

## **PROMOTION BUDGET METHODS**

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**ABSTRACT:** The paper presents the most important promotion budget methods and the most useful methods, used in romanian small and medium-sized enterprises in 2009.

For being efficient a company must modern methods in its managerial activity especially in marketing mix. The analyse of promotional activitie's efficiency presumes of making evident a two different aspects, such as: establishing promotional budget and the control and evaluation of the efficiency's promotional activities. The most important and used promotion budget methods are: percent method from incomes, the method based on the existing resources, the competitive alignment method, the method based on objectives and promotional activities and the method using marketing research.

From the observations made, the tendencies in romanian small and medium-sized enterprises from Maramures County, in 2009, are to decrease the promotional budget and also I observed that the most used methods, for calculate the promotional budget, are:

- the method based on available resources;
- the alignment method of competition;
- the method based on objective and promotional channels;

**Keywords:** promotion, promotion budgets, promotion budgets methods, marketing decision.

### **1.INTRODUCTION**

Promotional activity aims in the transmission of information on products for sale, offering consumers and raising potential and turning them into actual buyers.

Promotional policies is an important component of marketing policy, including essentially all actions which made the communication of the firm with its external environment, to influence consumer behavior. Modern marketing is not limited to producing a product, pricing or to determine how best to distribution, but also requires effective communication and consumer. This effective communication are reflected in contracts with advertisers to develop effective advertising, hiring specialists to design sales promotion programs to stimulate the purchase desire of consumers, employment specialists in direct advertising, to achieve base data and to get in touch with current customers and those potential contracts with firms specializing in public relations to advertising and product marketing require the company's image.

Communication system involves the use of forms of business information and consumer incentives, following submission of complete information about activities, products and services company and then receiving the way they are received and appreciated by consumers.

### **2.PROMOTIONAL STRATEGIES**

Develop promotional strategy requires a strategic approach to all promotional activities in conjunction with the overall strategy of the firm, in-depth knowledge of socio-economic environment and market, ways of action of partners and competitors, consumer behavior. Promotional strategies that can be used by a company, can be grouped according to several criteria, as follows:

1.În of the objective pursued in promotional activity meet two strategic alternatives:

- Strategy to attract demand, aiming to create or increase demand them. The purpose of this strategy is to trigger actions through strong advertising and sales promotion, consumer interest in their potential and desire to buy products advertised;
- The strategy of pushing the product, by focusing on the seller, at the center of activity to promote the seller and the employees who come in direct contact with customers (direct

Expl.).

2. Considering the time, meet:

- long-term strategy, which has as main objectives: to conquer new market segments, extending their market share, improve company image and brand;
- medium term strategy, which targets the conservation of clients, raise the products on the market, winning new customer segments or among nonconsumatorilor relative or customers among competitors;
- short term strategy of increasing sales of seasonal stock sizing etc.

3. In light of the role of promotional activities, meet:

- defensive strategy oriented application, the company tries to maintain market position, using to this end, advertising and sales promotion;
- offensive strategy, aimed at achieving a high market share, assuming the use of a set of promotional tools and an adequate budget;

4. Considering degree of adaptation to different markets or market segments, special:

- differentiated strategy, which includes alternatives for each market separately, depending on their features;
- indiscriminate strategy that addresses all potential consumers in order to induce buyers to become owners;

5. Considering company's involvement in promotional activities, bounded:

- exclusive involvement strategy, which involves organizing promotional activities by the entire company using its financial, material and human;
- Partially involvement strategy, the company participates in part in promotional activity;
- The strategy of no involving, the company turn to specialized institutions, which carry all promotional activity;

Policy involves the use of promotional tools and promote their integration in complex programs, uniform, highlighting the differential use of promotional tools. Promotional Policy implementation involves implementation of a range of decisions related to organizing and carrying out practical actions, in making the promotional mix and its integration into the company's marketing strategy.

Promotional mix should reflect:

- The objectives pursued;
- Agencies that market;
- Methods used, specific ways of action;
- Financial resources mobilized and their distribution;
- Arrangements for monitoring and evaluation of results;

The objectives of promotional activity can be expressed, both in quantitative terms (growth of sales volume) and qualitative (creating a favorable image of his company and supply). All these objectives can be achieved through action advertising, public relations, use of marks, participation in promotional events, etc.

Promotional measures must clearly state the categories of market agents concerned (industrial users, individual consumers, managers, distributors, etc.). Grouping by type of market agents concerned is based on a number of criteria such as product or brand attitudes, habits, etc.

After analyzing the goals and categories of staff concerned should be the selection of media and promotional techniques. This selection must be made in terms of a set of principles, such as:

- selection principle arguments, that the effect of an action is subject to election advertising that features the product is considered to be the most eloquent, likely to trigger the act of purchasing;

- media convergence principle requires harmonious cooperation of all possible means for enhancement of the argument ad;
- the principle of uniformity of advertising, which starts from the fact that advertising can not be adapted to the specificity and personality of each consumer and that consumer market consists of both typical and atypical of consumers and therefore, publicity should operate mainly on the typical consumer.

