

# Advice For Marketing Agencies On Developing & Implementing A Budget

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8 min read



There's a lot of talk about marketing budgets, but what about budgets for marketing agencies?

## Key Takeaways

- **Why Budgets Are Essential to Successful Financial Management in an SMB:** A budget outlines the revenue you anticipate bringing in and the expenses you anticipate incurring over the upcoming year. It outlines how...
- **Account for Inflation:** Although inflation has slowed some in 2023, we are still in inflationary times, and costs continue to increase as the buying power of the U.S. dollar decreases...
- **How Can the Back Office Be Your Marketing Firm's Super Hero? Outsourcing:** Paired with a powerful back office, smart budgeting can help you take your agency to the next level by increasing productivity, cutting costs, and...

You can find plenty of advice on creating a budget for a company's marketing expenses, but there is not a lot of guidance available for marketing firms that want to improve their overall budgeting strategy.

For some guidance on improving your agency's operational budget, take a look at the tips and best practices outlined in this article.

## Why Budgets Are Essential to Successful Financial Management in an SMB

To improve your marketing agency's budget, you need to understand the purpose of having a budget in the first place. Once you understand how your budget is supposed to function in your business, you can then adjust your strategy and processes to help your budget work better for your agency each year.

A budget is similar to a business plan for the upcoming financial year, except that it provides the business plan through the lens of your business's finances. A budget outlines the revenue you anticipate bringing in and the expenses you anticipate incurring over the upcoming year. It outlines how you expect to cover your company's costs and what you plan to do with the profits you anticipate generating.

Thoughtfully created, a thorough budget should provide you with guidance, in terms of revenue and expenses, throughout the year. It should help you evaluate your company's performance from month to month and make strategic decisions in response to budget-versus-actual variances, as they arise.

## 8 Budget Strategy Best Practices for Businesses

### 1. Know How to Create a Budget and Pick a Budgeting Method

Creating a budget requires a thorough and careful process of projecting expenses and revenue for the upcoming year. There are several tried-and-true budgeting methods available that provide established processes for [creating a budget](#). It's a good idea to start with one of these standard methods. Some of the most popular include:

- Incremental Budgeting - This method is good for existing companies that have historical data from the previous year. You use your actual revenue and expense numbers from the previous year and then increase or decrease them by a particular rate. This rate is typically based on positive or negative growth trends reflected in the business's financial reports.
- Zero-Based Budgeting - This method is a good option for new businesses or companies that want to take a fine-toothed comb to their expenses and projected revenue each year. Zero-based budgeting starts from scratch and requires you to evaluate each line item individually before adding it to the budget and increasing or decreasing it based on your projections.
- Activity-Based Budgeting - This type of budget is focused on setting goals. While creating a budget, you consider the growth or sales you plan to achieve in the upcoming year and then work backward from the final goal to develop your annual budget. In activity-based budgeting, one must be careful not to be overly optimistic. While it's good to set lofty goals, your budget should be realistic and reflect goals that your firm will be able to legitimately achieve in the upcoming year.
- Value Proposition Budgeting - This form of budgeting is great if you need or want to reduce your expenses. With value proposition budgeting, you look at the value generated by each expense, line by line, so that each cost is justified by the value it generates for the company.

Choose the method that works best for your business and then be sure to follow through on your budget creation.

## 2. Be Realistic in Your Projections and Estimates for Next Year

Yes, it's imperative to be realistic when performing activity-based budgeting. It's also important to stay firmly grounded in reality when creating a budget using any method. The goal is to create the most accurate budget you can, so be realistic when considering your anticipated expenses and revenue for the upcoming year.

**Read More:** [The Value Of An \(Updated\) Budget: Getting Your Business on Track for Success](#)

## 5. Create Multiple Budgets for Your Marketing Agency

You do not have to remain tethered to reality the entire time you're budgeting. We also recommend creating additional budgets based on both optimistic projections and pessimistic projects. It's good to work up a worst-case scenario budget and a best-case scenario budget so that you can adequately plan for the worst or the best.

