

## **ADVERTISING AND AN ADVERTISING BUDGET**

### **А. Крищанович**

According to Kotler's definition, advertising is "any paid form of non-personal presentation and promotion of ideas, goods and services through mass media such as newspapers, magazines, television or radio by an identified sponsor" [2, p.58].

There are five main stages in a well-managed advertising campaign:

Stage 1: Set advertising objectives.

Stage 2: Set the advertising budget.

Stage 3: Determine the key advertising messages.

Stage 4: Decide which advertising media to use.

Stage 5: Evaluate the results of the advertising campaign.

The role of advertising is to create demand for a product. The amount spent on advertising — the advertising budget — should be relevant to the potential sales impact of the campaign. This, in turn will reflect the characteristics of the product being advertised. That's why an advertising budget of any advertising campaign should be well-planned.

For example, new products tend to need a larger advertising budget to help build awareness and to encourage consumers to trial the product. Thus an advertising budget is set considering in what stage of life-cycle is a product category.

A product that is highly differentiated may also need more advertising to help set it apart from the competition – emphasizing the points of difference.

An advertising budget is usually a percentage share of total marketing budget which is apportioned. The decisions on the amount to be spent are made by advertising managers in co-operation with advertising agency. Many companies resort to more than one method of determining the size of their advertising budgets.

The method selected determines the size of the budget which can have an impact upon the composition of the advertising mix, hence it is of prime

importance to select a proper method for the advertising budget. These methods are:

- percentage of sales method;
- sales objective method;
- profit maximization method;
- objective & task approach;
- competitors' parity approach.

In 2010, spending on advertising was estimated at more than \$300 billion in the United States and \$500 billion worldwide. The largest sums are usually spent on advertising of automotive products and services (\$4.5 billion in January – June 2009), telecommunications (\$4.3 billion), financial services (\$3.8 billion), local services (\$3.7 billion), direct response (\$3.3 billion), miscellaneous retail (\$3.1 billion), food and candy (\$3 billion), restaurants (\$2.9 billion), personal care products (\$2.7 billion), travel and tourism (\$2.4 billion) [3].

Top 10 marketers by worldwide media spending in 2009 are represented in the picture 1. The three leaders are Procter & Gamble Co. (\$8.68 billion in 2009), Unilever (\$6.03 billion) and L'Oreal (\$4.56 billion) [1].

Nevertheless it's obvious that high advertising budgets are not the key to effective advertising. A low budgeted advertisement has the same probability of success if it is a part of good marketing program, e.g. Red Bull.

Worldwide ad spending is concentrated in the USA (\$157.6 billion in 2008), Europe (\$124.6 billion) and Asia & Pacific (\$117 billion) [3].

Conclusions:

Setting the advertising budget is an essential part of any advertising campaign.

An advertising budget should be relevant to the potential sales impact of the campaign. Companies resort to different methods of determining the size of their advertising budgets: percentage of sales method, profit maximization method, sales objective method, etc.

The sums which are spent on advertising in the world annually amount to billions of dollars.

A large advertising budget does not guarantee successful advertising campaign (e.g. Red Bull).

#### **Literature**

1. Global Marketer Trees 2010 [Electronic resource] / Ad Age DataCenter. Mode of access: <http://adage.com/datacenter/globalmarketers2010>.
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3. Largest Advertising Budgets [Electronic resource] / Creditloan. Mode of access: <http://www.creditloan.com/infographics/largest-advertising-budgets>.