The main research methods used in marketing are: the documentation, the observation, the experimentation, the test, the simulation, the market investigation.

The documentation presumes the use of the following information sources: internal reports of the firm; official statistics published by governmental bodies, public institutions, foundations; catalogues, folders, booklets and various advertising materials, magazines and various specialized publications.

The documentary study can be of qualitative nature (opinion, motivation, attitude studies), and of quantitative nature (estimations of the market rate, selling rate, consuming population size, etc.)

The observation can be of two types: assisted observation (which presumes the usage of some technical systems that record figures, images, consumer's behavior). To the category of the research methods through observing belong the recurrent inventory of the supplies, the analysis of the customers' suggestions and complaints, etc.

The experiment is a research method that identifies and evaluates the causality connections between various marketing stimuli, on one side, and the market reactions, on the other side, before that these start manifesting on a large scale. The experiment involves operations unfolded in a relatively isolated and controlled environment, in which some marketing stimulus are submitted to some systematic variations, in order to study precisely the reactions caused by these, upon some groups of subjects.

With the help of the observation, the interview and the questionnaire the reactions of the possible customers are being tested. The test can aim at: products, brands, logos, packaging, shops, selling methods, advertising campaigns, etc.

In the conception of Ph. Kotler the simulation "is the act of creating in an artificial way a model as close as possible to the real process and using it in order to obtain information about the reality itself". Marketing simulation concerns human behaviors and sociological phenomena like fashion, public image of a brand, etc.

Market investigation is a straight research method of the marketing phenomena and gathering information directly from the bearer. The investigation can be realized through many procedures, like: the interview, group reunions, mail, phone and fax, etc.

The main research instruments are: the questionnaire and the mechanical instruments (different measuring devices).

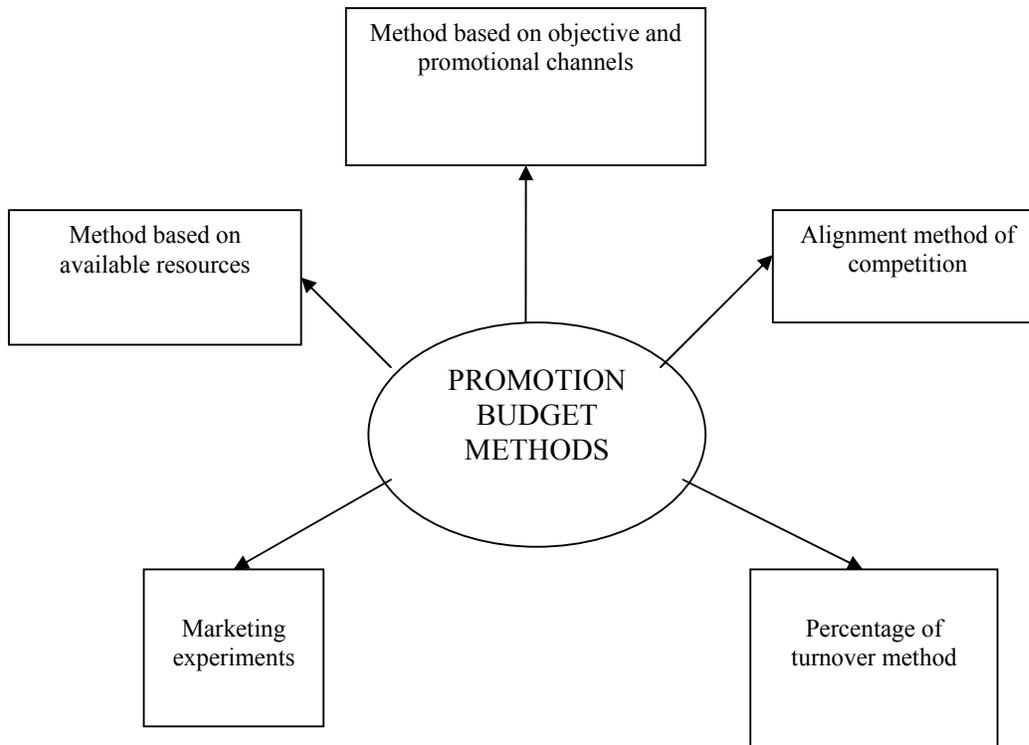
### **3.PROMOTION BUDGET METHODS**

The analyse of promotional activitie's efficiency presumes of making evident a two different aspects, such as:

- establishing promotional budget and the control;
- evaluation of the efficiency's promotional activities.

The most important and used promotion budget methods are :

- percentage of turnover method;
- the method based on available resources;
- the alignment method of competition;
- the method based on objective and promotional channels;
- marketing experiments;



**Figure 1. Promotion budget methods**

Fixation by establishing a promotional budget of the turnover rate has some advantages (Ph. Kotler, 2002): the amounts spent on promotional activities vary by company sales volume, allows managers to analyze their business relationship in terms of sales promotion costs, selling price and profit per unit sold; promote the competitiveness of stability company, to the extent that competitors spend for promotion and about the same percentage of their sales volume. Despite these advantages, the experts consider this method as an empirical and without solid foundation.

