

Do you have some important business initiatives planned for next year?

- Perhaps you want to launch a new service or product idea in 2011, but you're not sure if it's quite ready yet. You need to do some more homework: talk to prospects, check out competition, identify some suppliers.
- You plan to update your marketing tactics – start a newsletter, revamp your website, launch a direct mail campaign – and need input from customers or prospects first.
- Or you'd like to broaden your base of target prospects, but are unsure of how to define them and reach them.

November is not too early to start work on your 2011 business and marketing plan. That includes fleshing out your marketing research budget. Do you know how much to budget for research?

Here are some guidelines for market research budgeting :

- If you aren't sure exactly what research you will need, you can base the annual research budget on a percentage of gross sales. Be sure to calculate research costs as a percent of next year's forecasted gross sales.
 - The Small Business Administration recommends setting a research budget of about 2 percent of gross sales for an existing business. This assumes, however, that you have been doing ongoing research to keep up with market trends, customer needs, and so on.
 - If you have not done research recently, you will need to increase that percent significantly in order to play "catch-up." And if you are launching a new product or business, upfront research can be as high as 10% of gross sales or more.
- But a better way to budget is to look at research requirements, project by project. If you know the types of research you will be doing, you can do a much better job of estimating expenses.
 - For each initiative, list the kinds of information you need: industry statistics? A competitive review? Customer feedback? A prospect list?
 - Then think about the various ways to obtain that information: from published articles? Government websites? Phone interviews with customers? An online survey?
 - Finally, identify what you think you can do in-house and what will be out-sourced to a market research company. If necessary, call around to get cost ranges.

You should also consider the financial impact of your planned initiatives. Ask yourself how much is at stake? What is the upside potential if everything goes according to plan? Or how much would you lose if you made a bad decision?

What's the cost of a bad decision?

Easier asked than answered, because it depends on any number of factors, including:

- The size of your market. The larger the market, the greater the upside (and downside) potential.
- What actions you take: nothing (you don't launch the new service) or a move in the wrong direction (you launch it and it bombs)
- How much money and other resources (time, personnel) you have already spent or will spend on the product/ service/ issue.
- What your competition is doing in the meantime.

It may not be possible to calculate the cost of a potential bad decision, but it is important to understand the magnitude of what's at stake. And what better time than when you are developing your plan and budget for next year?

Remember, research cannot guarantee that you will always make correct decisions. But if done properly, it will increase the likelihood that you will. That's why smart businesses always include an adequate provision for research in their annual marketing budget. **Because sometimes the cost of a bad decision is just too high.**

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