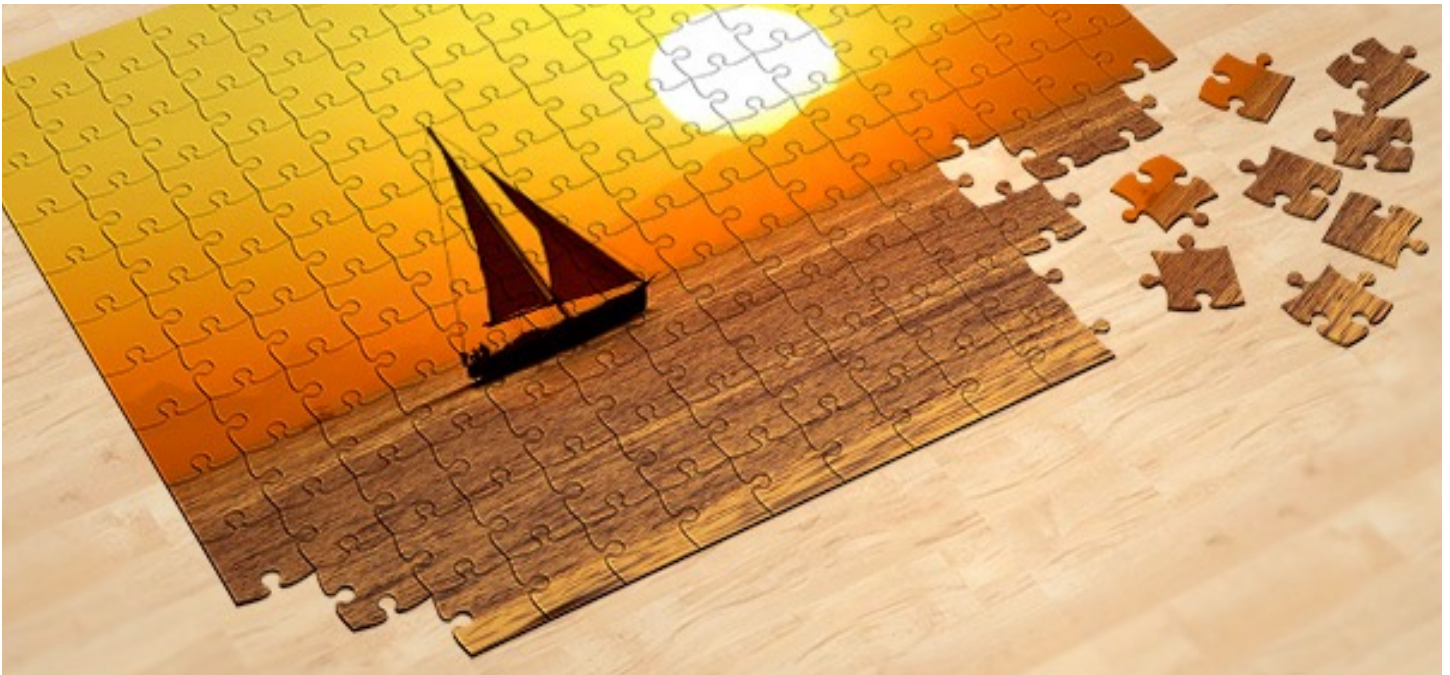


Healthcare Marketing White Paper



## Budget Planning for Hospital Marketing

How to put together a detailed, strategy-driven  
healthcare marketing budget



## BUDGET PLANNING FOR HOSPITAL MARKETING

### How to Put Together a Detailed, Strategy-Driven Healthcare Marketing Budget

Without fail, the third quarter of every year greets healthcare marketers with the task of putting together a budget for the following year. To some, this task may be daunting, but it's imperative to keep marketing spend on track to meet brand goals. We put together this guide to budget planning to help hospitals and physician practices looking to refine their budgeting strategies, including those with no history of a budget.

**This white paper will outline our tried and true process to budgeting, including:**

- ④ Reviewing business goals and analytics;
- ④ Prioritizing service line marketing campaigns;
- ④ Mapping out your marketing calendar, and;
- ④ Maintaining the budget paper trail.

## Work backwards from hospital business goals and marketing analytics

The first step is to meet with the hospital CEO, CFO, COO, or whoever sets the financial goals, to get the overall marketing budget target for the year. According to a survey conducted by the Society for Healthcare Strategy and Marketing Development (SHSMD) in 2009, the average marketing budget for independent hospitals was \$1.3 million, and the average marketing budget for large health systems was \$5.8 million.

The second step is to meet with the CEO and/or individual business managers to discuss priorities and business goals based on performance of this past year, and explore any business initiatives that can affect how the marketing budget is divided up. For example:

- Do we focus on building reputation or driving volume?
- Which departments or services need a boost?
- Are there any new services that are coming onboard?
- Is the hospital acquiring or opening new facilities?
- Are there any construction projects in the pipeline?

Next, review last year's budget, or marketing spend if no budget exists, in comparison to the information learned in the previous meetings. This is a great time to reflect on what worked in the past, what didn't, and what could be done differently this coming year. As we stated in [Healthcare Marketing Analytics](#), all great marketing efforts start and end with analytics. Measurement is a good friend of marketers because it shows us where we could do better and defends our strategy and reasoning. The start of a new year is no different - it's important to know where a hospital or practice has come from before it can move forward.

For example, maybe a direct mail piece from this past year was expensive but didn't show much ROI, whereas SEM was relatively inexpensive and there was an increase in website traffic. For the coming year, those marketing dollars could be shifted from direct mail to additional online advertising.

Or maybe this past year a large portion of the marketing dollars were spent on the opening of a brand new facility, so in the coming year, those dollars can be reallocated to other departments whose campaigns were cut or shrunk to fund the new facility marketing.

