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YOUR 2024 GUIDE TO

MARKETING BUDGET PLANNING

Budget planning for B2B marketing teams used to be a shot in the dark.

For decades, B2B marketing has been inefficient. And while there are a variety of reasons for this, there are a few key culprits. We sat down with Chris Golec, Founder and CEO of Channel99, to get his take on what's wrong with current budget planning models for B2B marketing teams. Here are some insights into what he shared:

1. TECHNOLOGY

Marketing technologies have been built for consumer marketing and B2B has been tasked with retrofitting it for B2B needs. Whether you're looking at paid search, display ads, or other technologies, these platforms were created to help consumers buy goods, not for businesses to buy technology. Even websites are a perfect example of a technology built for consumer marketing that B2B uses and can't get enough information from. Chris shared, "it's not uncommon for 80% of engagement on your web properties to be from companies that will never buy anything. The problem is, nobody has visibility into it."

2. LIMITED SIGNAL

Too many companies rely on too little signal. For many, that means following the common pitfall of relying on people that fill out a form or raise their hand for more information from your business. However, this approach fails to capture the vast majority of interactions that occur with your brand. Chris agrees, "too many companies rely on 3 - 4% of the signal that's available to them and so they are inherently wrong in their attribution assumptions or findings." What's often overlooked are the anonymous, account-level interactions that play a crucial role in understanding and engaging potential customers.

3. CREDIT-BASED MODELS

Another common culprit for B2B marketing teams is following a credit-based model. These models assign credit or value to various marketing touchpoints or channels based on their contribution to a desired outcome, such as a conversion or sale. Credit-based attribution models tend to be straightforward and easy to implement, but they may not accurately reflect the actual impact of each touchpoint on the customer's decision-making process. “While this formula might work for this quarter, I can guarantee it doesn’t work for next quarter,” says Chris. The bottom line: a credit-based model doesn’t move fast enough with the changes marketing sees in behavior and even technology.

When it’s time to plan your marketing budget for the next year, most B2B marketers either continue with the attribution models they’ve worked with for years (likely including only gated channels and dated attribution models) or they try to guess attribution as close as they can. For some, that can look like spending a certain percentage of their budget on a specific channel based on how many leads they think they'll get from that channel. For example, maybe they think 30% of their leads are coming from events, so they plan for 30% of their budget to go toward events.

All of these strategies leave marketing teams guessing, unsure if they’re spending the right amount in the right channels, and unconfident that they’ve made the right choices.

The future of marketing budget planning looks bright.

But even with the myriad of problems surrounding outdated attribution and marketing budget planning, the future looks bright for B2B marketers. Industry benchmarking data will continue to get better, helping companies know where they are on the curve compared to their peers. As this data improves, businesses can know with more certainty when they reach a saturation point and their dollar spend isn't impacting their efforts anymore.

Plus, with the evolution and improvement in AI technology, the future isn't too far for marketers who want to use an AI tool to help them see recommendations for their marketing spend.

Chris shared, "When we think about AI and benchmarking, you can really have your data visualization and answers be more interactive. You might ask, where can I spend less money and then have the AI tool not only make recommendations to you, but create a chart for you to show you why."

In a future world, Chris predicts that if the AI tool is perfect, you could tell the tool what type of software package you sell (and the cost) and give details on the types of companies you sell to. "Then the tool would tell you that companies like you have the best results with these three channels," says Chris. "When will we get there? I don't know. But it's certainly possible."

B2B marketers have 4 options today for budget planning.

While we're not quite in the future state of marketing budget planning, B2B marketers still have a few options to help them get their marketing dollars connected to the right channels and the right vendors. Here are the 4 options marketers have today for budget planning:

1. KEEP USING YOUR PATH-BASED ATTRIBUTION MODEL.

For many businesses that don't have time or money to invest in new routes to better budget planning, this option is what will inform their decisions for the next year. This means referencing existing attribution models—looking at how much they spent last year and how much they think they need to spend next year to hit new goals. For example, those attribution models would show how much credit each channel received. Marketers would look at that information and then have to estimate or hypothesize what will work next year. If channels A, B, and C had the best cost per opportunity or got the most credit, many marketers would then invest more of their budgets into those channels.

