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Evaluation of financial control of advertising

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AN EVALUATION OF FINANCIAL CONTROL OF ADVERTISING

By

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CHAPTER I

INTRODUCTION

Opponents of advertising claim that resources expended on advertising—creative talent, paper, and vacuum tubes, for example—constitute economic waste. Much of advertising, they allege, is self-canceling and adds little to the consumer’s valid information.¹ Defenders of advertising contend that advertising and other selling costs, just as production costs, satisfy human wants; thus, utility is created and advertising is thereby economically justifiable.² In addition to utility creation, many economic advantages for advertising are proffered in its support:

Useful information can be brought to the public; mass-production markets are created; and as a by-product of advertising expense we have a private press, a choice of many radio and television programs, and thick magazines.³

Regardless of which position is taken, advertising is a feature of our economy which cannot rationally be ignored by any organization and individual who has a stake in the economy.

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³Samuelson, op. cit., p. 138.
I. THE PROBLEM

Statement of purpose. The purpose of the study was to investigate and evaluate the financial control of advertising by business enterprises. More specifically, the intention was to examine (1) the methods used to determine appropriations for advertising, and (2) the approaches to evaluating the effectiveness of advertising costs.

Scope and limitations of the study. In our mass-production, mass-distribution economy, advertising is the main form of mass-selling.\textsuperscript{4} The major objective of all advertising, therefore, is to increase sales. Advertising can be either (1) product advertising aimed at selling a specific product or service, or (2) institutional advertising concerned with developing good will toward the firm;\textsuperscript{5} both types, again, have a positive effect on sales as their overall purpose.

Advertising per se, then, is a marketing function. An advertising program may be conducted by an internal staff of the firm, by an agency which specializes in advertising, or partly by both. Regardless of who performs the advertising mechanics—from research to design to implementation—marketing management, specifically advertising management,


\textsuperscript{5}\textit{Ibid.}, p. 532.
is responsible for developing the advertising program within the framework of the entire marketing scheme.\textsuperscript{6}

Financial management is concerned with the uses of the firm's resources. Generally, it is financial management's function to allocate the resources among the various activities so that the resulting combination yields the best return on the resources. Further, it is up to financial management to continuously control the use of resources by evaluating the performance of those resource-using activities.

This study deals with the financial management aspects of advertising as one use of a firm's resources. The successful operation of a firm demands the coordination and cooperation of all management functions. Therefore, since advertising is a marketing function, marketing aspects of advertising will necessarily receive attention when their implications enhance the understanding of the financial management of advertising.

The argument as to how to account for advertising costs will receive little consideration in this paper. The question of whether advertising costs should be recorded as a current expense or as an investment to be amortized over future periods seems to be moot insofar as financial management is concerned. The only significance which is apparent

\textsuperscript{6}\textit{Ibid.}, p. 544.
in this matter is that if advertising costs were viewed as an investment, the tendency to think of the long-range effects of advertising might be enhanced. However, informed and rational management should be aware of the long-run effects of advertising regardless of the manner in which accounting for the costs is accomplished.

Significance of the study. The economic involvement of advertising is extensive and is continually growing. In 1953, each of 255 companies in the United States spent at least one million dollars for network time and national space—-advertisements in publications with national circulation. Between 1960 and 1966, advertising costs increased twenty-eight percent. Advertising outlays totaled nearly $16.5 billion in 1966; the forecast for 1967 is $17.8 billion. Approximately four percent of national personal consumption expenditures goes for advertising. In terms of product costs, advertising can be quite significant. For example, the amount of money spent for advertising one cigarette nearly equals the total costs of its tobacco content.

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9 Ibid.
10 McCarthy, op. cit., p. 531.
11 Samuelson, op. cit., p. 137.
Thus, it is obvious that material amounts of resources are being channeled into advertising.

The nature of advertising has caused it to be treated as an enigma. As a result, advertising expenditures have frequently been made with no real understanding as to deciding how much to spend and how to spend it. Furthermore, advertising agencies have been accused of adding to the problems associated with managing advertising:

The major deficiency of advertising agencies in general is that the majority of their income is derived from selling advertising time and space. They are inclined to recommend as large expenditures as possible, and perhaps may even choose media not particularly suited to the advertiser's needs because of more attractive commission arrangements. Because agencies frequently do not receive any extra income for research or other services, they may avoid doing such services or do them in a superficial manner. Also, merchandising and sales promotion is frequently ignored. . . .12

Hence, efforts should be undertaken to improve the management of advertising. With careful and proper management of advertising, as well as of all business activities, the goal of efficiently and productively using the firm's resources will be more closely approachable.

