Setting the Promotional Budget

In this activity, you simply need to match each example provided to the approach that the firm has used in setting/determining its promotional budget.

1. A shoe company decides to increase its advertising budget to $1m to support the launch of their new range of tennis shoes. Their goal is to achieve a 5% market share within the first three months.
2. A local accountant works out that she should have around $20,000 spare this year to invest in local paper advertising and to hold two seminars.
3. A small chain of take away restaurants decides to increase its promotional spend as its advertising is not being noticed due to the heavy advertising of its major competitors.
4. The highest proportion of Kellogg's promotional budget is spent on Corn Flakes (its biggest seller), followed by Rice Bubbles, and only a little is spent on its breakfast bars (which only achieve small sales), and so on.
5. A major law firm is decreasing its promotional spend for this coming year. They typically hold four information seminars a year that usually generate around 20 new clients per event. However, last year they doubled the number of seminars to eight, but without much increase in new clients. Therefore, they will return to only holding four seminars this year.

Student Discussion Questions

1. For each of the above situations, determine how they have most likely set their promotional budget, choosing from

A= Affordable

B = Percentage of sales

C = Competitive parity

D = Objective and task

E = Return on investment

2. Which of the approaches to setting a promotional budget, you think is most suitable for a large marketing-oriented firm? For a small business?

3. Which of the approaches you think is most common in business practice?