

Unit IV: Promotional Budget

Issues in Budget Setting; Sales-Response Models; Factors Influencing Ad Budgets; Budgeting Approaches – Affordable Method, Competitive Parity Method; ROI Method; Objective & Task Method; Allocation of Budget

Issues in Budget Setting

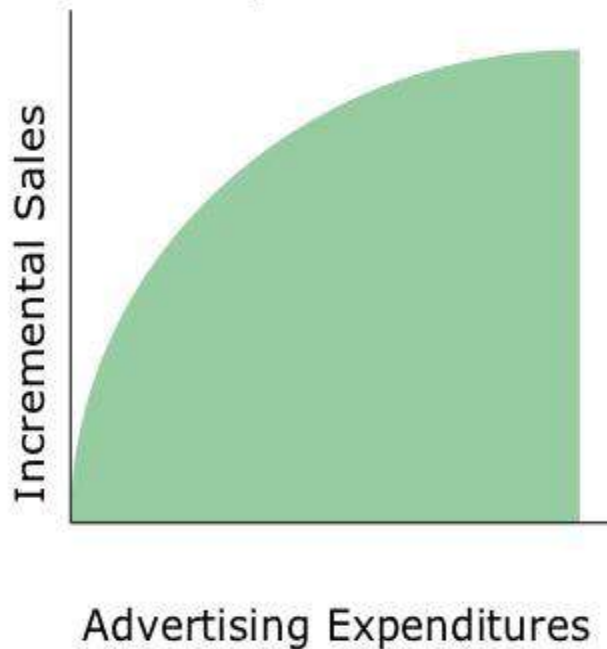
- To spend or not to spend?
- What is the right amount to spend on a campaign?
- What is the right amount to spend in a year?

Sales –Response Models

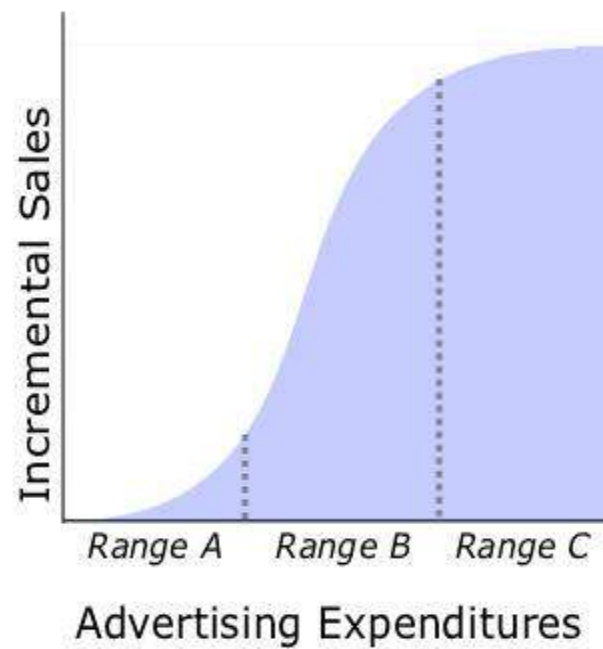
*(relationship between
sales and promotions)*

Advertising Sales/Response Functions

A. Concave-Downward Response Curve



B. S-Shaped Response Function



Sales –Response Models

The Concave-downward Function

- Each additional rupee brings in lesser and lesser sales
- Law of diminishing marginal returns
- Lucrative prospects, laggards and light users

The S-shaped Response Function

- Slow start-steep growth-plateau
- Range A – little impact on sales
- Range B – increased sales up to a point
- Range C – no noticeable impact on sales

Factors Influencing Ad Budgets

- Advertising tasks to be achieved
- PLC stage
- Market share
- Competition
- Frequency of advertising
- Product differentiation
- Retailer support
- Financial resources

Budgeting approaches/methods

- Affordable method
- Percentage of sales method
- Competitive parity method
- Objective and task method
- ROI method
- Budget allocation – to markets, places and time periods ‘

