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Advertising, The New Businessman's Problem

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ADVERTISING, THE NEW BUSINESSMAN'S PROBLEM

by

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This independent study is submitted by Mark S. Silver in partial fulfillment of the requirements for the Degree of Master of Business Administration from the University of North Dakota and is hereby approved by the Faculty Advisor under whom the work has been done.

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PERMISSION

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Degree: Master of Business Administration

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CHAPTER I

INTRODUCTION

Any new businessman faces many complex problems. Advertising is of utmost concern to the new entrepreneur. After initial market entry he must continue to promote product desirability and acceptance, while beginning to plan for the penetration of new markets.

After producing his product and introducing it into the market, the new businessman is undecided on what percentage of his projected sales should a new business invest in advertising, initially, and after the business is a going concern. Once the amount is established, the businessman needs to know which media to use.

Quoting from the Encyclopedia, "Advertising is a form of paid public announcement intended to promote the sale of a commodity or service, to advance an idea or to bring about some other effect desired by the advertiser. It is essentially a form of communication through such diverse media as handbills, newspapers, magazines, billboards, letters, radio and television broadcasts and motion pictures."[1]

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1 Encyclopedia Britannica, 1964 ed., "Advertising."

The main objective of advertising is to sell a product or service. If the advertising budget can accomplish this, than it is meeting its purpose.

The methodology used in this study will be to study an example of a new business, with the above mentioned problem, using such sources of information as: (1) Personal interviews with experts in the local advertising business, (2) Small Business Administration brochures, (3) Relevant textbooks and related magazines. This study will provide three methods of determing an appropriation: (1) Marginal Analysis, (2) Objective and Task, and (3) Percentage of Sales. After explaining how to appropriate a budget, the study will list the advantages and disadvantages of several advertising media. Then a model will be used to demonstrate the above mentioned methods.

The results of this study will provide beneficial infomation to the new businessman. Hopefully, he will be able to determine an adequate appropriation and use the most advantageous media.

CHAPTER II

MARGINAL ANALYSIS

An old approach to advertising that has been revitalized is marginal analysis. As in any other marginal analysis approach to maximize profitability, money should only be spent once the break-even point is passed and until the last dollar brings in an additional dollar of revenue, or in other words, until the marginal cost (MC) of advertising equals the marginal revenue (MR) it produces. A figure below this point would not be optimal, because a dollar spent would bring in more than a dollar. A budget of a higher figure would not be optimal either because a dollar spent will yield less than a dollar of revenue.

After a business has been established if it has kept good records of past advertising expenses and gains, it can convert to the marginal analysis method. To use this method the businessman needs past records of amounts spent on advertising and past sales revenue, net of all costs except advertising. To explain with an example three assumptions will be made:

(1) Advertising is the only element under consideration;
(2) Sales revenue is net of all costs except advertising; and
(3) Advertising must be purchased in increments of $100.

(1) TAE	(2) MAE	(3) TSR	(4) MSR	(5) TP	(6) MP
0	-	0	-	0	-
100	100	0	0	(100)	(100)
200	100	50	5	(150)	(95)
300	100	250	200	(50)	100
400	100	750	500	350	400
500	100	1200	450	700	350
**** 600*	100	1350	150	***** *750*	50
700	100	1400	50	700	(50)
800	100	1400	0	600	(100)
900	100	1400	0	500	(100)
1000	100	1400	0	400	(100)
1100	100	1400	0	300	(100)
1200	100	1400	0	200	(100)
1300	100	1400	0	100	(100)
1400	100	1400	0	0	(100)

(1) TAE= Total Advertising Expenditure
(2) MAE= Marginal Advertising Expenditure
(3) TSR= Total Sales Revenue
(4) MSR= Marginal Sales Revenue
(5) TP= Total Profit, column #3 minus #1
(6) MP= Marginal Profit, column #4 minus #2

TABLE 1

What is the optimum amount to spend on advertising? According to this example it would be $600, as depicted on Table I. At this point total sales revenue is not the maxumum; however, total profit is. The marginal profit column is the lowest, positive number. The goal in this example is to set this number as close to zero as possible; that is the point where marginal revenue equals marginal costs. If one went to the next increment of $700, marginal revenue would only be $50 and total profits return to $700. Additional increments would be even less. If the businessman selects the opposite direction such as $500 expense, then total profit is $700 and marginal revenue is at $450.