II. ORGANIZATION OF REMAINDER OF PAPER

Chapter II is an investigation of the problem of budgeting for advertising. First, the objectives of

12McCarthy, op. cit., p. 545.
advertising are enumerated and the relationship between advertising and other business activities, with particular emphasis on the financial control function, is established. In the second section of the chapter, actual and theoretical budgeting methods are discussed in light of the objectives of advertising and their relationship to business management.

Because the measurement of advertising effectiveness is essential for good advertising practice and financial control over advertising, Chapter III is an inquiry into the effectiveness measurement topic. Part I of the chapter examines developments in measuring the effectiveness of advertising. The following, concluding section draws implications for financial control of advertising from the knowledge concerning measurement of advertising effectiveness.

In Chapter IV the findings of the paper are summarized. Inferences relating to practice of financial control of advertising and the need for further research are made.
CHAPTER II

HOW TO APPROACH THE PROBLEM OF DETERMINING
ADVERTISING APPROPRIATIONS

The initial step in the financial control of advertising is to determine how much to spend on advertising for a particular period. This chapter deals with this step in the financial control function for advertising. The methods used in connection with this part of the study are (1) to investigate advertising objectives within the marketing scheme, and (2) to evaluate budgeting methods with respect to marketing-advertising-finance precepts.

I. OBJECTIVES OF ADVERTISING

Before decisions can be made as to how much to spend for advertising and how to allocate the total expenditure, the role that advertising is to play in the totality of a firm's activities should be clearly formulated. It is up to the advertising and marketing people to work out the details of the advertising function, but, more importantly, it is up to top management and financial management, who administer and control the firm's resources, to understand this function and how it relates to the other business...
Management experts tell us that the most rational approach to management is through the "marketing concept." In recent years, increasing numbers of producers, wholesalers, and retailers have adopted the marketing concept.\(^1\) There are still, however, many firms whose management has failed to think in terms of market requirements and continue to be production-oriented.\(^2\) According to the marketing concept, the purpose of a business is to satisfy consumer needs. This purpose has been summarized as follows:

Management must think of itself not as producing products but as providing customer-creating value satisfactions . . . the organization must think of itself not as producing goods or services but as buying customers, as doing the things that will make people want to do business with it.\(^3\)

Probably the main reason why certain managements remain production-oriented is because it is much easier to think in terms of the tangible products rather than intangible "value satisfactions." Nevertheless, if a firm is to be a continued success in a dynamic economy characterized by innovation, its management is compelled to give top priority to consideration of the consumer's needs and desires.

\(^{1}\)McCarthy, op. cit., p. 669.


If management operates according to the marketing concept—if it concentrates on buying customers—advertising becomes a much clearer and important process than if management is production-oriented. The following broad definition of advertising is consistent with the marketing concept:

Advertising is mass, paid communication, the ultimate purpose of which is to impart information, develop attitudes and induce action beneficial to the advertiser (generally the sale of a product or service).

The primary purpose of advertising, again, is to bring about sales. More explicitly, the goal is to bring about sales at a profit. The sub-objectives of advertising deal with communicating information and developing attitudes so that sales and profit will result.

Because advertising is a means of communication aimed at developing attitudes, the sales objective should not be expected to be met immediately in many instances. However, advertising should be expected to perform effectively. If the objective of a certain part of the advertising program is to increase sales of a product over a given period, it should be held to that objective. If, on the other hand, certain advertising efforts are supposed to develop favorable attitudes on the part of consumers so that they will

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be inclined to do business with the firm in the future, the effectiveness should be viewed in terms of establishing such attitudes.

The job of making advertising effective in fulfilling its objectives should be charged to advertising management or whomever is responsible for the advertising function, whether the firm does its own advertising or employs an agency. The intricacies of creating effective advertising require a high level of technical skills in consumer behavior and market research in addition to being able to create good copy (written, audio, or visual advertisements).

If top management views the purpose of doing business in light of consumers' needs and desires, it must be aware of the objectives and requirements of advertising. One major marketing function is to ascertain the needs and desires of consumers and then to cater to these needs and desires through advertising and other promotion measures. Top management, therefore, should support the advertising program. Individuals or agencies competent in advertising should be employed, and sufficient appropriations for advertising programs should be made available. Furthermore, advertising should be coordinated with production and distribution.