This process typically only shifts if marketers get an influx of budget (based on an influx of revenue) or if they have a leadership change. A new CMO might come in with specific ideas on how they want to spend the marketing dollars (e.g. going big at one event and spending less on everything else because that's worked for the CMO at a previous company).

THE TAKEAWAY:
This option is based on estimating and hoping you've got your attribution for channels and vendors.

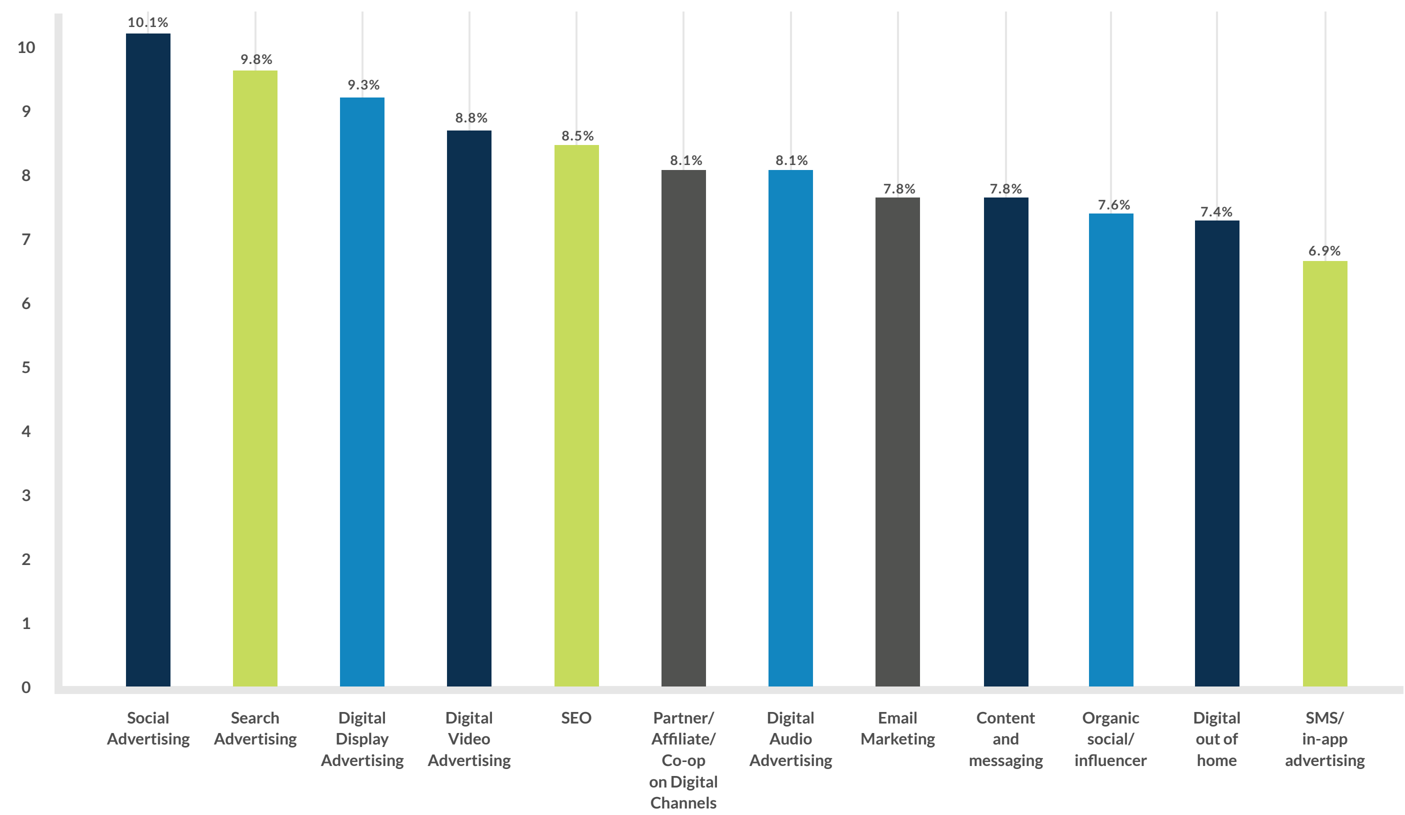
WHY THIS ISN'T THE BEST OPTION:
Using your path-based attribution models can be a good approach to understanding past results, but it doesn't answer the critical questions: How much more or less should I spend in each channel? And what will that optimized mix produce? It also doesn't naturally produce ROI curves or recognize diminishing returns.

