

BBA Sem.VI/Advertising & Sales Promotion/Unit 3/Advertising Budget Part 1

Advertising is an element of the sales and marketing programme of a company so an advertising budget is also a component of a company's general sales or marketing budget that can be observed as an investment in a company's growth. Money spent on advertising can also be viewed as an investment in growth of the business.

What Is an Advertising Budget?

An advertising budget is a forecasted fixed amount to be spent on advertising activities of a company in a designated future period.

Other published Definitions

- 1) "An advertising budget is an estimate of a company's promotional expenditures over a certain time period. More importantly, it is the money a company is willing to set aside to accomplish its marketing objectives. When creating an advertising budget, a company must weigh the value of spending an advertising dollar against the value of that dollar as recognized revenue."

By **Evan Tarver** (Investopedia)

- 2) "The budget is an expression of the expenditure plan. It is estimated to meet the financial requirements of advertising plans so that advertising objectives with planned strategies may be realised within a given time frame.

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It is a statement of proposed advertising expenditure; a guideline for allocating the available funds to the various functions and activities of advertising.”

Samridhhi K (Business Management Ideas)

- 3) “An advertising budget is an amount set aside by a company planned for the promotion of its goods and services. Promotional activities include conducting a market survey, getting advertisement creatives made and printed, promotion by way of print media, digital media and social media, running ad campaigns etc”

(Source: wallstreetmojo.com)

The suitable advertising budgets and programmes focus on consumers' needs and solving their difficulties, not company difficulties such as excess production and an overstock reduction.

Importance of Advertising Budget

One of the goals of a company is to market its products in such a way to earn optimum profits and increase brand awareness. Advertising goals of a company is solely dependent on the advertising programme, type of customers, advertising media and what the company wants to acquire. Hence, for any marketing movement that a company wants to do, it has to expend some money. This is why advertising budget is important. It helps in understanding the

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goals, the costs, helps to formulate tactics and create profits by increasing the overall sales.

Advertising Budget : Affecting Factors

Advertising is one of the important factors, which affect sales, and thus the profit is earned. It is always difficult to calculate the amount to be spent for advertisement budget.

The budgeting depends on various other factors like:

1. Market Situation of a Business Firm: Monopoly/Duopoly/Oligopoly

For a business unit enjoying monopoly state does not have to worry about the advertisement expenses, as it is the only player in the market. For duopoly, where two dominant players dominate bazaar, the advertisement budgets would be high to outperform each other. In an Oligopolistic market, where the bazaar is jumbled and there are many firms, advertisement expenses have to be higher as the occurrence of advertisements has to be increased to get noticed among so many firms. So depending upon the competition the advertising budget is set.

2. Market Ranking/Market Share: Top or Low

The advertising budget for a firm which is not among top ranks will be guided by the tactics of the market topper. To improve market share the lower ranker has to spend more on advertisements. Thus, where a company stands in a market is a deciding factor in advertising budget.

3. Based on Product life-cycle stage: Introduction/growth/maturity/decline

At initial stage of the product, the advertisement expenses would be high as more efforts and money are needed to make the product aware to the probable consumers. The same with the growth stage as company wants to establish its product among the competitors' product. In this stage the occurrence of advertisements would be high and so would be the budget. As the product reaches to maturity stage and decline stages the advertisement expenses would be lower.

4. Advertising Frequency:

An advertisement can be displayed or played only once or can be numerous times. In addition it can be daily, weekly, fortnightly, monthly etc. Based upon the requirement, the advertising budget is changed.

--Unit 3 Part1 Ends --**Dr. Nagesh Parashar**, S.S.in Commerce, VU Ujjain--