CHAPTER III

OBJECTIVE and TASK

The least used but probably the most accurate method is the objective-and-task approach. "The objective-and-task method accomplishes what all budgets should:

> It relates the appropriation to the marketing task to be accomplished.
> It relates the advertising appropriation under usual conditions and in the long run to the volume of sales, so that profits and reserves will not be drained.

1. STEPS OF METHOD

   a. Define the Objectives, such as a specific sales volume, attainment of a profit figure, or greater share of the market.

   b. Set out the Advertising Strategy and Tactics necessary to obtain these objectives.

   c. Translate this program into the amount of money necessary to achieve the goals. This becomes the advertising budget.

2. Evaluation of Task Method. The task method is probably the most accurate, but also the most difficult of various methods.

   a. Its great advantage is that it builds the budget on the basis of specific advertising needs rather than on any assumed relationship between advertising expenditures and sales volume. The size of the advertising budget is determined by the task which advertising must do in order to help the advertiser reach his goals and not by past or future sales.

   b. Its big weakness is that it is difficult to apply and establish in detail. It requires expensive research as well as large amounts of sound judgement in deciding on the type and amount of advertising necessary to do

> the job. Furthermore, it requires machinery for follow-up so that the budget can be periodically revised according to how well or poorly advertising is producing the hoped for results."[2]

This method is being used more often. It is recognized as the most logical basis for establishing an advertising budget. It directs attention to the objectives of the marketing program and how the advertising program helps obtain these objectives.

In practice, one serious problem is involved in using the Objective-and-Task method. How does the businessman determine how much advertising and which media will be necessary to achieve the objectives that are established? With the present uncertain methods of measuring the effectiveness of advertising, it is difficult to say with any real certainty just how much and what kind of advertising is required to achieve a certain result. Although, the experienced businessman can determine a satisfactory answer, he still is not certain that he has selected the optimum expenditure. This process can be illustrated by a recent business strategy developed and implemented in Pillsbury's frozen pizza division:

> "The frozen pizza business is characterized by high growth, high volume, many manufacturers, low profits, little advertising, and big trade promotions. Pillsbury wanted to increase both volume, by 30%, and profit, by 100%, for its Totino's frozen pizza. Marketing objectives were established to increase product quality (best tasting frozen pizza), geographic distribution (expand to Chicago and Phoenix), and consumer

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[2] Harvey Breslor, "Getting the Most out of Advertising," Advertising, (New York, N.Y.: Educational Publishers, 1969), p. 48.

> brand perference.
> Advertising objectives included increased consumer awareness of the brand (over 70%) as well as increased trial (over 20%) and repurchase (over 40%) of the new product. The advertising strategy shifted the emphasis from trade support (case allowances) to television advertising, thereby increasing the dollars available for affecting consumer preferences. That money was allocated for maximum impact. Sales, share, and profit performance were the measures for the strategy, and the outcome was a successful application of a total business approach to advertising. However, planning is easier if you know how your sales respond to advertising.[3]

Different categories of products respond differently to advertising. If you measure this response called elasticity, you can compute the amount of advertising required to obtain your goals. To calculate the advertising elasticity, one must measure what change in sales will result from the change in advertising dollars. Three methods to calculate this are:

1. Computer Simulation. Computer models can accomplish the task for the businessman. It will simulate various levels of advertising and its effects on sales. Depending on how complex the businessman wants his answer, these software models can run from $20,000 to $80,000. Needed for the models are sales, advertising, distribution, profits, and consumer brand switching, information for the concerned business and its competitors.[4]

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[3] Malcolm A. McNiven, "Advertising," Harvard Business Review, April 1980, p. 131.

[4] Ibid.

2. Statistical Analysis. This method determines periods of time when the advertising budget was at various levels. Then, using multiple regression, one estimates the resulting effect on sales from the amount spent and then calculates the advertising elasticity. This can be done by plotting a simple regression line obtained by comparing the change in advertising dollars and sales revenues over a period of a year.