2. Use available benchmarking data to compare what others are doing in your industry.

Gartner, BDC, and Hubspot all have various recommendations on how much B2B marketers should be spending on marketing. Those vary from 2 - 10% of total revenue.[1] Gartner does have more specific data on how B2B businesses typically split their budget in four main areas of marketing:[2] 23.7% agencies and services, 25.7% paid media, 24.9% labor, and 25.4% marketing technology. Gartner also reports that 56% of marketing spend is typically allocated to digital marketing channels.[3] And just 3 years ago, Forrester reported that B2B marketers spent 13 - 25% of their total demand marketing budget on live events, trade shows, and virtual events.[4]

In 2022, Gartner reported that marketing budgets increased from 6.4% to 9.5% (as a percent of company revenue) and that spending between online channels and offline channels has started to even out after several years of digital spending nearing the 70% mark of total marketing budgets.[5] Here are a few more specifics by channel from that report:[6]

More than 50% of digital spend is allocated to paid channels:



THE TAKEAWAY:

While there's some benchmarking data available, it's not sophisticated or comprehensive enough yet to give a clear breakdown of what every company should focus their budget on, especially per channel and per vendor.

WHY THIS ISN'T THE BEST OPTION:

While benchmarking data offers valuable insights into industry trends, it falls short in several key areas. First, it may lack the specificity needed to guide precise budget adjustments for individual channels and vendors. Without this level of detail, you risk allocating resources without a clear understanding of their impact on your pipeline and revenue. Second, benchmarking data is descriptive rather than prescriptive, primarily telling you what companies are currently doing without offering actionable recommendations tailored to your unique circumstances. Lastly, it may not align with your specific business goals and objectives, as it represents a broad industry perspective rather than a customized strategy.

3. Build a logistic regression model.

To get a more granular view of your spending and its impact on deals that close, consider building a logistic regression model. With logistic regression, you get a closer look at the activities that will increase your chances of deals closing. To do this, you must look at a sample of your closed won and closed lost deals. Look at all of the paths (for both closed and won) and then aggregate each channel's total counts on those paths. Using logistic regression, you can find the channels that increase the likelihood of a deal closing by a certain percent.

For example, using a logistic regression model you might find that when an account attends an event, their likelihood to close increases by 10%. Or, when a prospect gets exposed to multiple LinkedIn ads, the deal might be 15% more likely to close.

(You can also look at other more ABM style metrics as well, like if a specific title (CFO, CEO, Director, etc.) is involved in the deal, how does that increase the likelihood of conversion?)

The goal of logistic regression is to show which variables increase the likelihood of the success of the deal. To set up your model, you would create a spreadsheet that looks like this, where each cell contains the count of interactions for a given channel at an account prior to the deal closing:

Oppty ID	Emails	Events	Search - Google	Search - Bing	Display	LinkedIn	YouTube	Oppty Status
1	50	5	10	2	4	6	0	Close Won
2	100	2	8	0	10	3	1	Close Lost
3	78	7	12	0	4	5	0	Close Won
4	35	0	3	5	7	2	2	Close Lost
5	30	0	4	2	8	2	4	Close Lost

THE TAKEAWAY:

Logistic regression isn't going to tell you how to allocate every area of your budget directly, but it will help you identify top channels or activities.

