TELLUSANT QUICK READS

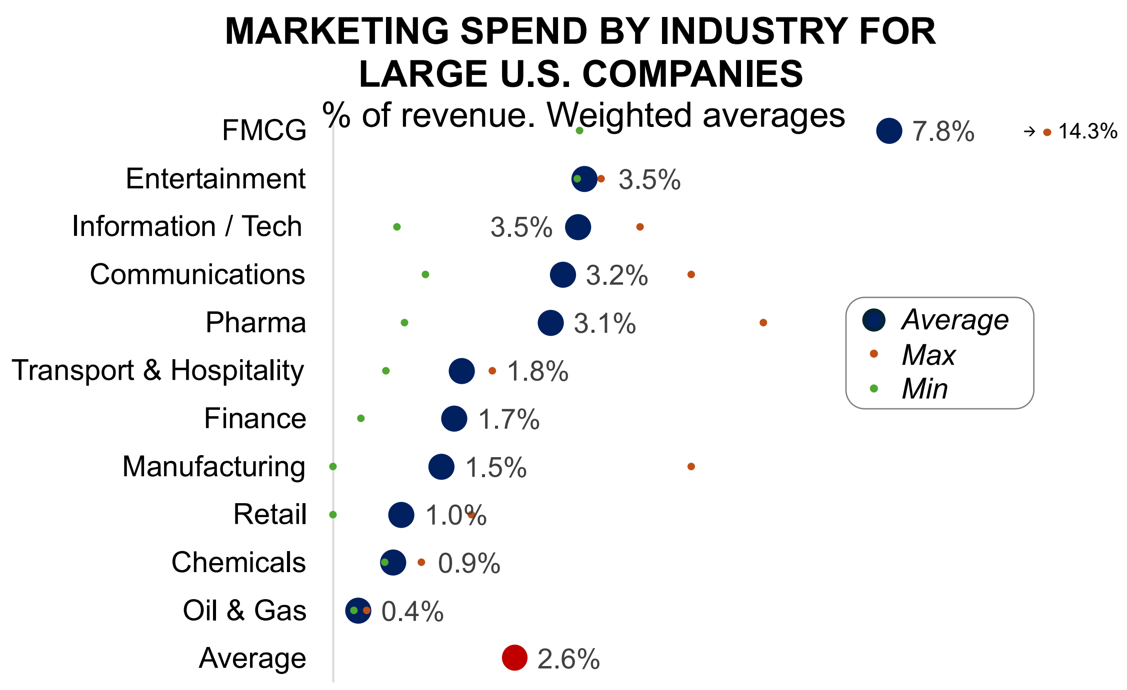
HOW MUCH IS SPENT ON MARKETING IN THE U.S.?

Surprisingly, marketing spend is not a widely tracked metric. As part of building a model for the cost of forecasting errors, we needed this, R&D spend, and capex.

Therefore, data were collected for large U.S. companies, one by one. In most cases, companies do not report on marketing spend. However, many report advertising spend (a subset of marketing), or sales & marketing spend (a superset of marketing), or similar.

People may find marketing spend interesting as a topic on its own. Hence this Quick Read.

The main conclusion is that marketing spend as a share of revenue is considerably lower than the questionable, survey-based, estimates that circulate on the web: less than half those levels. Example: One such source has an average of 9% marketing spend as a share of revenue. We have 2.6%. Both are across all industries.

