

The power of advertising.

One way that each and every one of us can learn is through the power of example. As small business owners we can learn from the example of big business or may I be as bold to say the Wal-Mart's of the world. So, what is it that they can teach us about advertising? One important lesson big businesses can teach us about advertising is that they do it and lots of it. Well guess what folks small businesses should be doing it to.

Wal-Mart, Home depot, Coca Cola, Pepsi, the Gap, Roots, do you happen to recognize any of these name. Of course you do! We hear them all the time. We see these names in television commercials, we hear them on the radio, and they are splashed all over newspapers and magazines through out the world. Who can forget the Wal-Mart happy face or Madonna sporting a pair of Gap corduroy jeans? Who made the saying I am Canadian famous? Perhaps a beer company! These images and slogans are engrained in our minds because of the power of advertising.

Guerrilla marketing suggests that companies should be spending 5 to 10 percent of their net sales on marketing or 3 to 8% of their gross sales. These are average spending guidelines, however, some companies will spend upwards of 20%, especially if they are launching a new product, or breaking into new territory.

Out of all of the companies listed Wal-Mart is the advertising exception to the rule, because they budget the least amount of dollars to advertising. In fact, they budget 1% of their gross sales on advertising. But what does this really mean? Seeing that Wal-Mart is listed as the largest retailer in the world based on revenues how much is their advertising budget? In 2002 they had 1309 stores in 10 countries. But remember it started out as 1 store in Bentonville Arkansas. Wal-Mart has approximately 138 million shoppers every year, and it brings in 245 billion dollars in revenue each year. As you may very well see 1% of 245 billion dollars is not exactly a tiny advertising budget. You do the math because as far as I am concerned that is just way to many zeros for me!

The Gap spends 4% of their gross sales on advertising and they make approximately 14.5 billion in gross sales a year. Coco Cola, Pepsi and Proctor and Gamble spend approximately 20% of their gross sales on marketing. Beer companies are averaging well above the 20% mark.

My point is, big business knows that advertising is an integral part of their operation and it should be an integral part of a small business as well. It should be considered as important as paying your bills, keeping an organized set of books and

paying your taxes. These are things that must be done without compromise. Advertising is not an after thought. It should be budgeted and planned for and should be done without compromise as well.

Now that I have suggested you should make advertising an important part of your business, let me suggest to you that advertising is a bit more complicated than simply running one ad on the radio or placing one ad in the paper. The key to effective advertising is repeat exposure. Consistency and repetitiveness are both necessary ingredients to effective advertising. As important as advertising is, it is just as important that it be done right.

Just for curiosity's sake, take a look at your gross sales, do the 3 to 8% calculation and see what you have been spending on advertising. Who knows, maybe you have been following the example of big business without even knowing it!