

How a CMO gains marketing budget approval from the board

Ever wondered how CMOs put a budget together and get approval from their board of directors? Us, too! So, we asked our own CMO to explain how it works.

Chief marketing officers must wear many hats, and one of the most important hats is to secure their annual budget with an organization's board of directors. It can seem pretty intimidating, too.

The stakes are high. You must cover current or growing payroll levels, set aside investment for your known costs, and adapt to new initiatives and market fluctuations.

The requested marketing budget is also competing against budget asks from every other part of the organization.

Plus, the board has its own perspectives on what is top priority. They, of course, want to ensure the business is running at peak performance, but they are also analyzing decisions based on what will achieve the greatest return on their investment.

All of the competing priorities can make it quite challenging to achieve all of the budget you're requesting.

So how do CMOs pull it off? To find out, we sat down with our very own CMO and Funnel co-founder, Pelle Made. He gave us the answers every aspiring or seasoned marketing leader seeks.

First, how does one go about creating a marketing budget?

Pelle: I start from a baseline for the contribution of each activity to the business goals based on historical results. For us, that is primarily focused on customer acquisition and revenue.

Then I look at how marketing can contribute to the next period's business goals, both tactical and strategic, and what the incremental revenue will cost. This is also, ideally, on top of historical results. The better the evidence (i.e., the data to support the causation between the investment and the business outcome), the better the chance is that the marketing plan will be funded in competition with other investments that other stakeholders are asking for.

How do you best allocate the budget to the different needs within marketing?

Pelle: The people and software that are required need to be funded first. This will usually be a fixed budget, since you know how many employees you have going in and how many will be hired.

Then, funding goes to the external resources and foundational activities (i.e., always-on campaigns) that make up the core of marketing. The rest goes into a discretionary budget that can be allocated based on performance and other needs that occur during the period. This discretionary budget will also cover adoption to changes, like new opportunities that arise and/or investments that did not perform as expected.

All parts of the plan need buy-in from the teams and stakeholders involved.



Once you have your marketing budget and allocations set, how do you get approval from the board?

Pelle: It's necessary to win the board's trust by being transparent and confident that the proposed investment will lead to the promised returns. The logic has to be based on historical data that has been collected and analyzed, the improvements that will be made, the underlying assumptions for new investments, and the incremental returns those investments are expected to bring.



What is the most challenging aspect of creating a budget and gaining approval from the board?

Pelle: Putting together a cohesive plan and selling the cause and effect of the activities in the plan is a complex and challenging task. Plus, you will have to commit to the results that you argue for. The balance between being realistic and aggressive is tricky. The board won't balk at a defensive plan as much as pie-in-the-sky. More importantly, the teams involved must also commit to their parts while understanding their many dependencies with other marketing teams and other parts of the business. So there is always a delicate balance between the top-down and bottom-up.

What are the most common mistakes, in your opinion, that are made when preparing a marketing budget?

Pelle: Starting too late and not allocating enough time. Creating a solid marketing plan takes a lot of time, and I typically try to start the process at the beginning of Q3.

Another pitfall is neglecting to build the budget with input and participation from all parts of the marketing organization; most ideas and expertise come from people with experience in executing. These are both pretty common, but there are plenty of other mistakes and traps to fall into.

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- **Not having a budget:** Every aspect of your business needs careful budgeting, and marketing is no exception.
- **Failure to align with business goals:** Your marketing budget should directly support your business goals. If your aim is to increase brand awareness, for example, your budget should reflect that. The same goes for goals like lead generation or customer retention.
- **Inflexibility:** The business environment is constantly changing, so your marketing budget should be flexible enough to adjust to these changes. An inflexible budget could prevent you from capitalizing on new opportunities or leave you unprepared for unexpected challenges.
- **Ignoring data and analytics:** Your budget has to be based on data, including past performance, customer behavior, market trends, and more. Without data, you could end up over- or under-spending on certain activities.
- **Not accounting for all costs:** Your budget should account for all potential costs, both expected and unexpected. For example, you might overlook costs like agency fees, software subscriptions, or the indirect costs of employee time.
- **Setting unrealistic expectations:** Setting goals is important, but they must be realistic and achievable. If you set your expectations too high and fail to meet them, it could cause unnecessary stress and disappointment.

- **Not reviewing and adjusting the budget:** Your marketing budget isn't something you set and forget. It needs to be reviewed regularly (ideally monthly or quarterly) and adjusted based on the results you're seeing and any changes in your business or the market.
- **Neglecting testing and innovation:** Some businesses stick to tried-and-true marketing methods, neglecting to reserve a portion of the budget for testing new strategies and channels. The marketing landscape is evolving rapidly, so it's important to test and innovate.
- **Ignoring customer acquisition cost (CAC):** It's vital to consider how much it costs to acquire a new customer when planning your marketing budget. Ignoring this can lead to overspending.
- **Over-reliance on a single channel:** While it's good to focus on what's working, putting all your eggs in one basket is risky. Diversify the marketing efforts across various channels for a more balanced strategy.



And what are some potential pitfalls specifically related to gaining board approval?

Pelle: Providing too many details and insufficient data — additionally, if you have poor data to support your thesis.

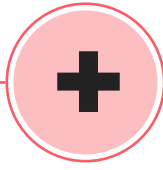
What's the one piece of advice you would give yourself around building the budget five years ago? And no, you can't warn your past self about the pandemic or market shifts.

Pelle: I would tell myself to start early, involve the team early, and push other stakeholders to also start early so that the business goals are set in good time before the marketing plan is expected. Make sure to have a feedback loop with stakeholders so that assumptions made by other parts of the business can be challenged, if needed, as the budget takes form.

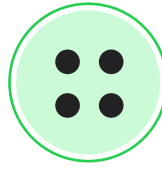
I would also advise myself to have a solid foundation built on data and a data platform that the marketing organization can manage independently of IT. While we're at it, I would also have revenue operations work through the economic model (and its assumptions) and automate reporting of actuals-versus-the budget at least weekly.

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Final tips for CMOs

Gaining marketing budget approval from the board is a multifaceted challenge that requires careful planning, strategic thinking, and effective communication.

CMOs must navigate a complex landscape of competing priorities within the organization while addressing the board's expectations for return on investment.

To get budget approval, CMOs must:

- ✓ Use historical data and business goals to get budget approval
- ✓ Prioritize key campaigns and resources based on performance and unforeseen needs
- ✓ Build trust and confidence with transparency and promised returns
- ✓ Balance realism and ambition, align goals and execution, and avoid mistakes
- ✓ Involve teams and stakeholders early and invest in data and revenue operations

To improve your chances of obtaining the budget you need to grow your business, follow these guidelines. Best of luck!