Financial management, too, must have an appreciation for advertising. They should review the major objectives of the advertising program and recommend appropriations
consistent with the objectives and expected results of the
program and the overall financial policies of the firm. As
a control measure financial management should evaluate the
results of the advertising program in relation to the ob-
jectives.

II. BUDGETING METHODS

A variety of approaches to setting advertising
appropriations are used in practice. Compared to methods
for other budgeting problems, notably capital investments,
production planning, and allocation of investment funds
among securities and other alternatives, the methods used
for budgeting advertising expenditures lack in sophistica-
tion.

The three other budgeting problem areas mentioned
above mainly involve the proposition of measuring the dif-
ferences between costs and benefits. Disagreements con-
cerning the relative merits of such methods exist, but most
are considered to be sound if limitations are understood
and the methods applied properly. Although elements of
risk and uncertainty surround many of the budget situa-
tions of these types of problems, values are logically ascer-
tained and the differences between costs and benefits are
determined.

Because the measurement of benefits from advertising
involves risk and uncertainty to an apparent high degree in nearly all circumstances, only the cost side of the problem is viewed in the majority of the budget methods. Advertising, it is claimed, is only one sales-producing agent in the entire marketing mix. Others include the product itself--its quality, design, and fitness for purpose--package, brand name, prices and discounts, services offered, channels of distribution, personal selling, and publicity. General economic conditions and changes in consumer preferences also affect the benefits which advertising is supposed to provide. Indeed, with so many variables affecting sales, which is the major objective of advertising, measurement of the benefits derived from advertising poses a complicated problem. For the most part, therefore, the budgeting methods used for determining advertising appropriations ignore benefits of advertising.

**Methods Used in Practice**

In actual practice, hundreds of different budgeting methods are used. However, many of the methods are quite similar and can therefore be grouped in the classifications which follow:

1. Arbitrary.
2. All available funds.

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3. Percentage of sales.
4. Percentage of profits.
5. Fixed amount per unit.
7. Task method.

**Arbitrary.** A description of the arbitrary method can be seen in the following quotation: "We've spent $500,000 for advertising annually for the past five years and we've made good money in each of them..." This method has no rational basis. The companies which use the arbitrary method determine the amounts to spend through somebody's intuition or some other purely judgmental means. If any objectives are defined for an advertising program, this method disregards them.

**All Available Funds.** An approach which is probably more widely used than most executives would admit is for a company to spend all that it can afford on advertising. In this method, the total expenditures, other than advertising, which a firm plans to spend over a period are first determined. The advertising appropriation, then, is the difference between all the funds expected to be available and the total of the other expenditures.

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7Ibid., p. 83.

Defenders of this method point to federal income taxes, union pressures, and public opinion. Since advertising has a lagging effect and because income taxes are likely to be higher during prosperous times when advertising can be afforded, everything available, it is claimed, should be spent on advertising. Reporting high profits during prosperous times is frequently a dangerous practice in terms of what unions will demand and what the public will think. Therefore, according to those who support the use of this method, advertising expenditures should be gauged to offset high earnings. 

**Percentage of Sales; Percentage of Profits; Fixed Sum Per Unit.** The title of each of these describes the method. These methods are similar in most cases because a common base is used for all—anticipated sales. Use of a sales base for budgeting advertising expenditures is very popular because it allows a certain amount to be "written off" to advertising, and at the same time controls the amount to be spent.

**Competitive-parity.** The substance of the competitive-parity method is to base the company's advertising

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9Ibid.
10Ibid., p. 534.
11Frey, op. cit., p. 50.
12McCarthy, op. cit., p. 547.
appropriation on the outlays of other members of the industry because the "combined wisdom" of the industry is represented.\textsuperscript{13}

**Task Method.** Under this method the appropriation is the amount estimated to achieve predetermined objectives. Specific objectives for the advertising program are defined and the tasks—the procedures to attain the objectives—are outlined. The appropriation, then, is the cost of accomplishing the tasks.\textsuperscript{14}

**Appraisal of Methods**

The major criticism of all the budgeting methods described above, other than the "task" method, is that the purpose of advertising seems to be disregarded in determining the approaches. Basically, advertising is undertaken to provide benefits. Advertising is fundamentally a communications device aimed at producing desirable results which are, of course, revenues and profit. It cannot be denied that any effort at advertising implies that a need for advertising exists. However, in the main the methods used in practice indicate that advertising is either a necessary evil or is so inexplicable that its benefits do not lend themselves to appraisal. The approaches which these methods follow are illogical because they determine the amounts to

\textsuperscript{13}\textit{Dean, op. cit.}, p. 538.

