

The *absolute truth* is a monthly newsletter published by Absolute Marketing Group. The goal of *the absolute truth* is to assist businesses in marketing their company effectively. Please email info@absolutemg.com to have *the absolute truth* emailed to you.

Budgeting Methods for Marketing Promotions

By: MacDalton Berns

Are you over budget on marketing promotions (e.g. advertising, public relations, direct selling and sales promotions) again this month? Maybe it's time to revisit your budgeting methods to see if there is opportunity for improvement. To get the ball rolling, here are the six most common budgeting methods that I have observed in our region: (1) percentage method, (2) goal-and-task method, (3) what's-in-my-wallet method, (4) based-on-my-competitor method, (5) co-op only method, and (6) zero method.

Percentage Method

This approach is the most common for organizations. This method involves setting a budget by percentage of sales, sales goals or gross markup. The percentage used can be derived from your company's past performance and/or industry standards. This approach is usually the best option for most organizations because the goal is tied directly to increasing revenue. This method bodes well for creating a comprehensive annual plan.

Goal-and-Task Method

This approach is developed by defining specific goals, determining the tasks needed to achieve these goals and then estimating the costs of performing these tasks. This method is common with long-term objectives like increasing market-share or increasing brand name top-of-mind-awareness.

What's-in-my-Wallet Method

This method involves planning marketing promotions month-to-month by "what's available" rather than by "what's the sales goal." This approach may hold back revenue opportunities because of the lack of planning. However, this method is common because some companies look at marketing as an expense rather than as an investment.

Based-on-my-Competitor Method

This method is based on a strategy to invest less, the same or more than a competitor. A company using this method may be at a disadvantage because they are at the mercy of their competition's spending patterns rather than their own goals.

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Co-op Only Method

This planning method involves limiting a budget to just the manufacturer's cooperative (co-op) advertising support dollars. This may cause a disadvantage because the business using the co-op is limited by the manufacturer's creative message strategy and available co-op funds.

Zero Method

This method involves keeping the marketing investment as close to zero as possible. Sometimes, this method is regretted, especially when the going out of business advertising works well to move inventory.

Our Advice

Whatever budgeting method for marketing promotions you choose for your organization, make sure to budget "time" to develop a comprehensive written plan to keep all parties involved on track.

Upcoming Events

Sept. 13	5:00pm	Young Professionals Network Happy Hour at Playmakers
Sept. 14	5:15pm	FM Ad Fed Alive After 5 at Ground Round
Sept. 19	5:00pm	FM Ad Fed Kick Off Social at House of Rock