Method based on available resources involves the promotional budget based on business opportunities at a time without taking into account the real needs of the company on promotional investment.

Alignment method of competition, also called the method "competitive parity", is based on the idea that competitors are models of efficiency, being used by powerful companies that have substantial material and financial resources.

Method based on objectives and means of achieving their promotional spending means necessary to achieve each objective evaluation of promotional activity. Basically, it developed a program including promotional actions necessary to achieve those objectives and fixed costs of each action, by aggregating their achieving promotional budget.

With expermentului marketing are identified and assessed the causal link between various marketing stimuli (price, color, packaging, advertisement, etc.) and market reactions.

Whichever method is used, the construction budget promotional activity, will consider the following:

- proportion of the overall budget to be distributed by type of shares (shares of advertising, sales promotion, public relations, participation in promotional events, etc.);
- nomination of actions that have more importance for the firm (those aimed at consumers, industrial users, intermediaries, etc.);
- what actions will focus on promotional activities (advertising activities, sales promotion or will be conducted exclusively in the sales force);
- staggered calendar of activities;

At this stage the control and evaluate the impact of promotional messages on consumers, users and distributors. In this regard, using a series of questions such as: Do you remember the message? How many times have you heard the message? What you remember most important of the message? What feelings you awake message? It changed your attitude towards the company or product?

The response to these questions is obtained by feedback if feedback is positive marketing programmer can strengthen promotional strategy, otherwise (negative feedback) is required review the promotional strategy and change.

The methods used for monitoring and evaluation of promotional activities are grouped into two categories, namely:

- methods for determining the impact and effects of advertising activities;
- specific assessment methods other promotional activities;

At the same time, these methods differ depending on the time of the inspection and evaluation, ie before or after carrying out promotional activities.

Publicity must be accompanied by actions to pre-test and post-test ad. Pre-test (used before action advertising) is aimed, primarily, to obtain information on the effectiveness of creative advertising, turning to techniques that measure the impact of advertising message (the degree of attention, brand or product identification or recognition, credibility, etc.), or techniques to verify that the objectives are realised.

The techniques used in pre-test actions can be grouped into:

- inquiry-based techniques;
- Laboratory techniques;

Techniques based on investigations involving the application of test persons is in samples such as folder and split-run test-test. Folder-test "involves the production of books in which the advertisements are inserted tested different versions of the ad (to keep the same location, other ad text remains the same). These books will be distributed sample investigation shall be requested to communicate what has been perceived, the information collected and then serving the finalization process of the advertising message. Split-run-test requires the inclusion in media advertising more versions of an ad, which run in different geographic areas. Information about the impact on consumers to get the message or by receiving coupons and answer (if on direct) or through a survey conducted among consumers in areas which aired that support or analyzing the amount of sales of the broadcast.

Laboratory techniques involving the use of devices which allow observing the behavior of subjects investigated, on presentation of advertisements.

Post-test (used by advertising action) is to compare the results of advertising campaigns with targets set for the purpose of obtaining information to help substantiate future actions. Post-testing is done using the following techniques: technique "Starch" - used to measure the degree of reading and memorizing the ad inserted in a particular publication (number of readers who saw the ad, they identified as belonging to a particular company); marketing experiments – used for evaluation the influence of advertising to the sales.

#### **4.CONCLUSIONS**

Due to current economic circumstances trends about promotional budget of companies is to decrease, as informs the latest quarterly Bellwether report, prepared by the Institute of Practitioners in Advertising (IPA), mentioning the tendencies in UK, where companies' investment in promoting continued to record declines in the second quarter of 2009, raising fears that investment in advertising in 2009 will drop to rates higher than last year. The Bellwether report, in the second quarter of 2009, only 10% of companies have increased marketing budget, while 38% have opted to reduce it. Television, radio, advertising in media, and sponsorship were the main sources affected by economic crisis, informs the study. According to estimates Bellwether, British advertising investments experience a decline of up to 13,3% in 2009, an increase is expected in the second half of next year.

As Bellwether report mentioned, for UK, there are companies who have decrease the promotional budget in 2009, but there are also companies which increase promotional budget (less), the same situation we find in Romania. For example United Romanian Breweries Bereprod increase the promotional budget with 15% in 2009, because its most important objective is to increase market share with 3%.

From the observations made in 2009, the tendencies in 2009 in Romania, are to decrease the promotional budget in romanian enterprises, from Maramures County and also we observed that the most used methods, for calculate the promotional budget, are:

- the method based on available resources;
- the alignment method of competition;
- the method based on objective and promotional channels;

Whatever the used method may be, when building up the promotional activities' budget, it shall be aware of the followings :

- The proportion in which follows to be allocated the global budget on different types of actions (promotional actions, promoting sales, public relations, actions of participating at promotional shows, etc)
- Nominating the actions that present a higher importance for the firm (those addressed to individual consumers, industrial users, mediums, etc);
- Which are the actions that your promotional activity will focus on (promotional actions, promoting sales actions, or shall consist only in the selling power);
- Placing at intervals the activities.

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