\textsuperscript{14}\textit{Ibid.}, p. 536.
spend without regard to objectives, the specific purposes for advertising, or the ways to spend the money for advertising.

Of the budgeting methods used in practice, the "task" method is most sensible. It requires that a program be planned with specific objectives in mind, and further implies recognition of the importance of marketing and the place of advertising in marketing. However, as one writer so aptly points out, the "task" method assumes that "the candle is always worth the cost." In other words, the major emphasis is on determining the costs with the result that little or no attention is given to the effectiveness of the advertising costs.

A much more logical approach to controlling advertising expenditures is to first of all understand the purpose of advertising and then in some way attempt to determine the value of the advertising efforts. An understanding of the purpose of advertising will place emphasis on the benefits and assigning values to the benefits will enable the relationship between the costs and benefits of advertising to be ascertained.

Methods dealing with such concepts of controlling advertising expenditures have been proposed by theoreticians.

15McCarthy, op. cit., p. 548.
16Dean, op. cit., p. 537.
and experimentation with their application has been conducted by practitioners. These methods are akin to methods used for production planning and capital budgeting. The "marginal" methods are extensions of economic analysis of marginal costs and marginal revenues. The "return on investment" methods involve the same techniques used for performance evaluation of certain revenue-generating efforts of a firm.

The criticisms of these methods stem from the problem of measuring the benefits of advertising which is, of course, the very same issue which the so-called practical methods ignore. There is no doubt that measuring the effects on sales of advertising is a complex matter. After all, advertising is but one of the many factors influencing sales, and furthermore the factors interact to influence one another over inexact periods of time.

However, these methods deserve much merit because they force inclusion of the benefit side of the advertising appropriation problem. Thinking in terms of the benefits of advertising naturally means that specific objectives must be formulated. Further, the objectives can deal not only with the apparent purposes of advertising such as to

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communicate certain information for promoting a product line, but they also must be carried through to the expected revenue effects of each advertising campaign.

In summary, if a budgeting method for advertising is to be more than a simple token measure to insure that something should be spent on advertising, it must recognize that advertising has an important place in the marketing function of the firm; that explicit objectives must be devised; that the costs of attaining the objectives must be determined; and, that the effectiveness of advertising must be estimated and measured in order to determine how much to appropriate and how to allocate the funds among the means of advertising. The following chapter discusses the measurement of advertising effectiveness.
CHAPTER III

MEASURING THE EFFECTIVENESS OF ADVERTISING

Financial control is the process of allocating resources among the various uses and assuring that satisfactory performance of all the uses results. The conclusion has been made that the effectiveness of advertising must be measured in order to insure that the allocation of resources for advertising purposes is logical, and that meaningful evaluations of the performance of advertising efforts can be made. This chapter investigates developments in the measurement of advertising effectiveness in an attempt to complete a basic understanding of the financial control of advertising.

I. DEVELOPMENTS IN MEASURING ADVERTISING EFFECTIVENESS

Research in the area of advertising effectiveness has been conducted since the 1920's by both practitioners and academicians.¹ Most of the research has been aimed at developing techniques for evaluating the effectiveness of

¹Frey, op. cit., p. 38.
(1) advertising messages and (2) advertising media. Almost universally, the basis used for determining effectiveness of copy and media has been audience size. The social sciences, especially psychology, have contributed greatly to the techniques which have been devised. Through the proper use of the techniques, advertisers can obtain sufficiently accurate measurements, in terms of audience size, of their advertisements and their use of various media. Because the development of reliable techniques has been so successful, the Association of National Advertisers has officially promoted the use of communications (impact on audience size) for measuring advertising effectiveness.

Comparatively little is known about the direct relationship between advertising and its effect on sales. However, certain recent developments in work involving sales as a base for measuring advertising effectiveness have resulted in an optimistic bent toward the use of sales as a base. For example, the E. I. du Pont Nemours Company,


5Coffin, loc. cit.
which has pioneered in studying measurement of advertising effectiveness on the basis of sales, has conducted experimentation which has led to statistically sound determinations of advertising's effect on sales of certain products in specific markets. Basically, through tests involving nearly identical markets, du Pont was able to control most of the sales influencing factors and then, by varying advertising, measure the effect on sales at different levels of advertising. Although measurement of advertising effectiveness in terms of sales is in the experimental stage and its application is limited, the potential value of such measurement to financial control infers further investigation.

