Why Putting Off Marketing Is A Bigger Risk Than Making Marketing Mistakes

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For large- and enterprise-size businesses, marketing is a no-brainer. Big, successful operations know there's an optimal amount of money they have to spend in order to maintain market share and awareness, to drive sales and meet revenue goals. Yes, marketing budgets do get cut in economic downturns, but operations that are able to maintain a steady flow of income usually maintain marketing budgets hoping their competition will spend less and lose market share.

For small- to medium-size businesses (SMBs), it seems to be a much harder decision to go from no marketing to some marketing. Why is this decision so difficult? Fast-growing companies that don't have marketing budgets heavily rely on outbound sales and referral/word-of-mouth to grow, but they usually plateau or see the next growth milestone as a hill too hard to climb without doing something different. But, in order to climb that hill, they have to change the way they bring in business and trust a process they're not familiar with. Marketing is something all growing SMBs want to do well, but owners and operators often put off the investment because they don't understand marketing well enough to pick a good partner or hire a team; know it's a long game to play and can't stomach the initial investment period; or it's a problem they keep putting off solving and, therefore, end up doing nothing.

Putting off the problem and doing nothing is where most SMBs land. There is a real cost to doing nothing in marketing: negative ROI and loss of market share.

Negative ROI

Negative ROI refers to a company's costs outweighing its returns. In practice, it looks like the company's inability to meet the needs of its growing ecosystem, leading to unintentional ecosystem shrinkage and damage. Company ecosystems are made of people, technology and sometimes physical infrastructure. These ecosystems operate through processes that need to evolve as the company evolves. All ecosystem components need care and feeding to keep going. People, for example, rarely want to stay stagnant and need career growth, raises, bonuses and other incentives to stay motivated. Technology is constantly changing, and a growing company needs to invest in new systems regularly to keep up with the needs of increasingly complex processes.

Plateauing businesses suffer from two issues that create negative ROI: the inability to grow a predictable pipeline of new business that will meet their future needs and the creation of a reactive workplace instead of a proactive one. Both issues go hand in hand. When there is no marketing engine driving leads or brand awareness, leaders tend to make reactive decisions in regard to spending, which leads companies to downsize investments that would otherwise propel growth. These decisions lead to negative ROI consequences.

Losing Market Share

Market share is a company's percentage of control of its potential audience, meaning the percentage of the potential market that prefers to purchase from that company. Having a large percentage of marketing share, as an SMB, means a company has a few advantages over competitors. Companies with significant or dominating market share have better control over setting their price. They usually can afford a management layer in their organizational chart that allows for the better quality of products and services. And, in theory, if they're larger in size than their competitors, they may benefit from the principle of the economies of scale — meaning they're able to hire and buy at larger volumes with better margins.

Shrinking market share is a nightmare for a business, making them more vulnerable to threats. Think about Covid-19 and what it's doing to smaller, less stable businesses. Companies focused on gaining market share, especially during an economic crisis, are able to "purchase" market share through increased marketing efforts for a lower acquisition rate while smaller, stagnant businesses find themselves in a negative ROI spiral. Opportunities to gain more market share when things are down are a lot like buying stock when there's a dip in the market. You'll own more shares that increase in value when the economy cycles back.

Inaction: Riskier Than Mistakes

Action yields information. The best business owners and entrepreneurs understand that mistakes provide valuable information that helps companies move forward. With marketing investments, the worst that could happen is a company doesn't gain enough momentum over the first couple of years to meet the minimum marketing ROI. The risk that the marketing will damage or disrupt a company's ability to operate is tiny. There's a larger chance that even marketing that doesn't have a direct financial ROI still benefits the company through hard-to-track value like brand awareness.

Inaction leads to erosion through the loss of market share and negative ROI. Because marketing takes time, each day a company puts off making a decision to start marketing, the longer it will take the company to build marketing share and positive ROI. Meanwhile, action-orientated competitors will come in and start to take over.

Risk is a part of doing business. Marketing is a small risk in the scheme of things. Investing in a new brand campaign or implementing a better CRM are minor risks in terms of business decisions, and these types of investments have a great likelihood of paying off. Remember, marketing is an essential part of having a successful business. (Big businesses know that.) It's not like trying to colonize Mars.

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