

# Vinyl Fence *Tip*

Practical and Proven Ways to Sell More Vinyl Fences

*From your friends at National Vinyl Products*

## How To Determine Your Advertising Budget



Whether you are just starting out or are looking at ways to expand your existing fencing business, careful budgeting should always be a priority.

However, when you are constantly monitoring the bottom line, it can be hard to determine how much you should spend on advertising. You know marketing is important – people have to know about your fencing products and services in order to buy them, right? The big question: How much should you spend on advertising and marketing?

### Here are the pros and cons of six methods:

#### 1. Percentage of annual sales

This budget method has been a staple for businesses for many years, and it still works today. To use this approach, you first need to determine what percentage you want to use.

Rather than just going with one number, many established businesses use an average of the last few years' revenues to come up with the most accurate percentage.

You can also average in a projection for the coming year's revenues if you'd like. If you are new to the fencing industry, you will need to research industry averages to make a projection.

As a general rule, many companies allocate between 2% and 5% of their annual revenues for advertising. With that range in mind, if your annual sales are \$300,000,

you would budget between \$6,000 to \$15,000 for advertising.

The pros to the percentage method are that since it is based on a clear relationship between sales and expenses, it is simple and straightforward.

A con is that it offers little flexibility. You will not be able to take any risks – in response to weather, for example – or other variables that might impact your marketing.

Also, this method is based on the concept that advertising has a direct relationship to sales. Of course, they do, but there are also many other factors that affect your sales revenues.

#### 2. Unit-of-sales method

This method is based on what it takes to sell an actual fence, rather than on an overall percentage of sales. It is a bit more difficult to use, but it can be more accurate in the long run. It works best for fencing companies that sell only a few specific types of fences.

You will need sales averages for your company, including your costs to sell a certain fence. Then, set aside an estimate of how much it costs to advertise that individual fence or service.

Thus, if it takes two cents worth of advertising to sell 100,000 square feet, you would allocate \$2,000 on advertising that fence. An advantage is that you can fine-tune your advertising costs per product, but a disadvantage is that you are leaving out many of the variables involved in the sale.



### 3. Task and Objectives

With this method, you must create a clear marketing plan. As part of your plan, determine who you want to reach with your advertising, how frequently you want to reach them, and through what media you want to use to reach them. Your choices include:

- Your company website
- Online ads
- Email newsletters
- Social media
- Public relations
- Direct mail (postcards, letters, flyers)
- Advertising (print, radio, TV)
- Marketing materials (business cards, brochures)

If the total is out of reach, then you reduce your objectives. This method has the advantage of being the most accurate because it connects your advertising budget with your goals. However, a con is that you are planning around certain advertising campaigns that may or may not be successful.

### 4. Industry Averages

With this method, you research the advertising budgets other fencing companies use and model yours after them. Some fencing industry trade associations and publications share the average amount their members spend on advertising. This method is easy and can be a helpful one for a new company to use. However, it does

not allow for differences in the fencing marketplace that are due to location and other variables.

### 5. Search engine marketing

Pay-per-click ads and other search engine marketing (SEO) techniques should be included in your marketing budget. An advantage is that they make it easy to measure your return on investment, and they can drive customers to your business. A disadvantage is that you will need to make careful calculations to know what is working and what is not.

### 6. Seat-of-your-pants

With this approach, you advertise when you feel the need or when you have the money to do it. It can work if your timing is right, or it can be a waste of hard-earned money.

No matter what advertising method you use, keep in mind that it need not be a one-and-done decision. Set goals, follow the results and determine if those goals are being met.

A 12-month marketing plan allows you to see how your method is working over your busy warm-weather fencing season and over down times such as the holidays. You can tweak or completely change your marketing approach after you have seen the results. Measure everything.



If you have questions about this newsletter or marketing in general, e-mail NVP's marketing expert: [marketing@nvpfence.com](mailto:marketing@nvpfence.com).

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