

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	--	--

Database Directions

1. Start your database software program.
2. Recreate the table from the previous page using your spreadsheet program.
3. Perform the sort function on the data in the four categories of assets.
4. Save your sorted databases.
5. Print out a copy of your work if your teacher has instructed you to do so.
6. Answer the following questions.

Interpreting Results

1. How many of the types of firms with total assets of \$10,000–\$249,000 spent over 1.5 percent of their sales on advertising? Which category of business spent the largest percentage? Which the smallest percentage?

2. By examining the results of all four sorts, determine who spent the largest and smallest percentage of their sales on advertising.

Drawing Conclusions

3. What reasons could you give for some data not being available?

4. Based on the information collected, would you recommend to the owner of a sporting goods store to spend exactly 2.05 percent of sales on advertising?
