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How can SMEs 'sweat their budgets' in 2024?

Ruthless prioritisation, ringfencing money for risk-taking and optimising internally could enable SMEs to stretch their budgets further.

By **Alex Wright** 12 Mar 2024 6:16 am



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After a turbulent few years, SMEs are putting growth firmly at the top of their agenda.

Seven in 10 small businesses say growth is a priority in 2024, according to data from Three Business, the B2B arm of the telecoms provider. SMEs are collectively planning to invest £252bn to drive growth this year – up 27% on 2022 levels – £35.1bn of which is earmarked for marketing.

However, as budgets continue to come under scrutiny and marketers are required to do more with less, they must prioritise what to spend the money on and what to put on the backburner.

To identify key growth drivers, SMEs first need to ask themselves some searching questions suggests Pip Heywood, managing director at card and gifting brand Thortful. For example, what adjacent markets or audiences share enough characteristics to pivot into? Do their communications stand out?

Other factors to consider, says Heywood, include which areas a business can reasonably push into where its product isn't supplied. Is the marketing channel efficiency optimal? Added to that, SMEs need to question if their cost base, profit and loss, and return on investment are in good shape, or are there efficiency gains that would enable them to invest more in top of funnel activity?

“Look out for SME marketers endeavouring to sweat their budgets to deliver as many sets of eyes on their brands as possible.”

Ross Farquhar, Little Moons

Marketing director at dairy brand The Collective UK, Tor Hunt-Taylor, identifies three core elements to maintaining growth within SMEs. They are keeping the customer at the heart of everything, pivoting the strategy to win in the new macro-economic environment, and being consistent and focused on delivering the strategy.

“It's all about being laser-focused on a strategy and sticking to it,” Hunt-Taylor explains. “That means making decisions, including what not to do or what to de-prioritise. It is easy mid-year to go off plan if there is a fire to fight, but before pivoting, pause and challenge whether the benefits are for the short term or the long term, and if you are OK with the potential trade-offs.”

Marketing director at mochi ice cream brand Little Moons, Ross Farquhar, believes in some ways SME marketers have an advantage over their blue chip counterparts because they tend to manage brands with a more natural headroom for growth.

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Amongst retailers, for example, he sees a readiness to move past a period of stagnant volumes masked by value growth to a situation where shoppers are growing their purchase

volumes. To achieve that, brands need to be fast-growing and offer something new, different and in keeping with consumer trends, Farquhar explains.

“SME marketers need to be laser-focused on growing penetration. How are you going to get your brand in front of and in the hands of new, typically light, buyers throughout the year?” he asks.

“That means finding ways to maximise reach in most cases. Look out for SME marketers endeavouring to sweat their budgets to deliver as many sets of eyes on their brands as possible and to make sure their innovation is really earning an unfair share of attention.”

Two pots of money

The key growth driver in 2024 at insurer Marshmallow will be increased investment in brand channels, both internally and externally, explains head of marketing Chloe Collins.

As customers are shopping around now more than ever, Marshmallow is focused on ensuring it's the preferred brand for its target audience by building awareness through brand messaging and channels.

“We are very clear on who our customer is and what we want them to think and believe about Marshmallow, as well as the action we want them to take,” says Collins.

“That has made it easier for us to be confident in our marketing plan as our objectives are so clear. If the business and marketing objectives are clear and agreed that makes it easier to prioritise in any economic environment. Equally, any activity that does not directly serve our objectives needs to be put on the backburner.”

“Understanding the consumer is where revenue growth and market share will come from.”

Tor Hunt-Taylor, The Collective UK

The way Marshmallow uses its budget is focused on priorities and making decisions based on whether a piece of activity will enable the team to hit their objectives.

“Once this is clear it enables a marketing team to balance what they may want to do versus what needs to be done to hit marketing and business goals,” Collins adds.

Marketers need to make a conscious split between the majority of their budget being allocated to the more empirically-proven methods of generating reach and delivering penetration growth, and the minority spent on taking risks, says Farquhar.

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The two pots of money need to be treated differently, he argues, with the former requiring heightened rigour to maximise reach, and the latter demanding greater risk-taking to cut through.

“Every SME marketer will need to look at their budgets and really challenge whether they’re getting the value they need out of some of the annual investments that tend to creep up over time,” Farquhar adds.

