

IDENTIFY YOUR MARKETING STRATEGY

The Advertising Budget

How to set your Annual Budget

Use this effective, time-tested process to determine your advertising budget. Base it on a percentage of projected gross revenues. A good rule of thumb is to use a ratio of 6 to 8% for your industry/type of business and then multiply the ratio by your projected gross revenues for next year.

Advertising/Sales Ratio x Projected Gross Revenues = Ad Budget

Example: (A carwash with \$75,000 in projected revenues)

.08 x \$75,000 = \$6,000

Compute your ad budget here:

X =

How to allocate your Monthly Ad Budget

After you've determined your annual budget, it's important to time your advertising investment to coincide with peak selling seasons. You should advertise more during times of greater sales potential and less during times of lesser potential.

Using seasonal opportunities and holidays

Special seasonal events and holidays represent a great opportunity to increase carwash sales. When planning your advertising schedule for each quarter, be sure to put these dates on your media calendar, and offer seasonal promotions to bring in customers. Use the Media Calendar and Monthly Planner in the Worksheets section of this guide to help you stay organized.

Select the best media for your message

When choosing an advertising medium, consider these criteria before making a purchase:

- **Geography:** A key factor to consider when selecting a media vehicle is the coverage area of the medium relative to your primary trading area. You need to concentrate your message (and advertising dollars) in the area where you'll draw the most customers.

- **Target Audience:** When deciding which media to use, most advertisers target their prospects demographically, by gender, age, race or household income. In order to apply your media dollars wisely, it is important to pick a medium that reaches your target audience with a minimum of waste.
- **Reach and Frequency:** In determining the effectiveness of any medium, both the reach and frequency (the number of times a person is exposed to a particular medium) need to be determined. The greater the reach, the greater the opportunity for your message to be seen by many people. Frequency plays an important role in repeating the message an optimum number of times in order to prompt the consumer to action when they're in the market to buy your goods or services.
- **CPM or Cost Per Thousand** is the best method to determine the efficiency of various media. It shows you how much it costs to reach one thousand prospects when you're using a specific advertising medium. Use CPM's to compare the cost-efficiency of one medium versus another. Comparing ad unit's costs is not always accurate. A twenty-dollar ad in one medium isn't really a bargain if it only delivers an audience of one thousand adults (this equates to a \$20 per thousand CPM). Here is the formula to use to determine CPM: Cost of Ad Unit divided by Average Audience (Circulation, Viewership or Listenership) Equals CPM (Cost Per Thousand).

EXAMPLE: Figuring out the real cost to reach your Customers

Newspaper A

Total Circulation of 50,000

Circulation in your market (zip codes): 10,000

Cost of Quarter Page Ad: \$300

Newspaper A: Cost per Thousand
(total circulation)

$\$300 \div 50M = \6 per M

Newspaper A: Cost per Thousand
(circulation in your market)

$\$300 \div 10M = \30 per M



At first glance, Newspaper A looks cost efficient with a \$6 CPM. However, when you use your customer base reached (only 10,000 of their total 50,000 circulation), the CPM climbs to \$30.