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Establishing Objectives and Budgeting for the Promotional Program



Value of Objectives

➤ **Focus and Coordination**

- They help to orient everyone involved toward one, common goal.

➤ **Plans and Decisions**

- They serve as criteria for developing plans and making decisions.

➤ **Measurement and Control**

- They provide the standards and benchmarks for evaluating results.

Types of Objectives

Marketing Objectives

- Statements of what is to be accomplished by the overall marketing program within a given time period.
 - Need to be *quantifiable* such as sales volume, market share, profits, or ROI.
 - Need to be realistic, measurable and attainable

IMC Objectives

- Statements of what various aspects of the IMC program will accomplish based on communication tasks required to deliver appropriate messages to the target audience.

Not all Ads are Designed to Achieve Sales

TODAY	TOMORROW	TOYOTA
Reduce manufacturing waste going to landfills	Reduce land going to waste	
		<p>Each year Toyota builds more than one million vehicles in North America. This means that we use a lot of resources—steel, aluminum, and plastics, for instance. But at Toyota, large scale manufacturing doesn't mean large scale waste.</p> <p>In 1992 we introduced our Global Earth Charter to promote environmental responsibility throughout our operations. And in North America it is already reaping significant benefits. We recycle 376 million pounds of steel annually, and aggressive recycling programs keep 18 million pounds of other scrap materials from landfills.</p> <p>Of course, no one ever said that looking after the Earth's resources is easy. But as we continue to strive for greener ways to do business, there's one thing we're definitely not wasting. And that's time.</p> <p>www.toyota.com/tomorrow</p>



Problems With Sales Objectives

- Sales are a function of many factors, not just advertising and promotion.
- Effects of IMC tools such as advertising often occur over an extended time period.
- Sales objectives provide little guidance to those responsible for planning and developing the IMC program

Many Factors Influence Sales





When Sales Objectives Are Appropriate

- For promotional efforts that are direct action in nature and can induce an immediate behavioral response.
 - Sales promotion
 - Direct response advertising
 - Retail advertising for sales or special events
- When advertising plays a dominant role in a firm's marketing program and other factors are relatively stable
- When sales effects of an IMC variable can be isolated.



Sales Objectives are Appropriate for Direct Response Advertising

WHAT IF
YOU COULD
COMMUNICATE
WITHOUT
ANNOYING



EVERYONE
AROUND YOU?

Get SkyWriter 2-Way Interactive Messaging and have a conversation without saying a word. Take a stand against that annoying cell phone chatter all around you. Communicate with SkyWriter, the service that lets you send and receive messages and email right from your pager without disturbing a soul. Plus, it even comes with a built-in organizer. And all this costs just 5¢ a message* from SkyTel. The first name in advanced messaging.™

Motorola's PageWriter 2000R is the two-way pager smart enough to communicate wirelessly with pagers, Internet email and fax machines.  Also available at most  locations.