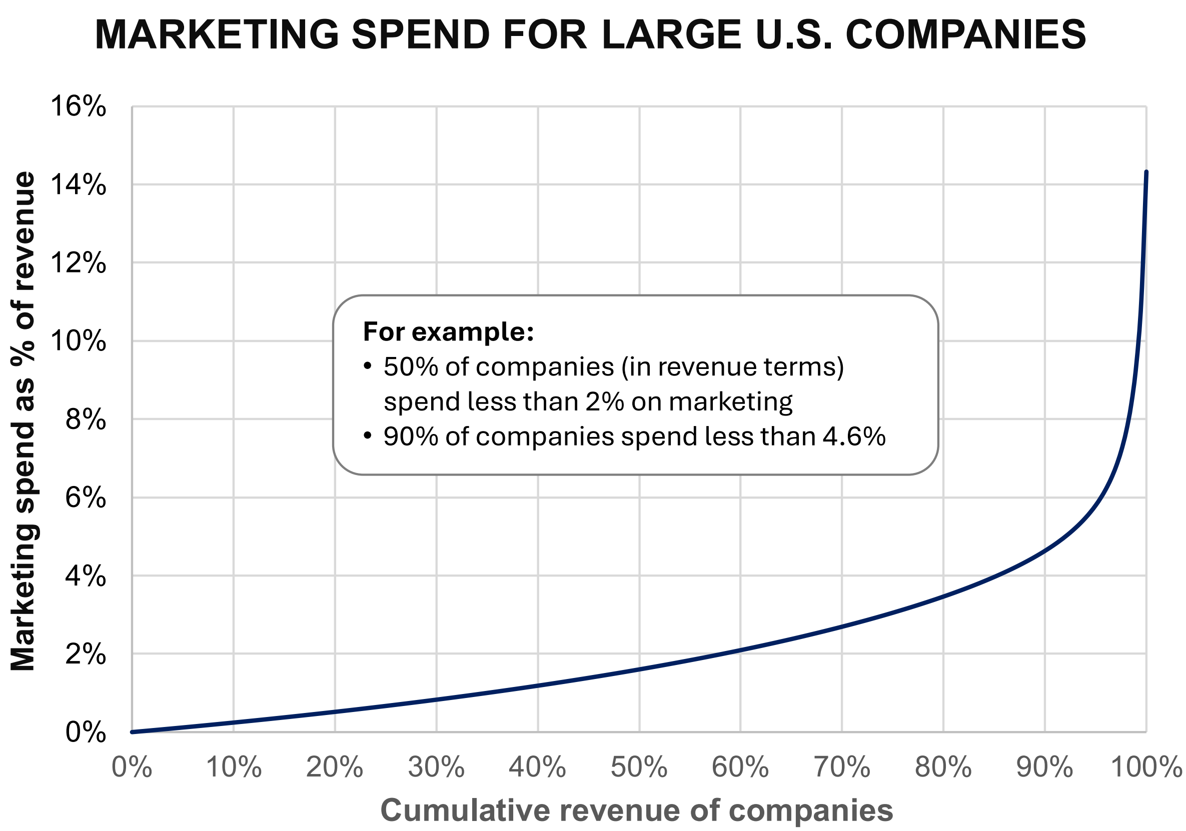


Source: Financial reports, S. Canback (Tellusant) analysis

The graph above shows marketing spend levels aggregated by industry. Not surprisingly, FMCG companies have the highest level. No other industry is above 4%.

Two companies have "zero" spend on marketing. Costco and Tesla. That Tesla spends close to nothing on marketing and still is one of the most well-known companies on the planet, is mind-boggling. Whatever we think of Musk, he knows how to grab attention.

The highest spending level is at P&G. (Only Unilever comes close, but the focus is on U.S.-based corporations, so it is not in the sample.)



The curve has R^2=0.99 against actual observations
Source: Financial reports, S. Canback (Tellusant) analysis

In the graph above, we see the distribution of marketing spend for individual companies. The graph shows a fitted line to reduce information overload.[1]

The strategic conclusion is that marketing spend is a small part of the quest for brand equity. Quality of distribution, precision in logistics so there are no stock-outs, manufacturing quality, relationships with retailers, and CEO swagger, are more important.

We see this in the decline of CMOs. Now CGOs (and similar), who take a broader perspective, are all the rage. Marketing spend is still important, but building brand equity takes much more.

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[1] The curve estimation is with a fractional polynomial (Bx+Cx2)/(1+Dx+Ex2)