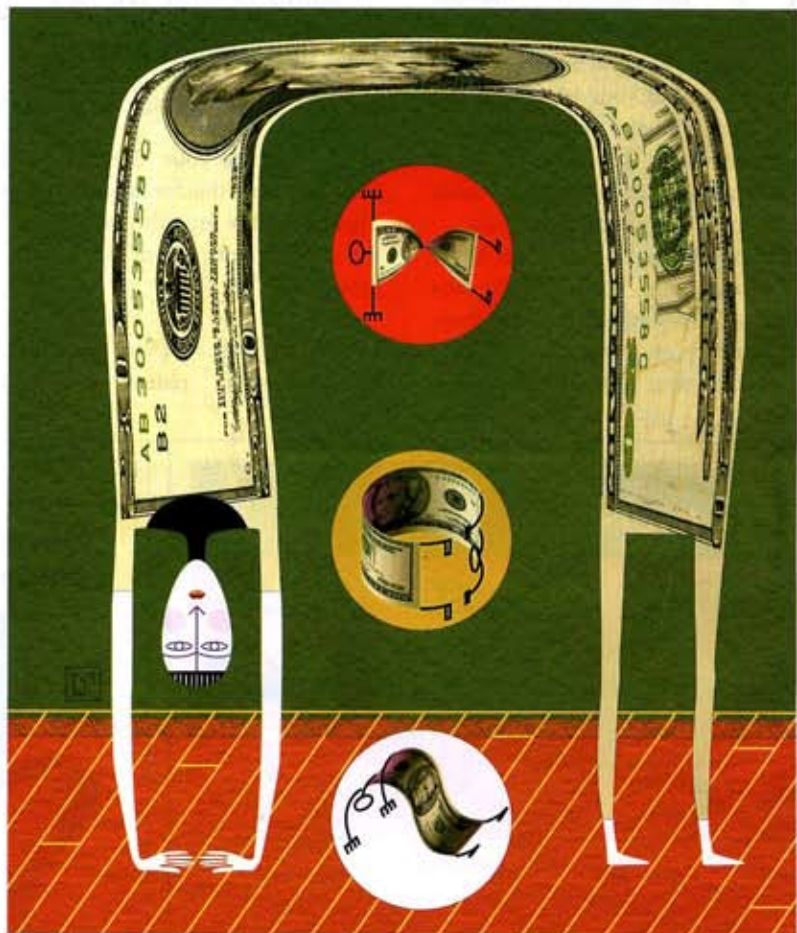
What's the best way to do that? Develop a budget. This becomes especially important in the area of marketing, but there are other reasons why planning your spending should be a priority. First, it gives you negotiating power with vendors. Take advertising as an example—you can receive a better rate if you confirm 12 inserts in a calendar year, versus buying six ads now and six later.

Second, formulating a budget better ensures that your installation company won't spend everything up front, or find that you have a surplus of marketing funds at the end of the year and a lack of business as a result. Here are some steps your company can take to build a solid budget.

Typically, integrators spend between 2 percent and 5 percent

of their previous year's sales. Most smaller dealers fall closer to the lower end, while larger integrators will exceed the upper number.

It's important to realize that the big-box retailers like Best Buys and Circuit City are emerging in the home-theater market, and they have a sizable amount of money to spend on marketing. Your company might not be able to compete with them in terms of budgets and volume, but making good decisions on where and



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Marketing Budgets

how to spend your valuable dollars will help you make a name for yourself among custom competition.

One way to develop a working budget is to forecast the following year's sales. You don't have to be Nostradamus, but more of a numbers cruncher for this. "You can't project a marketing budget as a percentage of sales without knowing what your sales are going to be," says Steve Firszt, a 30-year industry vet and head coach at Fast-Forward Business Coaching. "For projecting when you will need to hire installers and buy trucks, you need to know what your labor revenues will be. And to make annual purchase commitments with key vendors, you'll need to project your merchandise sales, and your gross margin on those sales.

"Start by looking at your sales history," Firszt continues. "Of your total sales last year, what percentage was merchandise, versus parts and materials and labor? Next, stack up your monthly sales totals,

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—Bill Anderson, Genesis Audio Video

so you can see your 'flow' of business. Even better, do this for the past two years. Then, calculate monthly sales totals for the coming year, based on a projected growth rate."

