

# Subject- Advertising management

## Topic- Advertising Budget

Prepared by:-

Department of Commerce

Manohar Memorial P.G. College

Fatehabad

# *Advertising budget*

- **Advertising budget** is an estimate of a company's promotional expenditures over a certain time period.
- In other words, the **advertising budget** is the **translation** of an advertising plan into monetary form.

# *Process of Advertising Budget*

*Setting  
Advertising  
objectives*

*Preparing  
Advertising  
Budget*

*Allocation of  
Advertising  
Budget*

*Determining  
Tasks to be  
Performed  
to Achieve  
Advertising  
Objectives*

*Approval of  
Advertising  
Budget*

*Monitoring  
and  
Controlling*

# Methods of Advertising Budget

Percentage of  
Sales Method

Competitive  
Parity  
Methods

Objectives  
and Tasks  
Methods

Fund  
Available  
Method

Expert  
Opinion  
Method

Increase over  
Last year's  
Budget

# **1. Percentage of sales method**

**The percentage of sales method is a financial forecasting method that businesses use to predict their sales growth on an annual basis.**

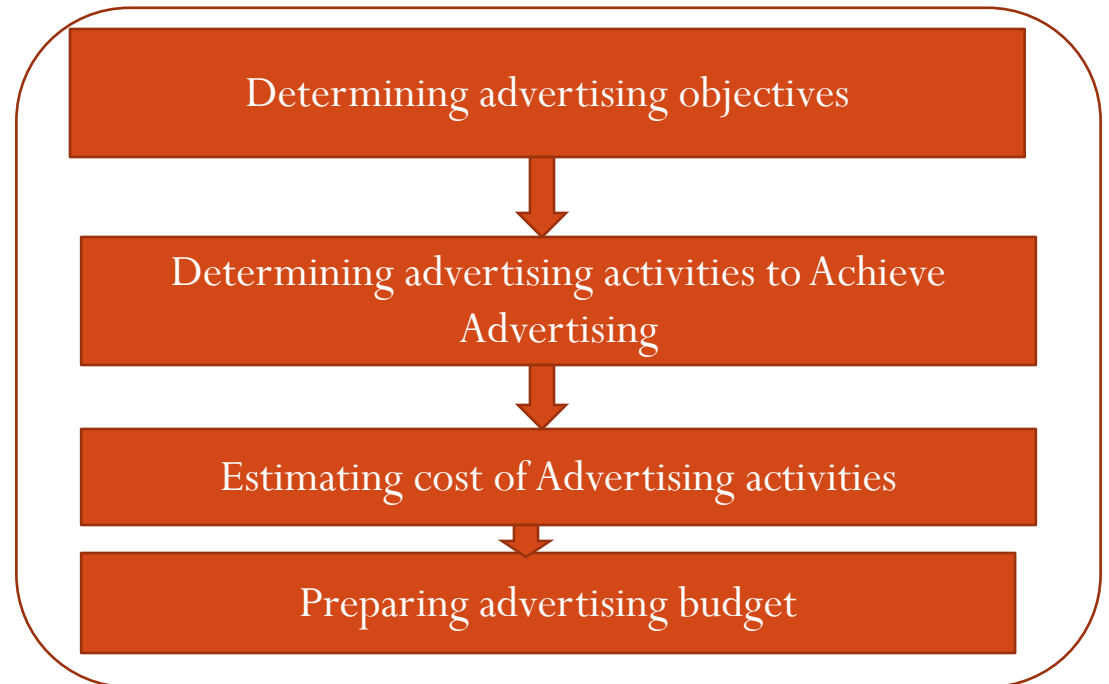
**Advertising budget amount = past year sales predetermined %**

# **2. Competitive Parity method**

**A method of setting a promotional budget in which the marketer tries to match the expenditure of competitors.**

### 3. Objective and task method

*This method involves the following steps for determining advertising budget*



## **4. Affordable method or fund available method**

- **This method is also known as “ All you can afford” .**
- **The method is based on the company’s capacity to spend. It is based on the criteria that a company should spend on advertising as per its capacity. Company with a sound financial position spends more on advertising and company with weak financial position spends less on advertising.**

## **5. Expert Opinion method**

- Many firms follow this method.**
- In this methods, experts are asked to estimate the amount to be spent for advertisement for a given period.**
- Experts, on the basis of their experience, can determine objectively the amount for advertising.**



## **6. Increase over last year's budget**

**This method involve an increase in preceding year's expenditure by a certain percentage to enable a firm to consider increase in advertising cost and provide for planned growth in sale, increase in price level of advertising inputs leads to increase in advertising cost.**