The businessman's objective might also be to increase his market share. To figure the advertising elasticity of market share, an example will be used. Assume a business spent \$20,000 in advertising last year and had 10% of the market. The following year it increased advertising by \$5000 and achieved a 14% market share.

$$\frac{\text{this year advertising - last year advertising}}{\text{last year advertising}}$$

$$\frac{25000 - 20000}{20000} \text{ X } 100 = 25\%$$

and the relative change in its market share is:

$$\frac{14\% - 10\%}{10\%} \text{ X } L00 = 40\%$$

therefore advertising elasticity of market share is:

$$\frac{\%\text{ market share}}{\%\text{ advertising expense}} = \frac{40\%}{25\%} = 1.6$$

this shows that this year's advertising expense is more productive in marketing share. 5

3. Field Experiments. The most accurate way to estimate advertising elasticity is to conduct field experiments by advertising at different levels in different markets and by measuring the resulting sales response. These experiments

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5 The Conference Board, Some Guidelines for Advertising Budgeting, Widely Used Budgeting Methods, no. 560 (New York: The Conference Board, Inc., 1972), p. 10.

are expensive and time consuming, but they are valuable in a relatively stable, highly advertised product class.[6]

Once the advertising elasticity is known for a product, the businessman can estimate how much to budget for advertising to reach his objective. If this figure is too high because of a low advertising elasticity, he might have to look for other marketing functions such as trade promotion, distribution, and pricing.

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6 Ibid.

CHAPTER IV

PERCENTAGE OF SALES

Advertising is as much of a business expense as cost of rent, labor, or any other expense, so naturally it should be in relationship to the quanity of goods sold. The percentage of sales method is the most accepted and used method of appropriating an advertising budget.[7]

If advertising were taken as a percentage of profits, the businessman could very well run into multiplying problems. If profits are off for a different reason, advertising will drop because of using your advertising budget as a percent of profits. This could very well cause profits to continue to drop and resolve the actual problem.

The most important question, once the businessman has decided to go with the percentage of sales method, is what percentage to use? The best way to determine this is to find out what percentage the competition is using. This can be obtained from trade magazines and associations, Census and Internal Revenue Service reports, and in reports published by financial institutions such as Dun and Bradstreet, the Robert Morris Associates, and the Accounting Corporation of America.

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[7] Malcolm A. McNiven, "Advertising," Harvard Business Review, April 1980, p. 130.

Obtaining this industry average will be helpful, but it does not have to be the figure to use. The businessman may want to use a figure over or below this average, depending on the objective and time frame of the advertising. If one is trying to expand his market share he may use a higher figure.

After one has determined the percentage he needs to determine what sales to use. If it is a new business, there are no past sales. The future or projected sales from the pro forma income statement must be used. A going concern has past sales, so one has a choice of using either past sales, future sales, or a conservative estimate of a combination of both. When using past sales, one can use just the last month, last year, or last several years. Also a moving average may be used. Because of its simplicity, this method is commonly preferred by most businesses.

CHAPTER V

WHERE TO ADVERTISE

Once a budget is appropriated for advertising, the businessman must decide which media to use. The function of the media is to provide the means where sellers of goods and services can tell their product stories. The businessman must come up with a media mix that best accomplishes this task.

Advertising salesmen, for the media, have a lot of valuable information available to the businessman. Their information will tell you what the age level of their audience, circulation, special data such as personal buying habits or motivations of individual audiences, and of course their rates.

Advantages and Disadvantages of a Few Types of Media

NEWSPAPERS

Advantages - Considered as the primary advertising medium for many reasons. They can have universal circulation and precise timing or local coverage. The product can be illustrated and described. Newspapers can be used to advertise new products in test areas, which will save time, expense and risk of a larger campaign. They give immediate action and are also flexible up to a few hours before press time. A newspaper has something of interest for all ages and professions. Therefore, it is attractive to advertisers of products appealing to all manners of people. Newspapers will supply larger retail outfits with research studies on consumer buying habits and brand preferences, and the smaller stores with free copy and art services.[8] Newpapers are also used regularly by some shoppers as a regular guide to shopping.

Disadvantages - Poor reproduction is one of the most common complaints about newspaper advertising. A newspaper will have a lot of wasted circulation for a non-centrally located store. A newspaper's advertisement is virtually dead, after the day of printing, however, they claim that they provide the advantage of offering a new message each day. Studies show that most newspapers are casually read. Consequently, advertisements, in the paper are just scanned or might not be seen at all.

RADIO

Advantages - Radio and television are the speediest media for the communications of news. Also the human voice can add excitement for a sale and be more persuasive than cold print. Radio, as the newspaper, is very flexible. The businessman can choose a five second advertisement or up to several minutes. He can make changes up to air time and use any format involving sound. The businessman can also pick the time the advertisement will be broadcast, which will help to reach the market the advertisement was intended to.