So, go ahead and enjoy yourself while creating a budget where you land all of the best clients, exceed your revenue goals, and manage to maintain peak employee performance and productivity to keep costs low. Then take a deep breath and create a budget where you don't get many clients, revenue shrinks, and costs increase. Have contingency plans in place for both of these scenarios so that you're prepared to handle challenges as they arise and make the most of opportunities as they appear, too.

## 4. Account for Inflation

Although inflation has slowed some in 2023, we are still in inflationary times, and costs continue to increase as the buying power of the U.S. dollar decreases. No matter which budgeting method you use in your marketing agency, be sure to account for inflation. Work these increases into your budget, assuming that higher-than-normal inflation rates will continue throughout the foreseeable future.

**Read More:** [Strategic Technology Budgeting for Businesses](#)

## 5. Budget for Savings

You should also create a targeted saving goal for the year. It's always important to create savings in your business. However, as more and more signs of an impending recession darkle the economic landscape, it's becoming increasingly important for businesses to have a cash flow cushion that they will be able to rely on during challenging economic times.

[There are only 3 WAYS to increase profits in Marketing Agencies....](#)

[You can't sell your way to profits. Speak to a specialist to learn more.](#)

## **6. Compare Your Budget to Actual Numbers Throughout the Year and Make Adjustments**

Although your budget requires the most attention at the beginning of the year when it is being created, it's intended to be used throughout the year as a roadmap, guide, and gauge against which to measure your company's performance.

You should be comparing your business's actual numbers to its projected numbers routinely (every month or at least every quarter). As you notice variances, be sure to evaluate them to determine whether they represent a trend or a one-time occurrence. Then be sure to adjust your budget, making any necessary changes to your spending plans, as needed.

"GrowthForce helped me understand how to build a budget and worked to teach me how to read and interpret my new reports. I felt the fog lifting as they helped me be a stronger leader and, overall, a better business owner"

- **Ryan Jennings, President of Sentinel Builders**

[Read The Full Case Study](#)

## **7. Develop Workplace Culture With Your Budget**

When creating a budget, be sure to keep the earning and spending strategies represented within it aligned with your company's values, mission, goals, core beliefs, and human capital management strategy. This way you can use your budget as a tool for developing a positive workplace [culture](#) and brand while continuing to work toward achieving your long-term goals and future vision.

## **8. Use Your Budget for Strategy and Leadership**

By aligning your budget with your company's values and future vision, you can rely on it as a powerful tool for business leadership. Your budget will provide the numbers and insights you need to stay on track and lead your marketing agency to a successful future.

# Are There Any Specific Best Practices for Marketing Budgets?

## *The Power of Unit Economics and Project-Based Budgeting*

In a service-based business, like a marketing agency, expenses and revenue are largely project-based. This means that project-based budgeting is incredibly useful for keeping your overall budget on track to achieve your larger goals. In your agency, you should create budgets for each project/client and continuously evaluate project costs as work progresses.

**Read More:** [Why Every Service Business Should Have Job Costing](#)

In order to accurately budget by project and evaluate expenses, you'll need a reliable tool for accurately tracking employee time. In a service-based business, direct labor tends to be the largest cost associated with each project, but it can be notoriously difficult to measure if the right tools and technology are not in place.

By using project budgets, you not only improve your team's ability to keep the company on track for achieving its annual budget goals, but you also empower them to improve profit margins and exceed expectations. You can tie your employee's rewards and recognition to project-based [profit goals](#) while also fueling the entire agency's profits.

## **How Can the Back Office Be Your Marketing Firm's Super Hero? Outsourcing.**

In any business, effective budgeting requires solid footing in a reliable, high-performing back office. Building this kind of back office, however, can be expensive in both time, effort, money, and labor. This is especially true when SMBs attempt to maintain their entire back office in-house.

For this reason, outsourcing is, perhaps, the best solution for SMBs that are in need of a robust back office. With outsourcing, SMBs can enjoy the benefits of a back office that performs like that of a large corporation at a fraction of the cost. By outsourcing your marketing agency's back office to a reputable provider, you can leverage the benefits of an experienced team, tested tools, and streamlined technology so that your bookkeeping and accounting department starts working for you.

Paired with a powerful back office, smart budgeting can help you take your agency to the next level by increasing productivity, cutting costs, and using clever strategies to maximize your profitability for financial health, growth, and success.