WHY THIS APPROACH MIGHT WORK FOR YOU:

Logistic regression offers a more sophisticated and first-party, data-driven approach than comparing your spend to others in your industry. Once you know which variables increase the chances of a deal closing, you can know which areas your marketing spend should be focused on to get more deals across the finish line. For example, if you know customer stories help get more deals to close, next year you might invest in ways to get more prospects to those customer stories.

WHY THIS ISN'T THE BEST OPTION:

While understanding which variables are more likely to help a deal close is helpful, this approach can't tell you how much more or less to do. A logistic regression model can only tell you which channels or activities are increasing the likelihood of deals closing.

4 - Implement a media mix model approach.

A media mix model strategy uses regression modeling to understand the macro relationship between marketing spends and funnel KPIs. Accounting for every channel of your marketing spend (not just the channels that are connected to your CRM), a media mix model then helps your team optimize the budget mix across all marketing channels that will maximize your KPIs. With a media mix model, you can view previous and future quarters to see how much was spent in the past and how much is recommended in the future. This model also details how much contribution the model gives to each channel and the ROI for each channel. Plus, media mix models offer insights into in-market monthly spend data all together, information many businesses struggle to see with traditional reporting.

> "From my perspective, media mix models are the way to move forward."
> - Chris Golec, Founder and CEO of Channel99

SENSOR TOWER USES A MEDIA MIX MODEL TO GIVE THEM INSIGHTS INTO EACH CHANNEL'S ROI AND IMPACT. WITH ALIGNBI, SENSOR TOWER IS NOW SEEING INCREDIBLE RESULTS:

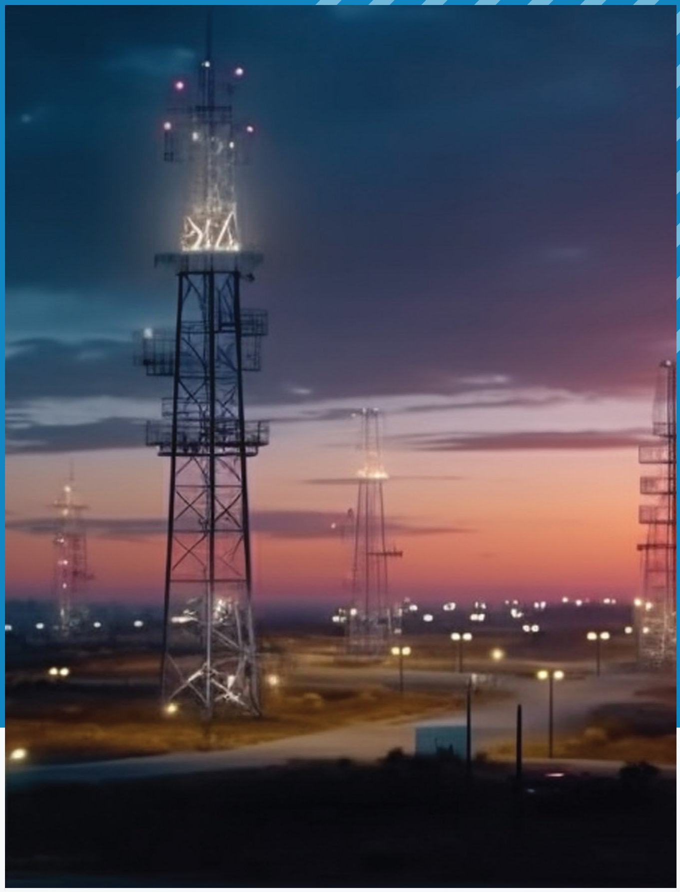
Before AlignBI and media mix models, Sensor Tower had not built a basic attribution model and didn't have a lot of data. "Realistically, we had about 18 months of data," said Ben Rabner, VP of Demand Marketing and Growth at Sensor Tower. "When I came to Sensor Tower I immediately reached out to Ryan at Align BI because I wanted to build this from the ground up. I wanted to build on the foundations of a media mix and not on a traditional attribution. I didn't even want to get into using a traditional method because I knew I would have to unwind it."