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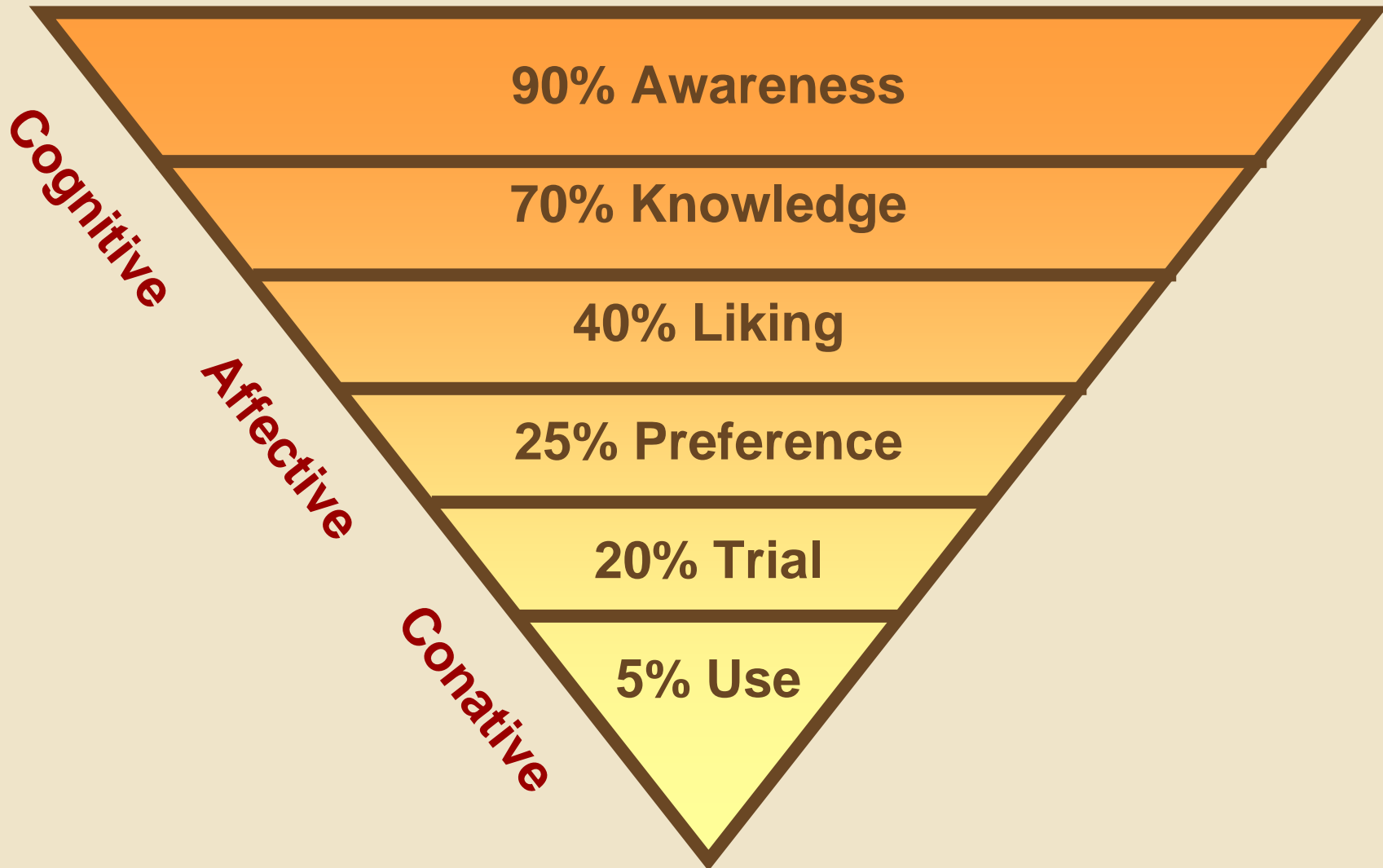
Communication Objectives

The primary goal of an IMC program is to communicate and planning should be based on communications objectives such as brand awareness, knowledge, interest, attitudes, image and purchase intention

Advertising and Movement Toward Action

Related behavioral dimensions	Movement toward purchase	Types of promotions and advertising at each step
<p>Conative Realm of motives. Ads stimulate or direct desires.</p> <p>Affective Realm of emotions. Ads change attitudes and feelings</p> <p>Cognitive Realm of thoughts. Ads provide information and facts.</p>	 <p>Purchase</p> <p>Conviction</p> <p>Preference</p> <p>Liking</p> <p>Knowledge</p> <p>Awareness</p>	<p>Point of purchase Retail store ads, Deals “Last-chance” offers Price appeals, Testimonials</p> <p>Competitive ads Argumentative copy</p> <p>“Image” copy Status, glamour appeals</p> <p>Announcements Descriptive copy Classified ads Slogans, jingles, skywriting</p> <p>Teaser campaigns</p>

Inverted Pyramid of Communications Effects





The DAGMAR Approach

*D*efine
*A*dvertising
*G*oals for
*M*easuring
*A*dvertising
*R*esults

Good Objectives Should Include:

- Concrete, Measurable Communication Tasks
- Well-Defined Target Audience
- Have an Existing Benchmark Measure
- Specify Degree of Change Sought
- Specific Time Period