“It seems sacrilegious to say it in an environment where everyone is talking about data, but really challenging ourselves on whether we’re making the most of all the data and insight we buy in is a great example. You need to be confident you’re buying only the must-haves.”

Prioritise and prioritise again

Extracting value from owned media and being creative with it is crucial, says Heywood. That requires ensuring this media is the most engaging and distinctive it can be. SMEs are advised to refine the target audience by leveraging content, social media and CRM platforms, as well as considering referral programmes.

The next step, Heywood explains, is to ensure earned media is maximised by extracting extra value from owned media, pushing it far enough to earn exposure through PR. Finally, she advises SME marketers to think through whether the paid approach is affordable and sustainable in the long term. If not, she advises sticking to optimising performance marketing.

Taking the time to understand a customer’s wants, needs and expectations is also critical to determining priorities, Heywood adds. Responding to those needs with a distinctive, imaginative and thoughtful experience accounts for 90% of that work, she states.

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Chloe Collins, Marshmallow

“It doesn't have to be through external agencies if budgets are tight,” Heywood suggests.

“You can get creative with your internal data, with speaking to real customers, performing your own ethnography. Looking at external data, looking at other or adjacent markets and brands to conjure a powerful understanding of what the playing field is, what your customer is experiencing elsewhere and how you can compete for their attention and affection.”

Rather than putting a theme, channel or strategy on a backburner, Heywood advises marketers to think about their business strategy and goals for the year, how their marketing strategy supports that and working on what will make the biggest difference. That will inevitably lead to prioritisation based on business needs, she adds.

Focusing on the consumer is key to making the most of a marketing budget, which requires every touchpoint across the business to be aligned and the brand funnel to be prioritised, says Hunt-Taylor. It's also important to single out one top priority and go after it, she suggests.

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“The last few years have meant businesses have needed to put a huge focus on internal metrics and the retailers, and category dynamics,” Hunt-Taylor explains.

“These will always be top priorities, but understanding the consumer is where revenue growth and market share will come from, and it is where sustained performance comes from.”

With a squeezed marketing budget, Collins says marketers need to identify capabilities within their organisations to push their marketing objectives. That may require a shift in internal priorities or additional headcount, but will still be cheaper than using external media channels. Marshmallow, for example, has focused on its customer referrals programme and owned content.

“We have increased the focus on our customer referrals programme using our owned channels to push this to a wider customer audience and used different incentives to create more desire from the customer,” Collins explains.

“We are also increasing our owned content through the website, organic social media and our database with the aim to improve our relationships with our current customers, but also to provide a database of useful information for our target audience during their research phase.”

Age of innovation?

Despite tighter marketing budgets, Farquhar expects innovation to be more plentiful moving forward, albeit marketers will need to get more value from it than ever before. A big concern he identifies is if squeezed budgets result in insufficient investment for big, transformative bets.

“At Little Moons we’re ringfencing the time and resource needed to ensure these bigger and harder projects are delivered, because they’re crucial to delivering on our category strategy,” says Farquhar. “I know in other businesses they’ll be the easy things to pause or slow down.”

Under-investing in innovation will only compound a company’s problems in future years, Farquhar notes. It would be a mistake, he warns, to risk a brand’s future solely on mitigating present challenges.

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Pip Heywood, Thortful

To find the right balance in terms of innovation, Farquhar suggests marketers challenge themselves to ensure they have clear objectives that are appropriately funded and prioritised in the order of value they’ll provide, rather than doing the same as the previous year but with less money.

Instead of lamenting the potential negative impacts of tighter marketing budgets, Heywood argues marketers should press on with what they have to do and what they can control. She believes giving teams creative thinking time, supporting lateral thinking and investing in a good knowledge bank of innovation mindsets – such as random stimuli or concept changes – may drive innovation.

As a scale-up tech business, Collins appreciates the question of whether innovation should remain a priority depends on a company's stage, audience and if they are continually changing their media behaviour.

“The most innovative thinking often comes from constrained or challenging times,” adds Hunt-Taylor.

“Businesses that have pivoted and focused their strategy, and then innovated off the back of that are succeeding, but whether innovation should remain a priority ultimately depends on where an organisation is in its journey and how their core range is performing.”

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