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8 Better Retailing, "Where to Advertise," Advertise, (Dayton, Ohio: The National Cash Register Company, 1958), p. 4.

The radio has a more specialized audience than does television, which enables the advertisement to reach that special market. Radios are almost everywhere now, at work, in the car, at a ballgame, the park, the beach, and the home.

Disadvantages - The average radio listener actually is occupied doing something else, while listening to the radio. Radio relies completely on an audio description, visual reference or description is absent. The radio also has a large wasted circulation. The radio waves might carry for miles past the business's actual market. If not done correctly, the radio advertisement could aggravate the listener, instead of enhancing the chances of purchasing the product.

TELEVISION

Advantages - Television has grown more rapidly as an advertising medium, than any other medium. Annual investments in television advertising is in the billions of dollars. For a national advertisement, it is the most used medium. This can easily be understood when over 95% of all American homes have at least one television set. On the average the set is on for over six hours a day.[9] The impact of the television advertisement is high because it combines both audio and video. It brings an actual, visual person speaking directly to the consumer. Television circulation is in mass, because it reaches the consumer that does not feel like reading and the ones that can not read. Television

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[9] Ibid, p. 5.

advertisements are flexible in being able to cover the whole nation or a particular region or just one small town is so desired. Flexibility in creation of the advertisement is tremendous. Television can create anything, magic, supernatural, comedy, drama, etc; Television can create any image desired for the product.

Disadvantages - Critically short life is a large disadvantage of a television advertisement. Once the thirty or sixty second spot is over, its over, unless the businessman is willing to pay for repeated advertisements. Willingness to pay is another detriment to television advertising. The costs are astronomical. For just a few seconds on national television can cost hundreds of thousands of dollars.[10] Plus you have to pay to produce the advertisement. On national television time zones, with a three hour time difference from coast to coast, can also play an important role in reaching your primary market. Television lacks selectivity. For instance, if a Mercedes dealer is trying to sell his car on television, think how many people he reached that can not even think of buying his product.

OUTDOOR ADVERTISING

There are three basic types of outdoor advertising. The three are the poster, the painted display, and the electric spectacular, with the poster being the most popular. The advertisement is placed on a board made of wood, metal or plastic and it is intended to remain as a permanent bill-

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10 Ibid.

board advertisement. Painted displays are actually painted on the surface such as the wall of a building. Electric spectaculars are made-to-order displays using electric lights, colors, animation and can be very large and costly.[11]

Advantages - Because of the large size, outdoor advertising is impressive and has quite an impact. Depending on its location, it will be seen regularly by a large mass of people. An outdoor display can be read easily and speedily, so it does not demand much of the consumer's time. It also shows the company's stability by being a permanent advertisement. Outdoor advertising can bring in an immediate response, if located in a close proximity of the store. For a small advertising budget, outdoor advertising is relatively cheap in comparison to other media.

Disadvantages - The advertisement must be brief and easily read. Therefore, it would not be good for most new products requiring an explanation. The outdoor advertisement is in direct competition to whatever the consumer is doing, whether it be driving a car or on a nature walk. Repetition of seeing the advertisement day after day could bring indifference and loss of readership.

DIRECT MAIL

Advantages - With direct mail advertising the advertisement goes directly to the prospect, which enables the advertiser to get on target directly. There is no wasted coverage, as in every other medium. The advertisement can

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11 Ibid, p. 6.

be colorful and a long message with many illustrations. Timing is a big advantage of direct mail. The advertisement can get to the prospective consumer at any time the businessman chooses. The format of the advertisement does not have to be fixed at all. Direct mail advertising can be very inexpensive, or very expensive depending on the advertising budget and complexity of the advertisement. Advertising by direct mail can have a very personal effect. In direct mail advertising the message is actually communicated as the sender actually knows the receiver.

Disadvantages - Direct mail advertising is expensive, if it is being sent out to large masses, but is relatively inexpensive for a selective mailing list. In direct mailing, the advertisement must capture the reader's attention by itself. There is no other material to cushion the blow of the advertisement. Keeping an effective mailing list can be expensive and time consuming.

