

CHAPTER 12 The Promotion Strategy

SOFTWARE ACTIVITY

Database Application

OBJECTIVE: Estimate percentage of net sales to be spent on promotional activities.

Practice Situation

You own an advertising agency representing many different types of retailers. Many of these clients are new entrepreneurs—who have not been in business for very long. Part of your duties involves helping the store managers in developing a promotional plan. One component of that plan is to determine a budget for all promotional activities. For this purpose, you have developed a database using industry averages on the percentage of sales spent on advertising. You have constructed the database so that you can assist various types of retailers, both large and small.

The printout below shows the percentage of sales spent on advertising by many different types of retailers. This data is further categorized by the size of a firm's assets.

Percentage of Sales Spent on Advertising

Total Assets	\$10,000– \$249,999	\$250,000– \$499,999	\$500,000– \$999,999	Over \$1,000,000
Category of Business				
Apparel	2.22	2.53	2.59	1.45
Building Materials and Supplies	--	1.28	1.11	0.82
Computer Stores	--	--	--	1.27
Florists	1.68	1.91	--	--
Grocery	0.45	0.27	0.18	0.81
Furniture/Appliances	--	3.12	2.75	3.12
General Merchandise	2.56	2.12	1.97	0.60
Gift Shops	1.35	1.35	1.89	--
Jewelry	1.69	2.63	2.84	1.60
Office Supplies	0.87	1.23	1.28	1.05
Shoes	3.30	1.58	1.01	--
Sporting Goods	2.05	1.72	2.02	1.72
Electronics	1.76	1.53	2.21	--
Automobiles	--	0.30	0.84	0.51
Video Rentals	3.10	2.46	--	--