**Promotional Budget**

A promotional budget is a specified amount of money set aside to promote the products or beliefs of a business or organization. Promotional [budgets](https://www.investopedia.com/terms/b/budget.asp) are created to anticipate the essential costs associated with growing a business or maintaining a brand name. The budget is often set according to a percentage of sales or profits in order to maintain an expected growth rate.

**How Promotional Budgets Work**

The advertising and marketing of a business represent costs that most businesses have a tough time predicting, which is why a percentage method might be used. A promotional budget could be increased in anticipation of new [product lines](https://www.investopedia.com/terms/p/product-line.asp) are set to release in the near future.

High promotional budgets can reduce profits during the period such assets are expended. Companies may allow for such higher costs based on an assumption that sales or awareness will increase among customers.

Promotional budgets usually include money put toward advertising across mediums such as radio, television, Internet, and print. A company’s promotional budget can include expenses for email campaigns, social media outreach, and outdoor signage. The promotional budget might also go towards hiring outside experts and consultants who develop the campaigns and place ads in appropriate media and locations. This can include contracting marketing intelligence firms to interpret data that shows how dollars spent on marketing translate into new or recurring business for the company.

The decision-making process at organizations continues to evolve when it comes to allocating funds for promotional budgets. Budgeting strategies change as public attention continues to shift away from older, traditional mediums such as print to focus more on digital, online, and mobile media

## The Changing Dynamics of Promotional Budgets

While the overall size of a company’s promotional budget might not have changed, the way the money is divided up may have. For instance, money previously dedicated to advertising through television might now include campaigns that reach people on smart phones.

The shifts that occur with promotional budget trends can have a direct effect on media industries that rely on those proceeds. A reduction in advertising dollars for newspapers and other print media, as companies directed those assets instead toward digital media and other outlets, contributed to a decline in the newspaper and magazine industries.

Companies regularly measure the [return on investment](https://www.investopedia.com/terms/r/returnoninvestment.asp) from their promotional budgets. The results often have a significant impact on where companies continue to put their funds. For example, a company will likely change its strategy if a billboard campaign fails to attract attention at the same time social media marketing messages increase sales. In many cases, the promotional budget at the company will be adjusted to favor more investment in social media

**Methods of calculating budget**

There are the six most common budgeting methods , (1) percentage method, (2) goal-and-task method (3) what’s-in-my-wallet method (4) based-on-my-competitor method, (5) co-op only method, (6) and zero method.

**Percentage Method**

This approach is the most common for organizations. This method involves setting a budget by percentage of sales, sales goals or gross markup. The percentage used can be derived from your company’s past performance and/or industry standards. This approach is usually the best option for most organizations because the goal is tied directly to increasing revenue. This method bodes well for creating a comprehensive annual plan.

**Goal-and-Task Method**

This approach is developed by defining specific goals, determining the tasks needed to achieve these goals and then estimating the costs of performing these tasks. This method is common with long-term objectives like increasing market-share or increasing brand name top-of-mind-awareness.

**What’s-in-my-Wallet Method**

This method involves planning marketing promotions month-to-month by “what’s available” rather than by “what’s the sales goal.” This approach may hold back revenue opportunities because of the lack of planning. However, this method is common because some companies look at marketing promotion as an expense rather than as an investment.

**Based-on-my-Competitor Method**

This method is based on a strategy to invest less, the same or more than a competitor. A company using this method may be at a disadvantage because they are at the mercy of their competition’s spending patterns rather than their own goals.

**Co-op Only Method**

This planning method involves limiting a budget to just the manufacturer’s cooperative (co-op) advertising support dollars. This may cause a disadvantage because the business using the co-op is limited by the manufacturer’s creative message strategy and available co-op funds.

**Zero Method**

This method involves keeping the marketing investment as close to zero as possible. Sometimes, this method is regretted, especially when the going out of business advertising works well to move inventory.

Whatever budgeting method for marketing promotions you choose for your organization, make sure to budget “time” to develop a comprehensive written plan to keep all parties involved on track.