MAGAZINE

Advantages - Selectivity is a big advantage of magazine advertising. It enables the businessman to choose the exact target of his advertisement. Magazines enable the advertisement to specialize in reaching adults, children, female adults, male adults, carpenters, outdoorsmen, almost any way possible to classify a consumer, there is a magazine to match the classification. Magazines use a better quality of paper than newspapers. Consequently, they reproduce the advertisement better. Magazines have a very long life in comparison to most other media. A monthly magazine is probably read for a month and not thrown away for several months. Magazines offer a few services with the advertisement such as a continuation in the next month's issue and also coupons, which will help test the effectiveness of the advertisement.[12]

Disadvantages - Most magazines are nationally distributed, so magazine advertising for just a particular location would be disadvantageous. Last minute changes are almost impossible, since magazines are printed far in advance of circulation. Normally reproduction costs for magazines is more expensive than for other print media. A magazine causes the businessman not to be able to change his adverisement for at least a month.

After selecting the media ask the following questions;

(1) Does the medium reach the largest number of prospects at the lowest cost per prospect?

(2) Does the medium provide an opportunity for an adequate selling message, or does it make possible only the briefest of copy?

(3) Does the medium provide opportunity to illustrate the products or service being sold?

(4) Does advertising in the medium present me with any difficult, or time consuming, creative problems?

(5) Does the medium actually sell products or service, or merely announce them?

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12 Ibid.

(6) What is the medium's flexibility - can the copy message be changed easily?

(7) Does the medium provide opportunity to repeat the selling message?

(8) Does the medium provide excitement for special promotions?

(9) Does the medium fit my type of store in prestige and distinction?

(10) Does the medium cover my entire market area but with minumum waste coverage of areas outside my trading zone?

(11) Does the medium have any characteristics that might annoy people and give my business poor public relations?

(12) Is the total cost of advertising in the medium within my financial capacity?[13]

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13 Ibid, p. 5.

CHAPTER VI

MODEL

For a model of the preceding methods, this study will use a ficticious, local business an as example. The business has been operating for about a year. It manufactures a new type of grain mill product. The company wants to expand its sales, but not to the point of being a large corporation. The following tables are last year's income statement and the projected year's pro forma income statement:

XYZ

Pro Forma Income Statement
For the Year Ended December 31, 1980

Sales	180,000
Cost of Sales	135,000
Gross Profit	45,000
Less Operating Expenses:	
Salaries	14,000
Advertising	12,150
Insurance	1,500
Office Expense	750
Rent	4,500
Utilities	2,000
Travel	500
Miscellaneous	1,000
Other	200
Net Income Before Taxes	8,400

Table 2

XYZ

Income Statement
For the Period Ended December 31, 1979

Sales	150,000
Costs of Sales	120,000
Gross Profit	30,000
Less Operating Expenses:	
Salaries	14,000
Advertising	7,500
Insurance	1,425
Office Expense	1,200
Rent	4,000
Utilities	1,600
Travel	400
Miscellaneous	3,000
Other	200
Net Income Before Taxes	(3,325)

TABLE 3

First let's use the objective and task method. Step one is to define the objective which is to obtain a sales volume of $180,000. Also the company wants to increase its market share by three percent (it currently has four percent of the market). Step two is to develop the strategy necessary to obtain these objectives. Since this is a new business it is almost impossible to figure its advertising elasticity. To determine the strategy, the business will have to use a form of field experiments. It will have to keep good records of its advertising expense and selling response. The business must advertise at different levels and check the resulting response, always keeping in mind that a time lag between the advertisement and the actual sales exists. Since this is a local, small business it should run its varying levels in two week increments. The amounts in the increments are really just a trial and error system but can be very valuable in the future of the business. It will give actual data for the business to base its future advertising appropriations. Keeping records will enable the business to form a simple regression line. To show how the regression line works, assume the following figures have been recorded:

Amount Spent on Advertising		Bi-Weekly Sales Volume
Increment		
(1)	100	6000
(2)	125	6400
(3)	150	6600
(4)	200	6900
(5)	250	7200

There seems to be a fairly good relationship between the two. To use this in regression line analysis it can help tell what would be the expected sales volume if $475 were spent in increment number six, and what advertising expense is required to have a sales volume of $10,000?

This study will not go into how to figure regression line analysis, but the answers to the above questions are at $475 advertising expense it should produce $8940 sales volume, and to have a $10,000 sales volume it would take a $617 advertising expense. This all assumes that the more the business advertises the more it can sell with no limit to either. This is only true up to a point and that is where the marginal analysis method will help. After trying these figures for several months the business should be able to come up with a reasonable advertising appropriation for the future.