While the team at Align BI was standing up the first model, Sensor Tower spent time building the basic things they needed for measurement—wiring up the CRM with the other tools so they could get better data and have the data flow the way they needed to into the whole tech stack.

"We got the core stuff fixed and implemented and we were working with AlignBI on getting the CRM and some of the datasets," said Ben.

When AlignBI brought Sensor Tower the first model, they wanted to do some reality checks with the data to make sure they didn't see anything too skewed or any outlying issues. Ben shared, “We were all incredibly surprised at how insightful the first model was. We had to do very minor tweaks to then go and run round two. So that was a great surprise. From there, we did a little more refinement from the next version.”

Standing up the model from beginning to end took just under 3 months. “The thing that impressed me the most was the speed at which we were able to get this thing stood up. Once we were confident in the data set, we knew which channels we needed to account for and we gave the connectors access to AlignBI’s data models to pull the data, it went surprisingly fast,” said Ben. “We had a working media mix model in less than three months.”



The model has helped the Sensor Tower team identify key areas where they could be spending more and other areas that they need to pull back from because they aren’t getting the ROI they want.

“The media mix model has helped us be more strategic on where to invest dollars,” said Ben. “We can also see quarter to quarter how things are performing and if we need to make adjustments. Rather than marketing being backwards looking at the data, we can do better forecasting and modeling. We can run scenarios and say, what is the objective and what are we trying to accomplish? We can run various scenarios to meet business objectives and come up with the right strategy.”

Now, Sensor Tower has shifted their budget conversations significantly with the data and recommendations they’re seeing from the media mix model. “Before, we might have said that we would increase our efficiency by 10% next year or next quarter. And that number is a total guess. It’s not based on insight or anything concrete. With MMM, we get great confidence because we’re looking at correlations on the data and the performance. It just gives us more competence and more courage to spend that investment,” said Ben.

Bonus - Get even more granular attribution information with a media mix model approach and Channel99.

For even more precise channel and vendor performance insights, combine your efforts with a media mix model and Channel99. With this approach, media mix models and better attribution can work together for the ultimate analytics solution.

Media mix models offer a high-level channel mix. These help drive your budget. Channel99 helps you get even more granular information about the efficiency of your channel and vendor investments.

With Channel99, businesses can look vendor to vendor to see which one has a bigger impact on their pipeline and business. They help you eliminate waste and within a channel, understand which vendors you can get the most out of for every dollar.

The ultimate toolkit for B2B marketing budgeting is using a combination of media mix modeling and accurate attribution modeling. The media mix model, like what Align BI created, allocates optimal budget mix across the broad channel categories. Accurate attribution, like what Channel99 has built, can then help identify within those broad buckets the best-performing campaigns, platforms, and sub-channels. Accurate attribution can also be used to confirm the accuracy of the media mix model and to help catch the signal for smaller marketing channel efforts that maybe didn't get picked up by the media mix model.

Align Bi Can Help Your Business Build A Better Marketing Budget.

With Align BI, you can:

- Organize your marketing and sales data
- Get faster and better insights
- Optimize your marketing decisions
- Use your existing tech

Let's talk. Contact us to learn more about our media mix models and how we can help you.

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Find out how your digital channels are performing vs. the rest of the industry with Channel99.

Channel99 can help you:

- Understand how well your programs are reaching, engaging, and converting the accounts in your target markets
- Delve into individual deals to learn about the channels and vendors that contributed to revenue
- Reduce inefficiencies, lower acquisition costs, and exceed sales pipeline targets

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