



Shoaf Design Studio's  
**creative**  
**innovation**

Volume 3, Issue 1  
**Planning Ahead**

Spring 2002

*What's your image worth?*

## Planning ahead... Small Business Budgets

*How much do you intend to spend?*

*How will you position your  
business in a new market?*

*What new products and services need  
to be introduced?*

*What medium will best suit  
your goals?*

Advertising is just as much a business expense as cost of products and labor and should be prioritized. If you want to increase sales, it is almost certain you'll need to have a promotional/advertising budget to build a campaign that best suits your business needs. An advertising budget can be a valuable tool in helping you establish guidelines for how you are going to reach your sales goals. Deciding how much to allocate is entirely up to you - the business owner.

Speaking with a marketing professional will help you get your business on the right track by defining the demographics, behaviors, needs and desires of your ideal client. Most marketing professionals will make suggestions as to the types media to use, the pros and cons, as well as ways to capture your market share. It is your responsibility to implement this plan by hiring the proper professionals to create your marketing material and to properly allot a budget that will accomplish these goals.

*"How?" ... you ask.*

There are several ways to establish a budget. There are three basic strategies that you can utilize to plan. Each can be considered separately or they may be considered in any combination. You will have to use caution and good judgement when implementing these, and it is suggested that you consult with our marketing firm and your accountant.

### **Percentage-of-Sales**

Percentage-of-Sales requires the amount of actual sales multiplied by a percentage that is suitable for your business situation.

**For example:** 3% allotted budget for every \$15,000 sold would allow for a \$450.00 budget.

\*Percentage based on profits (Percentage-of-Profits) exhibits a slight risk if profits are down for any other reason. A loss in your profits would show a loss in your advertising budget. Some business may make a small addition to their immediate profits by using a percent of profits margin, by cutting advertising only to lead to an overall deterioration of the bottom line.

### **Unit-of-Sales**

Unit-of-Sale is simply taking a fixed amount of funds for each unit of a product to be sold. This is figured by the number of products you aim to sell multiplied by the estimated amount of advertising for each unit.

**For example:** If it takes approximately 5¢ to advertise to sell a product and you have 10,000 of that product you would set \$500 in advertising aside.

\* This usually works well for seasonal items and products. Especially products that depend greatly on mother nature to determine the sales. i.e. Fresh vegetables and skiing.

### **Objective and Task**

Objective and Task is by far the most accurate means for appropriating a proper budget. By selling specific objectives for sales you will determine the best media to communicate to your target market. By determining the best media you can estimate how much it will cost to run the quantity and quality of advertisements it will take to reach your sales objectives. Be specific. You may want to rank your objectives according to their importance and allot the budget accordingly.

Your new budget can be allotted by department sales, total budget, calendar periods or media types. When choosing media types you should always keep your target market in mind. After all, finding your market and advertising directly to them will mean more "bang for the buck".

Another consideration... you must keep your budget flexible for changes in the market place. You must have room for special circumstances, such as the introduction of new products or services. Availability of media and competition.

It may be tough to get started but will worth it. You will be better prepared for the ups and downs of markets and be less likely to make poor investment decisions.