In using the objective and task method, the business can be obtaining the necessary data to use the marginal analysis method in the future. This study has already shown an example of the marginal analysis method, so for this business the new figures could just be used in the existing example.

The percentage of sales method may also be used for this year's advertising budget. The first task is to determine the competitor's or the industry's average percentage. For grain mill products according to Troy's, Manual of Performance Ratios the total industry average is 3.0%. According to Dun and Bradstreet's, Cost Control in Business, the total industry average is 3.18%. However, since this is a new business it will want to use a much larger figure to try and gain a portion of the market. The larger companies, according to Troy, use a figure of about 5.8%, so to try and gain part of their market share this new business will have to advertise heavily in the beginning, tapering off some after it is firmly established. The business will have to try a 6.75% figure for six months and adjust accordingly thereafter. This 6.75% figure will compute to about $230 per week.

Now that the business has established a budget with a couple of different alternatives, it needs to decide where to advertise. The objective of the advertisement is to increase market share and increase sales. The advertisement must reach the largest number of prospective customers at the lowest possible cost. For introducing a relatively new product, the XYZ company will want to use a large portion of its advertising budget in the beginning to obtain a lot of exposure for its product. The XYZ company should be seen, heard, or read on as many media as possible at the start. Average local rates of television and radio advertisements are as follow:

Television

Time	Length of Ad in Seconds	Rate/Spot	5Spots/wk	10Spots/wk
6:30-10:00pm	30	65	55	50
6:30-10:00pm	60	130	110	100
3:30-5:30pm	30	40	35	30
3:30-5:30pm	60	80	70	60
7:00-12:00am	30	25	20	15
7:00-12:00am	60	50	40	30
Noon News	30	30	25	20
Noon News	60	60	50	40
6:00 News	30	50	45	40
6:00 News	60	100	90	80
10:00 News	30	65	55	50
10:00 News	60	130	110	100
Best Available	30	35	30	25
Best Available	60	70	60	50[14]

Table 4

14 Evan Schoenfish, KXMC Sales Manager, March 24, 1980.

Radio

Times/Week	Length of Spot in Seconds	Rate/Spot
1 - 13	30	6.25
1 - 13	60	8.25
14 - 20	30	5.25
14 - 20	60	7.25
21 - 41	30	4.75
21 - 41	60	6.75
42 +	30	4.25
42 +	60	6.25

Times/Year	Length of Spot in Seconds	Rate/Spot
600	30	4.75
600	60	6.75
1200	30	4.50
1200	60	6.50
1800	30	4.25
1800	60	6.25
2400 +	30	4.00
2400 +	60	6.00[15]

Table 5

[15] Richard Stensby, KKOA Sales Manager, March 25, 1980.

Using the percentage of future sales method the company has $12,150 in its budget or about $6,075 for the first six months. Since the company needs to advertise more at first, for the first six months it should use about 65% of the total budget or $7,898. Since newspaper advertising cost can very so greatly, depending on the size and frequency of the advertisement the company should use a varying percentage of the budget on newspapers. This percentage should be rather large since it does have such wide circulation and is used as a shopping guide by so many consumers. The XYZ company should use approximately 65% for its newspaper campaign.

To choose which radio and television stations to use the XYZ company could go to the Arbitron service, which will have a breakdown of each station and tell what people watch or listen to, their occupations, sex, age, and most any other classification. The Arbitron service will also be able to tell which stations are listened to the most overall and also at particular times of the day.

In radio advertising it is much cheaper by the year, but since the company is really working on its advertising in a trial period it should not commit itself to a whole year of radio advertising. The XYZ company should appropriate 20% of its advertising budget for radio. The remaining 15% should be appropriated for outdoor advertising, which will have the most longevity. Because of the high cost of television and the other media, it is not advisable on such a small budget to begin advertising with them right away.

The three discussed methods as applied in the model provide the new businessman an insight into the initial process of an advertising campaign. This research has shown that no precise method of appropriating an advertising budget exists. However, three possible methods were explained and then applied to the model. The new businessman is also faced with the dilemma of where to advertise. This study has listed the advantages and disadvantages of six different media and the cost of the two most expensive. Hopefully, this information will benefit the new businessman by enabling him to appropriate his advertising budget and decide where the budget is most advantageous to spend.

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