There are three fundamental approaches to sales evaluation of advertising. The first method involves direct questioning of consumers about the influence of advertisements on their purchases; a second method requires application of controlled experiments to limited markets as a measure to estimating later sales impact resulting from advertising; the third approach attempts to determine relationships between product sales and advertising through mathematical analysis and correlation techniques.

6 Lucas and Britt, op. cit., p. 189.
7 Ibid.
8 Ibid., pp. 177-178.
The first method, questioning consumers, includes many shortcomings which makes the procurement of adequate amounts of valid data a difficult proposition. Without going into the intricacies of the problem, suffice it to say that planning and conducting the research--designing questions to obtain the relevant information, selecting market areas and consumers within the areas, and tabulating and analyzing the results--on a scale to insure statistical reliability would require a substantial effort. Furthermore, once answers are obtained, there is practically no assurance that the information received is not biased to the degree of invalidity.

The method of applying experiments to controlled markets was referred to in the du Pont example presented above. One major weakness of this method is that the concentration is on determination of the sales effects of advertising campaigns which have taken place in the past. Also, this method necessitates the availability of several nearly identical markets and the capability to experiment with various levels of advertising for one product or product line. Although the results can be used for estimating future actions for products, markets, and advertising campaigns other than those involved in the experiments, the estimates cannot be considered with much certainty for products facing dynamic market conditions; and most products
are confronted with such conditions except for very limited time periods.

The greatest advances for measuring advertising effectiveness on the basis of sales have been made with the approach which utilizes mathematical analysis and correlation. The advent of practical computer technology and Operations Research has especially made this third approach appealing for the measurement problem. Basically, this approach requires identifying all factors which influence sales and constructing a mathematical model to include all the factors. Values are assigned to the variables through mathematical analysis processes and correlation of past and estimated data.

Modern computer technology has provided the means for solving highly complex problems with Operations Research techniques which previously was not practicable. Even though the analytic and mechanical means are available for learning more about the advertising-sales problem, management science is in the early stages of developing a knowledge in this area.

Analysis of the relationship between advertising and sales through this approach is more than a matter of devising complex mathematical models with provisions for the many

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factors which are involved. In a discussion concerning the problems of developing methods for practical application, one researcher provided the following evidence:

At the start, the data that was used was not designed for use with sophisticated models. The models, no matter how well defined had, at best, over-worked and over-smoothed data. Many assumptions had to be made. For the most part, these assumptions were not testable.10

Because the problem of measuring advertising effectiveness in terms of a certain number of sales dollars for a given number of advertising dollars involves the complexity of dealing with a great many interactive variables, many of which cannot be measured quantitatively, development of a fool-proof method for solving this problem will probably never result. However, computer technology provides the capability to extensively study the measurement problem and, therefore, it seems most likely that a great deal of knowledge about the problem will be gained.

Measurement of advertising effectiveness has progressed to the state where communicative effect of copy and media can be readily measured through analytical techniques. Further, the development of extending the measurement of advertising effectiveness to the ultimate objective—sales—has shown results which are encouraging to those interested in understanding the effectiveness of advertising.

II. IMPLICATION FOR FINANCIAL CONTROL

Measurement of advertising effectiveness is directly related to financial control. Actually before rational decisions can be made of how much to spend on advertising and how to allocate the appropriation, the decision makers are required to have, at the minimum, a basic understanding of the effectiveness of advertising. Also, once the appropriation and allocation decisions have been made, the effectiveness must be measured in order to allow evaluation of the performance of the advertising program.

Focusing attention on advertising's effectiveness forces inclusion of the benefit side of advertising in financial control decision making. The benefits of advertising, as discussed previously, are hardly considered in most of the methods which are used in practice for determining the amounts to budget. Under the assumption that those responsible for the advertising function have a sound understanding of advertising on at least a communications base, decisions as to how to allocate the funds appropriated for advertising undoubtedly include consideration of advertising benefits. The third step in financial control of advertising, that of evaluating the performance of advertising costs which have been incurred, if done at all, generally includes benefits only to the extent that they can be measured in terms of audience size which implies that the message has
been communicated.