The great thing about planning is that everything is adjustable. With proper documentation and sound strategy, it is easy to tweak and repair tactics based on goals and performance.

## Organize hospital departments by marketing priority

Picture the overall marketing budget as a jigsaw puzzle, except instead of ending up with sailboats in the harbor against a sunset, butterflies floating in a field of wildflowers, or a cozy cabin covered with fresh snow, the finished product is a budget broken down by campaigns, projects, and monthly cash flow. It may seem overwhelming, but the best thing to do is back into it by divvying up the overall budget figure, rather than assigning budgets blindly. The finished picture on the cover of the puzzle box represents the overall goals, priorities, and budget figure shared by the CEO, but to achieve it, the individual puzzle pieces need to be put into place.

First, make a list of all departments, services, individual practices and physicians to be included in the marketing plan. Next, list or group campaigns by size and importance. For example, neurology and cardiology may drive reputation because of the halo effect, but smaller departments such as general surgery, bariatrics and plastics may drive revenue because they can be highly profitable. Which departments get the bigger campaign budget? It depends on the business goals set out in the first meeting.

Placing different campaigns in tiers of importance is a good way to ensure fairness. For example, tier 1 campaigns have a budget of \$200,000, tier 2 campaigns have a budget of \$100,000, and so on.



Project	Internal Labor	External Labor	Expenses	Media
<b>Campaign 1: Cardiac</b>				
Online advertising				
Print ad				
Poster				
Direct Mail				
Web video				
<b>Campaign Subtotal</b>				
<b>Campaign 2: Neurology</b>				
Landing page				
TV commercial				
Web interviews				
SEM and Display advertising				
<b>Subtotal</b>				
<b>General Surgery</b>				
Display and Facebook advertising				
Email marketing				
Shopping cart advertising				
Physician referral marketing				

### Divvy up dollars among hospital service lines

Keeping in mind priority and last year's budget, assign each campaign an individual budget, making sure they all add up to the overall marketing budget. Once that is done, revisit each individual campaign budget, and break those down into internal and external labor costs, expenses, and media dollars.

Now it's time to split hairs one more time. Under each individual campaign, make a list of tactics or projects, and assign each of those line items individual budgets broken down by internal and external labor costs, expenses, and media dollars.

Lastly, revisit each campaign and cut 10% of the budget from each individual line item. Take all of this money and set it aside in a separate line on the budget sheet as a cash reserve for unexpected projects or campaigns that will inevitably pop up over the course of the year. This prevents the need to cut from campaign dollars that were already spoken for or are in contract with media vendors. It also allows wiggle room if the hospital asks for budget cuts.

### Map out the annual marketing calendar

Now that all of the marketing dollars are spoken for by campaigns and projects, it's time to map out when the team produces the accompanying materials and when the media runs. A gantt chart easily allows people to see when campaigns are running and if any overlap occurs in production or media throughout the year.

When developing this calendar it's important to keep national trends in mind. For example, it may be a good idea to run a cardiac campaign in conjunction with American Heart Month in February, or run advertising for weight loss surgery, nutrition or smoking cessation programs in January to catch people working on their New Year's Resolutions.

Another thing to keep in mind while laying out the marketing calendar is the competition. Are there certain times of the year they tend to run campaigns? Are they planning to open a new facility in the second quarter? It is important to not be dark when the competition will be ramping up their marketing efforts. Also pay attention to what types of media they are buying and where they are in the marketplace, and develop a presence alongside them.

This calendar allows everyone to stay one step ahead of what's coming up, and it also helps to ensure that messaging is spread evenly throughout the year. For example, the first draft of the gantt chart may show three campaigns running in the first quarter, but only one campaign running in the fourth quarter, so one or more could be moved to avoid going dark. It is better to have consistent messaging throughout the year to stay top of mind.

With the calendar in one hand and the budget sheet in the other, it's now time to break out the budget by month. Underneath the gantt chart, list out the total costs for labor, expenses, and media each month based on which campaigns are in production and live. This helps the accounting or billing department plan ahead on marketing spend each month based on incoming invoices.

### **Review budget with hospital leaders**

Once the budget and gantt chart are complete, it's time to go back to the CEO, CFO, or COO to review and receive feedback. This meeting is a good time to explain the thought process and strategy behind the budget and to make sure it covers all of the priorities and business goals laid out in the first meeting. The CEO can also relay any information that may have changed in the time between the first and second meetings.

It's important to include the CEO in the planning and budgeting process so he or she will feel in control of the marketing spend. It will also be easier for the CEO to defend marketing efforts against any naysayers by knowing the ins and outs of the budget and the strategy behind it. Anything that can be backed up with analytics found in stage one of the budgeting process would also be a good thing to share with the CEO, who can then share with other board members, doctors, or staff.

## **THE MARKETING BUDGET IS A LIVING DOCUMENT**

Once the budget gets the green light, it's time to move forward with planning, signing contracts and securing vendors. Strive to come in under on every line item. Keep track of what was spent versus what was budgeted, and try to refrain from dipping into the cash reserve. If at the end of the year the cash reserve is untouched, use it to beef up a media spend or produce a project that didn't make it through the initial cuts.

Just remember: the budget is never really final. It is a living, breathing document that will continue to change throughout the year. To borrow from *Pirates of the Caribbean*, the budget "is more what you call guidelines, than actual rules." Money can be moved all around, as long as it doesn't go over the total budget. New projects or campaigns will come up, acquisitions will fall through, and doctors will come and go. The key is to accept this fact, be flexible, and leave a paper trail of all changes by diligently updating the budget sheet. No matter how large or small the budget is, organization makes all the difference. 🍌

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