



What Should IT Services Companies Spend On Marketing?



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Investing In Marketing: What Should An IT Services Firm Expect To Spend?

A client wrote to me the other day asking the following: “I want to double my business this year to \$1 million in sales. Last year I only spent about \$1,500 on marketing for our web site (which isn’t producing any results to date). The rest has been e-mail and social media and, of course, referrals. I’m upping the budget a bit and wanted to know where you thought I should best invest this money?”

This is a REALLY common question that comes in on new client questionnaires from the IT services companies we serve; I can tell you from 20 years of experience in working with companies selling outsourced IT services and support, hardly *anything* is being spent on marketing, with all growth coming from referrals. Because of this, many have gross ignorance on the subject and a horribly inaccurate expectation around what an IT services company should spend on marketing. So let’s get some accurate thinking around this, shall we?

First off, expecting a \$500,000 increase in sales for a paltry \$3,000 investment (and that’s assuming he doubles his budget) is wholly unrealistic and unreasonable—UNLESS you have the ability to sell from the platform and can secure a number of paid or free speaking engagements to put yourself in front of a huge list of qualified prospects in your target market OR if you have some other “ace” up your sleeve. But this “no investment” or thin investment approach to business growth is like expecting a farm to produce a crop without an investment in seeds, fertilizer, irrigation, weed control, etc. Acquiring customers COSTS MONEY. When I ask most IT business owners, “You DO realize that client acquisition costs money?” they’ll laugh a little bit and say, “Of course!” Then I’ll ask them to show me a spreadsheet that details how they came up with the pricing of their services to ensure a healthy profit margin. **In practically every case, there is NO LINE ITEM COST for marketing or client acquisition, which is proof positive they don’t truly understand that a business must invest in marketing to get clients;** if they did, then that cost would have been worked into the cost of delivering their services.

Sure, you could grow a business entirely by word-of-mouth, but it is the rare company who can survive on referrals alone or achieve the speed of growth most MSPs and IT businesses need to survive. So before you start dreaming of a bigger bank account, start planning on a bigger marketing budget AND a bigger TIME investment on marketing.

My research shows that the average cost for getting a qualified appointment for IT services is \$482, and cost per sales is around \$2,100. Which, again, is an AVERAGE. I don’t know if that strikes you as a lot or a little. Anyone selling managed services that are priced properly SHOULD be able to spend this all day long to acquire a customer, and would be happy to.



But what about free online social media marketing? In my experience, the free or nearly free, online-only, social media approach to marketing an IT services business is a fantasy. For some businesses, like a restaurant, it might actually be a possibility. But when selling to C-level executives running multimillion-dollar businesses, you're not going to get appointments with them tweeting and posting pictures of your dinner on Facebook. Will you get SOME? Sure - even a stopped clock is right twice a day. But if you want to get appointments at the C-level today, you need to do more than free social media. The ONLY "social" media platform worth paying attention to is LinkedIn. When used properly, it can certainly be a good tool for targeting and opening up conversations with potential new prospects.

So what should you spend on marketing? The only correct way to determine your marketing budget is to first determine what a client is worth to you—in sales and profits—and from that, calculating what you can and/or are willing to INVEST to acquire that asset.

For example, if an average client is worth \$12,000 a year to you with 50% GP, it's not unreasonable to be willing to INVEST \$1,000 to \$2,000 to get that account. And the more you WILL invest in marketing and sales efforts, the faster you can build. This is no different than any other INVESTMENT decision. For example, let's suppose you were looking at investing in a rental property and you determine that a particular piece of real estate will bring you an average of \$18,000 profit over the next 3 years.

Is it reasonable to think you could acquire that asset—meaning purchase and OWN a house that you could rent out—for as little as \$2,500? Of course not. That would be your DEPOSIT, but a rental property that would bring you \$18,000 in profits is going to cost you a lot more to PURCHASE. So why so many business owners can't get that type of thinking into their heads about INVESTING in customer acquisition is a mystery to me. IT business owners don't think twice about spending thousands of dollars on the tools, software and staff they need to deliver their services, but then get super stingy about marketing, essentially making their "investment" into the tools worthless. If you CAN'T get a client, you can't get your operational "investment" to pay off. This is a surefire road to piling up DEBT and eventual failure.

To be clear, I'm not suggesting that you shouldn't invest in the tools, software, staff and resources you need to DELIVER the services you sell. I'm pointing out that you need to have an adequate and at least equal investment into sales and marketing in order for your business to thrive. But if you're grossly ignorant about marketing and make emotional decisions about what to invest and where to invest, you'll end up making the very common amateur mistake of buying all the expensive "toys" you need to deliver services, but without sufficient clients and profits to sustain your business or make any money.



Final Point: There should be two marketing “budgets” you manage. One is for generic, non-ROI-based collateral you need. That would be business cards, your web site (NOT the advertising dollars you invest in driving traffic, which is a different cost), van wraps, client thank-you cards and gifts, etc. That can be a percentage of overall sales in the range of 5% to 10%. The NEXT budget should be based purely on performance and is for driving measurable sales. Example: Google AdWords. If you had a Google AdWords account that was delivering you \$100 in sales for every \$10 invested, WHY on EARTH would you cap that? If you’re smart, you’d invest as much as possible into that campaign because it was delivering a positive, measureable ROI, no different than if you owned a magic vending machine that spit out \$10 bills for every \$1 you put in. How many dollars would you insert into that machine? Answer: As many as you could physically get your hands on! Heck, if it was spitting out \$1.25 for every dollar you put in, you’d still put in as many dollars as possible. So the only marketing you’re “spending too much money on” is the marketing that’s generating a negative return.

Who Is Robin Robins?



There is no doubt about it: Robin Robins has helped more MSPs and IT services businesses to double – even triple – sales, profits and MRR growth than any other marketing consultant in the IT services industry, period. As a trusted advisor to over 10,000 IT services business owners since 2002, Robin knows a thing or two about what it takes to grow sales, recurring revenue streams and a profitable client base for an IT services business. In addition to her hands-on experience in working with IT business owners, Robin runs a phenomenally successful and profitable multi-million dollar services business herself. Unlike many "ivory tower" consultants who run a business in their dreams, she can speak from actual experience in marketing, packaging and delivering intangible services, dominating a niche, building a "dream team" of colleagues (she doesn't call them employees) and building a raving-fan, loyal client base.

Ask Us At Your Consult About Ways To **Filter Out** What Isn't Making You Money In Your Marketing!