You can see how this process can become very involved, and its meticulous, time-consuming nature can require

months of work. It's better to start tackling this project sooner rather than later.

"Our fiscal business year starts in July. We begin forecasting our sales and marketing budgets as far back as March or April," says Bill Anderson, president of Genesis Audio Video, Lake Forest, Calif. "Once we have that information, we begin the negotiation process with our partners, such as the publication house we advertise with."

Expand Your Marketing Budget

When it comes to marketing budgets, custom installers should be aware that they are not limited to their own resources. You can—and should—tap into manufacturers' co-op programs.

Most suppliers have a system, whether it's a structured approach such as a sliding percentage of your purchases, or a closed-door deal that is solidified with a handshake. Either way, you can't afford to overlook these opportunities, yet most



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dealers aren't even aware that these funds exist. Every year manufacturers close their books with a surplus of money on their hands. In fact, several manufacturers have reported that less than one-third of their co-op dollars gets used.

The best way to go about securing support from the manufacturer is to contact your sales rep or the manufacturer directly. Ask them what programs they have in place. Some distributors even get into the act, so you might want to check with them as well.

The easiest means to request money is to assemble a document that illustrates how your company is going to use those funds. Then you can work with them on a particular project that you have already outlined. Some of the most common types of support programs the manufacturers offer include the following:

- Deduct from invoice (DFI)
- Credit memos
- Demo credit
- Reimbursement checks

Decide What Goes Where

They say there's more than one way to skin a cat, and the same goes for organizing your budgets. You need to decide what expense will go into which bucket, whether it's your marketing budget, general business expenses, overhead, etc. For example, you might decide that stationary and proposal folders go into the marketing budget, or you might decide it goes into a different pool.

"As a rule of thumb, everything related to marketing comes out of that budget," Anderson says of his company's plans. "This includes advertising, signage, decals for the vans, stationary ... The important thing is that we have a committed budget that will be available when we are ready to implement a marketing activity."

These choices are your personal decisions, but you can always get the guidance from a variety of industry experts. There are also software programs available that are designed to help you organize your business.

One option is from a new company, Cypress, Texas-based Epiphany Inc. Its

new accounting program, dNet, combines software from D-Tools and NetSuite for a comprehensive, integrated package that allows dealers to manage their company, from marketing to billing to customer relations management (CRM). The software is designed to manage business practices, such as taking a customer's deposit as a liability without reducing the accounts receivable.

When seeking a software program, look for those that offer these features at a minimum:

Budgeting, creating and tracking a marketing campaign

Generating leads and opportunities that reference the campaign

Importing your order from system design software programs

Managing the procurement and ship-

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Tracking your time and expenses

Managing your expenses and receivables

Reporting on your financials, projects, orders, sales, etc.

Targeting and Allocating

Once you've planned how much money you have available to spend, you will need

to determine where and how you want to spend it. The first step is analyzing your target markets and deciding what percentage of funds will be spent on them. You might be targeting the retrofit market, along with builders, architects and interior designers. You will need to split the funds appropriately for each group.

After you've determined how much money to allocate for each target market,

you need to analyze the marketing mediums available to reach each group, such as direct mail, brochures, advertising, open houses and more. As a frame of reference, you can categorize your campaign into one or more of these groups:

- Advertising and public relations
- Collateral
- Internet, including Web sites and e-blasts
- Events, such as open houses or local shows
- Direct marketing, such as direct mail
- Promotional items, such as DVDs that play your integrated solutions
- Community outreach programs
- Decals for trucks or store front

Take the marketing dollars you have for each target market and start assigning them to the appropriate marketing tools. Create a spreadsheet to calculate the amount of money you will be spending over your fiscal period.

Spending Trends Today

New-construction housing numbers are on the decline. Video margins are shrinking. Dealers must examine their budgets to find where some potential slack can be picked up.

A recent survey of dealers showed that most integrators plan to increase their marketing budget in the coming year. Several reasons for this include: increased competition, new vertical markets, including the new construction market, the proliferation of new marketing mediums, including the Internet and rising costs due to inflation.

The most important thing to remember is that you have to tie in your marketing budget with your entire marketing campaign and business plan. In doing so, you'll be on track for spending your money responsibly. **CE Pro**

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