

Subject- Advertising management

Topic- Advertising Budget

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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.