

Advertising & Marketing Table of Contents

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Advertising & Marketing

INTRODUCTION TO ADVERTISING & MARKETING

Overview

Introduction

In good times or bad times, retailers need to maintain a constant presence in their community. Advertising and marketing achieve this by simply creating a public awareness of who you are, what you do, and what goods and services you sell.

Every day of every week there is a relatively small number of buyers in the market for a particular product or service. This group of buyers is constantly changing. They may be actively seeking a particular product or service, or making an unplanned purchase or service request. Because this consumer group changes, it is vital they become familiar with a particular retailer or service provider.

Keeping potential buyers familiar with your product or service is referred to as “top-of-the-mind-awareness.” The consumer is looking for guidance, not just goods and services. That guidance which is an important aspect of the buying process, comes for either you ... or your competitor.

Importance of Advertising & Marketing

The following facts highlight the importance of Advertising & Marketing to your business.

- Once a consumer is committed to purchase a product or service, he/she begins seeking information about that product or service to determine its value, price, and availability in their community.
- Consumers require information to help them make an intelligent, informed, and safe (safe to invest) choice. This information, in addition to motivation, are provided through advertising and marketing.
- New customers as well as previous customers are constantly entering and leaving the market place. Some may not be ready to purchase because they do not have an immediate need for your products and services. Others who know your store may have forgotten its competitive advantage.
- Even a store with a long presence in a community can benefit from regular advertising. Communities evolve and continue to change, gaining new residents. Some residents relocate and consequently change their shopping habits. These residents provide your store with new potential for growth.
- Driving traffic through advertising and marketing comes either from you... or your competitor.



CHAPTER 1: BUDGETING & PLANNING

Overview

<<Edit the following content to reflect your XXX Company advertising budgeting process.>>

Introduction

The Franchisee is responsible for deciding the cost of their advertising and marketing, including how much should be invested in making sales grow and how that amount should be allocated.

Your advertising and marketing budget will help you and your Agency Account Executive choose and assess the amount of advertising, the media, and its frequency. It will also serve as the foundation for achieving your annual sales plan.

Franchise Requirements

To stay competitive in the _____ environment, XXX Company Corporate has established that the minimum amount budgeted and spent on advertising on an annual basis should be at least 7% of Sales.

Reference: See the Franchise Agreement for more information.

Depending on your market, your store location, and your sales plan, you may need to adjust the minimum requirement.

Percent of Sales Budget Method

Method for Establishing a Budget

The most widely used method of establishing an advertising budget is to base it on a percentage of sales. Advertising is as much a business expense as the cost of labor and should be related to the quantity of goods sold. The percentage-of-sales method avoids some of the problems that result from using profits as a base.

Percentage-of-Sales Explained

If profits in a period are low, it might not be the fault of sales or advertising. Sticking to the same percentage figure will automatically reduce your advertising allotment. (2% of \$10,000.00 is less than 2% of \$15,000.00.)

If profits are down for other reasons, a cut in the advertising budget may very well lead to further losses in sales and profits. This in turn will lead to further reductions in advertising investment, and so on.



In the short run, a Franchisee might make small additions to profit by cutting advertising expenses, but such a policy could lead to a long-term deterioration of the bottom line. By using the percentage-of-sales method, you keep your advertising consistent with your sales volume - which is what your advertising should be affecting. Gross margin, especially over the long run, should also show an increase if your advertising outlays are being properly applied.

What Sales Number Should I Use?

Your budget can be determined as a percentage of past sales, estimated future sales, or as a combination of the two.

Past sales

Your base can be last year's sales or an average of a number of years in the immediate past. However, be aware that changes in economic conditions may cause your figures to be too high or too low.

Estimated future sales

You can calculate your advertising budget as a percentage of your anticipated sales for next year. The most common pitfall of this method is an optimistic assumption that your business will continue to grow. You must always keep general business trends in mind, especially if there is the chance of a slump. Remember to assess the directions in both the industry and your own business.

Past sales and estimated future sales

This method is generally more realistic during periods of changing economic conditions. The middle ground between a conservative appraisal based on last year's sales and an overly optimistic assessment of next year's, is to combine both. It allows you to analyze trends and results as well as predict future sales more accurately.

Allocate Budget by Month

The percentage-of-sales method is also useful to determine how much money to allocate by month/advertising period. The standard practice is to match sales with advertising dollars. Thus, if February accounts for 5 percent of your sales, you might give it 5 percent of your budget.

During some of your heavier sales months, you may want to adjust advertising allocations downward so that you can boost the budget during slower periods. However, this should be done only if you have reason to believe that a change in your advertising timing could improve slow sales. (i.e. when your competition's sales trends differ markedly from yours).

Media Type & Target Audience

The amount of advertising that you place in each advertising medium - direct mail, newspapers, T.V., radio, etc. - should be determined by past experience, industry practice, and guidance from the Agency Account Executive. Normally, it is wise to use the same sort of media your competitors use. It is most likely where your potential customers look and listen.

You can either spend your advertising dollars in areas where your customers already frequent, or you can use them to stimulate new sales areas. Whatever you choose (even a combination of both), remember that it is usually more costly to develop new markets than it is to maintain the ones that are already established.

Budget Flexibility

Whatever your method for budgeting and selecting media, maintain a flexible budget. It must be easy to adjust when there are changes in the market.

The duration of your planning and budgeting period depends upon your business. Short budgeting periods allow your advertising to be more flexible so that you can change tactics to meet immediate trends.

To ensure advertising flexibility, you should have a contingency fund to deal with special circumstances such as the introduction of a new product, specials available in local media, or unexpected competitive situations.

Beware of your competitors' activities at all times. Don't blindly copy your competitors, but analyze how their actions may affect your business and be prepared to act.

CHAPTER 2: ADVERTISING ACTIVITIES

Overview

Introduction

Through its Agency, XXX Company Corporate produces all the necessary creative elements for virtually all advertising media. This allows you to take advantage of the specific media opportunities in your market, giving you unparalleled flexibility and cost savings for media options.

Advertising Strategy

The XXX Company Corporate office and its Agency have developed an advertising strategy for XXX Company that is designed to:

- Be promotional rather than institutional.
- Provide a consistent theme that builds name recognition.
- Have advertising campaigns that drive traffic and deliver the message.
- Include a compelling finance offer.
- Maximize your frequency on T.V., radio and print.
- Include Direct Mail.

Advertising Objectives

In addition to the Advertising Strategy, the Advertising Objectives of XXX Company are to:

- Stand out and get noticed.
- Provide name brand recognition with great savings.
- Communicate a value message.
- Tell the XXX Company Story.
- Build recognition around proprietary brands.

Available Promotional Elements

The following information and ad elements are also available for your use:

- <<Include your specific company promotional elements here.>>
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