Advertisement budget

Business, Marketing

Introduction Budget is quantitative expression of future plan of activities. It is a future plan of activities expressed in terms of currency/rupees. It is prepared for a fixed period of time. Advertising budget is a financial document that's hows the total amount to be spent on advertising and lists the way this amount is to be allocated. It is a translation of advertising plan intomoneyto be spent on advertising. It is an estimation of total amount to be spent on advertising during a given period of time for achieving marketing objectives.

It involves allocation of a portion of total marketing resources to advertising functions of a firm. An advertising budget shows how much amount is to be spent on advertising and how this amount will be allocated among different media, sales territories, products, selling-activities, etc. It states the proposed advertising expenditure and serves as a decision-making tool for the management while allocating available funds to the various advertising functions and related activities of the company.

Advertising budget and its process is similar with the Sales Promotion budget And Integrated MarketingCommunication(IMC) budget . All three terms can be used interchangeably also due to close similarity. Advertising budget is prepared by Advertising Manager in consultation with Marketing Manager of thecompany.

But in small business organizations, which do not have separate advertising department theresponsibility of preparing ad-budget lies on top management or Marketing Manager.

According to the Institute of Cost and work Accountant London " A budget is a financial or quantitativestatement prepare prior to a definite period of time; of the policy to be persuade during that period for the purpose of achieving a given objective”. Features of Advertising Budget The features of advertising budget are as follows: 1) Advertising budget is a financial statement expressed in monetary terms, 2) It is for a specific future period. It is prepared prior to the budget period during which it will operate, 3) It is prepared by Advertising Manager.

It is approved by top management for its implementation, 4) It shows the plan of allocation of available funds to various advertising activities, 5) It affects the selection of media, selection of advertising agency and selection of message source (model foradvertisement), 6) Its size depends on various internal and external factors, and 7) It is a limiting factor which determines the size of advertising campaign. Advertising Budget as a Concept of Investment Advertising budget is assigned to build the image and reputation of the organization.

The achievement of the budget is observed over a long period. Some of the expenditure on advertising attracts customers immediately; they buy the product when they listen to or view the advertising message. This expenditure is known as revenueexpenditure. Some expenditure is incurred on building the image and reputation. The effects of advertising arerealized gradually over a long period. This expenditure is capital expenditure or investment. The expenditure onadvertising is accepted as revenue expenditure by the income-tax authorit ies.

The marketing manager isauthorized to control and spend the money assigned to him for advertising purpose. Advertising expenditure is a capital investment when it is incurred to build the image, goodwill and reputationof product and company; and this results in a gradual increase in the sales, although the expenditure isconsidered as revenue expenditure in the accounting entry. It is an outlay or expenditure made today to achieve benefits in future. This expenditure is known as capital investment although it is assigned under the revenue budget but it is not accepted as a capital budget.

Factors Influencing the Size of the Advertising Budget 1) Objectives to be Attained: How much the company is going to spend is determined by the objectives to beattained. Objectives act as the sheet anchor and the standards for advertising performance. These objectivesare – bringing about increase in sales, introduction of new products, supporting sales force, reachinginaccessible consumers, entering a new market, improving dealer relations, expanding industry’s sales, building up goodwill, building a brand preference, counter acting comp etition, dispelling the likelymisunderstandings and so on.

It is a particular sales objective or the set of objectives that shapes theadvertising budget. 2) Coverage Expectations: Advertising coverage implies the number of persons to be reached. It is thequestion of reaching a target audience through different media and media vehicles. The extent of coverageis influenced very much by the nature of the market enjoyed by the products. 3) Product Class: Talking of only consumer goods, these have been classified into three categories, namely, convenience, shopping and specialty.

In case of convenience goods, they require a large advertising expenditure because of their intensive distribution and heavy dependence on mass advertising to sell inadvance to the prospects before they shop. On the other hand, the fashion goods require less advertising asthe buyers can judge the qualities of these products themselves in person while they hop from shop to shop. Services goods such as automobiles, fridges, washing machines, T. V sets, cooking ranges, kitchen-waresand the like warrant heavy doses of advertising and personal selling efforts.) Stage in the Product-life Cycle: Every product has its life-cycle consisting of four phases, namely, introduction, growth, maturity and decline. When a new product is introduced, it calls for the heaviest dosesof advertising, and therefore, the budget gets blown-up. During the growth stage, the funds spend are reallysubstantial. However, when the product reaches the stage of maturity or saturation and the stage of decline, it is the price appeal that works than the advertising strategy. Hence, the advertising spending gets reducedconsiderably. 5) Prevailing Economic Conditions: The economic activities are not always the same.

The economic systemfaces brisk and slack phases which are referred to as boom and slump phases of business cycle. During thesour economic conditions, majority of the companies cut back the advertising budget and during the periodof boom conditions, they fatter their budgets beyond limits. This has been because, the business communitythinks advertising as recurring expenditure than an investment. 6) Age of the Company: A company which is seasoned and is known to the consumers will have certainly anadvantage in introducing a new product or a service. People readily accept