How To Plan Your Newspaper Advertising

By Dave Baragrey

A new business opens. The owner has combined good quality products with reasonable prices. Now the store waits for the public to come in and buy. He waits and waits, and then waits some more. The few people that did come in the store during the first few weeks he is open are not even aware of what type of merchandise he sold. The storeowner begins to panic. He has invested hundreds of thousands of dollars. His financial future is at stake.

He decides to advertise his new business. He places an ad in the local paper and on a local radio station. “Now Open” are the catchy phrase words he decides to use proclaiming his store is now ready to serve the public. Still, very few people come into the store. He begins to question if he made the right decision to put his entire financial future into this new store.

The problem described here happens over and over each week in towns across America. The people who have invested money and time into establishing a local business don’t spend time planning how to protect and build the business through advertising. Here are some tips:

Consistency is important in advertising. Regardless of what product or service you sell, consistent advertising helps build a reputation for your business. Following is an example of how this works. If you are going to list your home for sale, which real estate office are you going to use? Unless you have a friend at different office, you are likely to choose the office that seems most aggressive in wanting to sell your home. This is probably the real estate office that has the frequent and large ads in the paper.

Another reason to be consistent in advertising is the needs of consumers constantly change. As an example, a family of four has another child and now is a family of five. Not everyone comfortably fits in the 4-door sedan any longer. They decide to upgrade to a mini-van or SUV. Where do they buy their new vehicle? It will likely be from the auto dealer who they perceive has a good selection of vehicles that are reasonably priced. Often, they will also consider the reputation of the dealer and the quality of their service department. This perception is formed over time through advertising. It may also be influenced by which dealer has the best sale going on this week. A consistent advertising program influences each perception.

How do retailers develop an advertising budget? Research shows that less than half of independently owned businesses do any sort of planned budgeting for advertising. Many of these businesses only budget for the upcoming month. Good business practice dictates planning is essential to yield good return from the retailer's advertising budget.

Many advertisers base their advertising strategy on end of the year whims or, worse yet, on last year's advertising expense. With increased competition for local businesses from national chains, mail order, cable TV and e-business aggressive businesses that expect continued sales growth must exercise initiative in their future advertising and promotion planning. If they want to grow, they have to have an aggressive advertising plan.

Businesses have developed many different ways to establish advertising budgets. The basis for these formulas include:
· Industry Averages
· Last year's advertising expense
· What they have always done
· A percent of store sales minus rent (higher rent equals smaller advertising budget)
· A percent of sales depending upon profit margin
· What uncle Jasper told them they should spend

The formula that many businesses have found to be useful is the floating percent of sales based upon margin of profit. This works best for businesses that sell a product and can identify the cost of goods. The premise for this formula is relatively simple. The higher the margin of profit, the higher the percent of sales your business can afford to spend. The steps to use this formula follow:
1. Establish sales projections for upcoming months. These projections should carefully developed using true and realistic evaluations of the market. Begin with last year's sales figures. Each of the following factors needs to be considered when forecasting sales for upcoming months. Adjust by the influence of:
· Market size changes - Is your community growing? Are you expanding into new markets?
· Market share changes - Has a competitor changed ownership and become more aggressive obtaining some of your customers? Are you after more market share this year? Has a new large competitor entered the market and taken customers from you.
· Price changes - Has the price of the product sold increased or decreased?
· Product line changes - Is your store handling a different blend of merchandise? Have you dropped a brand that Wal-Mart carries? Have you expanded a product line?

2. Determine the average Gross Margin of Profit (GMP). This is very simply the cost of merchandise divided by store sales. Subtract this percent from 100%. The balance is the gross

margin of profit. Example: Store sales were $500,000. Cost of merchandise was $300,000. The Gross Margin of Profit is 40%.

Our advice is to plan a consistent advertising program, then plan additional advertising during the peak selling seasons.