The main implication of measurement of advertising effectiveness to financial control of advertising is that the effectiveness can be measured--indeed, is being measured as evidenced by the publicized Nielsen ratings--by use of a communications base and, in some instances, on the basis of sales. Measurement on a communications base is quite extensive and additional refinements are being developed. Also, considerable progress is being made in the study of advertising on the sales base. Since advertising effectiveness is subject to some degree of measurement, the benefits of advertising can, and therefore should be considered in the financial control decisions.

The ideal situation, of course, would be to have the practical capability to establish the relationship between sales response and advertising. Then, through cost and revenue analysis the optimum budget size and allocation to products and media could be readily determined. Although exact assessment of the relationship between advertising and sales will probably never be reached, this ideal provides a model toward which management science should strive.

To the degree that the sales response to advertising can be practicably measured, financial management should consider the sales effect in its appraisal of the advertising program. If the sales response cannot be measured or if
only on a basis of limited objectivity, advertising effectiveness should be measured on the basis of communication. In any case, the objectives of an advertising program should be stated in terms of sales and/or communication. Such objectives should be considered for setting and allocating the advertising appropriation, and the advertising program should be evaluated with respect to achievement of the objectives.

Financial management, most assuredly, should not be expected to be proficient in advertising, and therefore they must rely on the marketing-advertising experts to formulate and supply the required information for measuring the effectiveness of advertising. Furthermore, judgment will most certainly play a role in determining some of the information. Many business problems require skills of experts in fields other than finance. Also, judgment based on education and experience enter into decision making of nearly all business problems. For example, when financial management prepares budgets for production they use information about productive capabilities which has been supplied by engineers. Just as in the case of other business problems, financial control of advertising requires coordination of skills and judgment of staffs in both advertising-marketing and finance.
CHAPTER IV

SUMMARY AND CONCLUSIONS

Advertising, the major form of promotion for many businesses, is, in the final analysis, a revenue-producing function. Intermediate goals of advertising may be to simply communicate a message about a product or service to consumers, or to create long-term goodwill toward the firm. In all cases, however, the ultimate objective of advertising must logically be to cause consumers to buy the firm's products or services. If the purpose is not to cause activity which leads to the provision of revenue, there would not be any reason to incur the expense.

Financial control of advertising is unlike that of other revenue-producing activities because the benefits accruing from advertising are difficult to explicitly establish or even closely estimate. As a consequence, advertising is often treated as a non-productive expense of doing business. Just as with other non-productive expenses, the main concern on the part of top management and financial management is to keep the cost of advertising as low as possible.

Thus, the only financial control measure which
receives much attention is the budgeting of funds to carry on advertising. Allocation of the advertising appropriation among products and media is generally left to the discretion of advertising or marketing management. In the main, once the advertising appropriation is spent, there is little or no evaluation of the performance of advertising on the basis of revenue production.

The second measure—allocating the appropriation—requires the technical capabilities of advertising—marketing experts and is therefore properly a responsibility of the management of those functions. However, by ignoring the allocation of the appropriation, financial management also ignores the objectives of the advertising program. Hence, without an understanding of the objectives they do not have a basis from which evaluations can be made.

Most of the budgeting methods used in practice inherently disregard the fact that a good advertising program must be aimed at accomplishing certain objectives. Appropriations are determined on a basis of a certain expenditure per unit of product, some percentage of sales or profit, or whatever some individual or group feels that the firm can afford. The "task" method of budgeting is superior to most other "practical" methods because the appropriation is established from the cost of achieving predetermined tasks or objectives. Assuming that revenue implications of advertising cannot be defined, use of the task method, at the minimum,
implies that recognition is given to the fact that advertising should accomplish specific purposes.

If the effectiveness of advertising could be measured in terms of sales, the financial control of advertising would be similar to that of other revenue-producing functions. Budgeting, allocation, and performance evaluation would be matters which lend themselves to cost-revenue analysis. Return on investment and marginal approach techniques which are presently available could be readily applied to the financial control problems of advertising.

Advertising effectiveness is subject to fairly exact measurement on a communication-to-audience basis. Furthermore, advances in measuring the advertising-sales relationship have been made and promises of further progress appear realistic. Whenever practicable, advertising effectiveness should directly enter into the decision making of the financial control aspects of managing advertising. Theoretically, and, in most circumstances, practically, financial management is concerned with getting the best possible return on the use of the firm's resources. Advertising is a use of resources which has the providing of a return in the form of sales dollars as its ultimate objective. That the return is the best possible can only be determined through an awareness of the effectiveness of advertising.
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