Strategize – then advertise!

Calculating the Annual Advertising Budget

Low End – 10% High End – 12%

__________________ Projected Annual Gross Sales _________________

_________________ Gross Sales x Percentage above ________________
("Cost of Exposure")

______________Multiply by Average Percentage Markup ____________

_____________ Deduct Annual Rent/Mortgage Payment ____________

_______________ Optimal Advertising Budget ___________________

Instructions:

1. Calculate both 10 and 12% to get a minimum and maximum budget.

2. Determine your gross mark-up (% above cost of product sold). Markup is gross profit above cost, expressed as a percentage of cost. Margin is gross profit expressed as a percentage of the selling price. If mark-up is 100%, continue with formula. If avg. mark-up is 91%, for example, the adjusted budget for total cost of exposure will also be reduced by 9% (10-12% of projected sales x 91%). If avg. mark-up is 150%, e.g., adjusted budget for total cost of exposure would be increased by 50% (10-12% x 150%). If using margin, translate to keystone, then follow formula.

3. Deduct your cost of occupancy (rent or mortgage) from your adjusted total cost of exposure. The balance is your ad budget.