DAGMAR Difficulties

Legitimate Problems

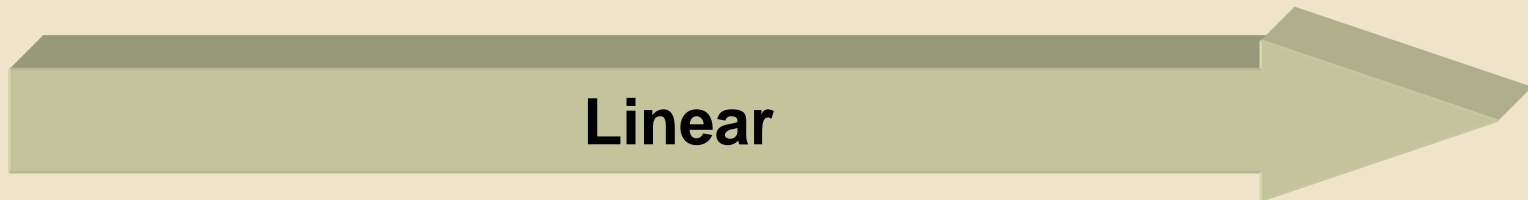
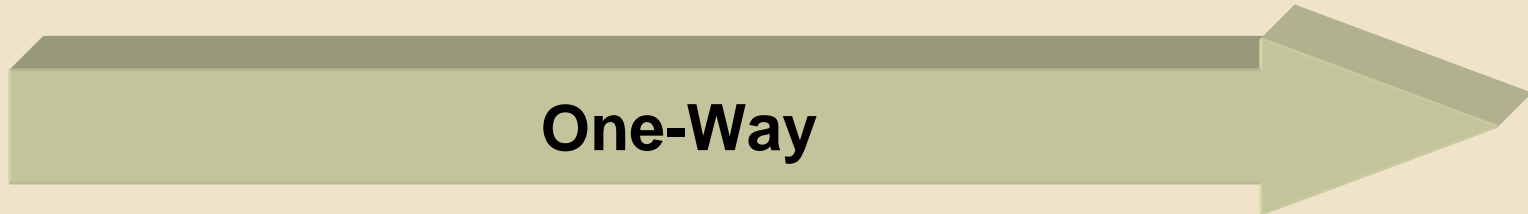
- Response Hierarchy Problems
 - Doesn't always define the process people use to reach purchase/use.
- Attitude - Behavior Relationship
 - Attitude change doesn't always lead to change in actions or behavior.

Questionable Objections

- Sales Objectives Are Needed
 - Sales are all that really counts, not communications objectives.
- Costly and Impractical
 - The research and efforts cost more than the results are worth.
- Inhibition of Creativity
 - Too many rules and structure curb genius.

Advertising-Based View of Communications

Advertising Through Media



Acting on Consumers



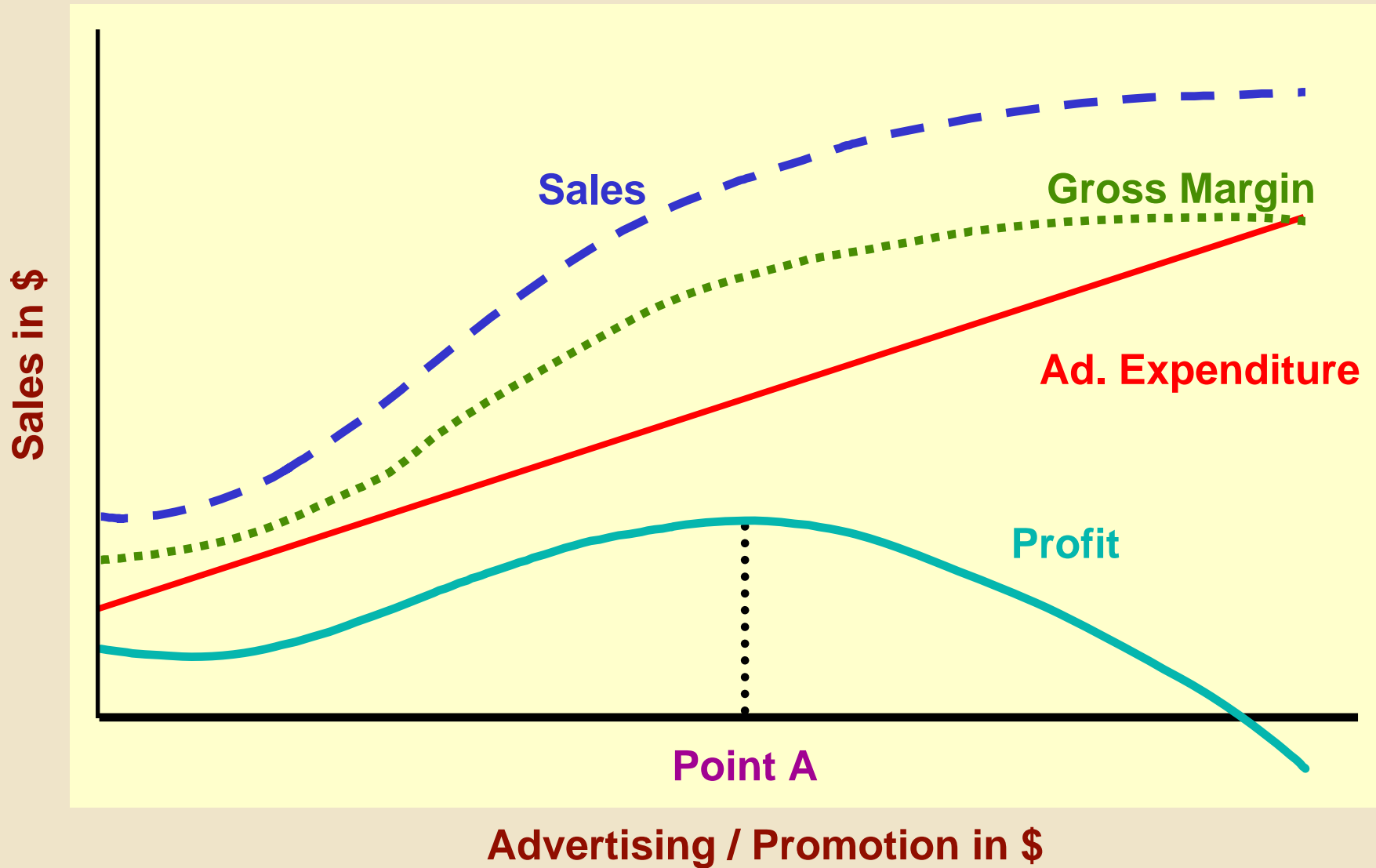
Budgeting Decisions

Budgeting decisions involve determining how much money will be spent on advertising and promotion each year and how the monies will be allocated

Two major decisions

- Establishing the size of the budget
- Allocating the budget

Marginal Analysis



BASIC Principles of Marginal Analysis

Increase Spending . . . IF:

The increased cost is less than the incremental (marginal) return.

Decrease Spending . . . IF:

The increased cost is more than the incremental (marginal) return.

Hold Spending Level. . . IF:

The increased cost is equal to the incremental (marginal) return.

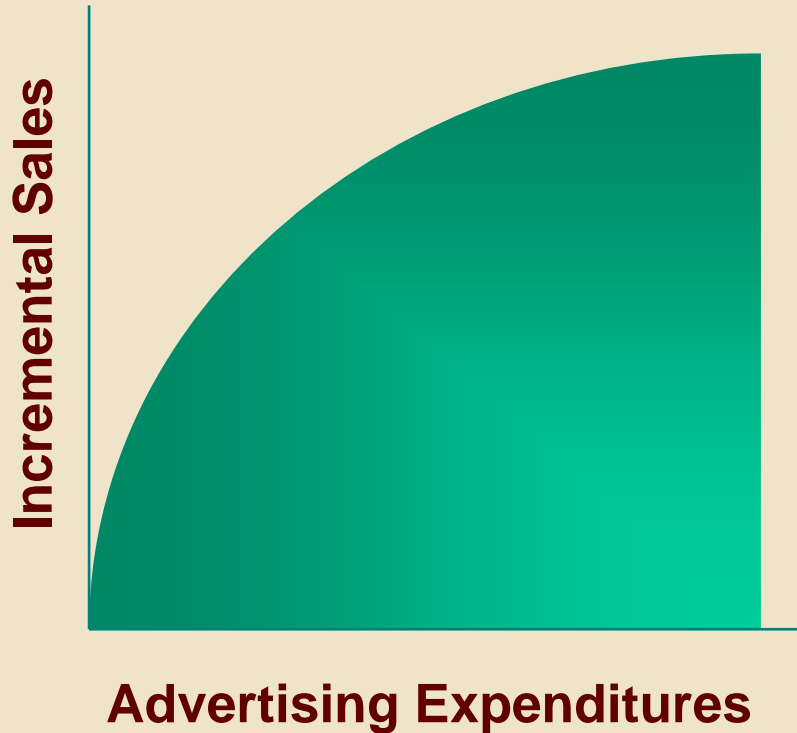
Problems with Marginal Analysis

- Assumption:
 - Sales are the principal objective of advertising and/or promotion.

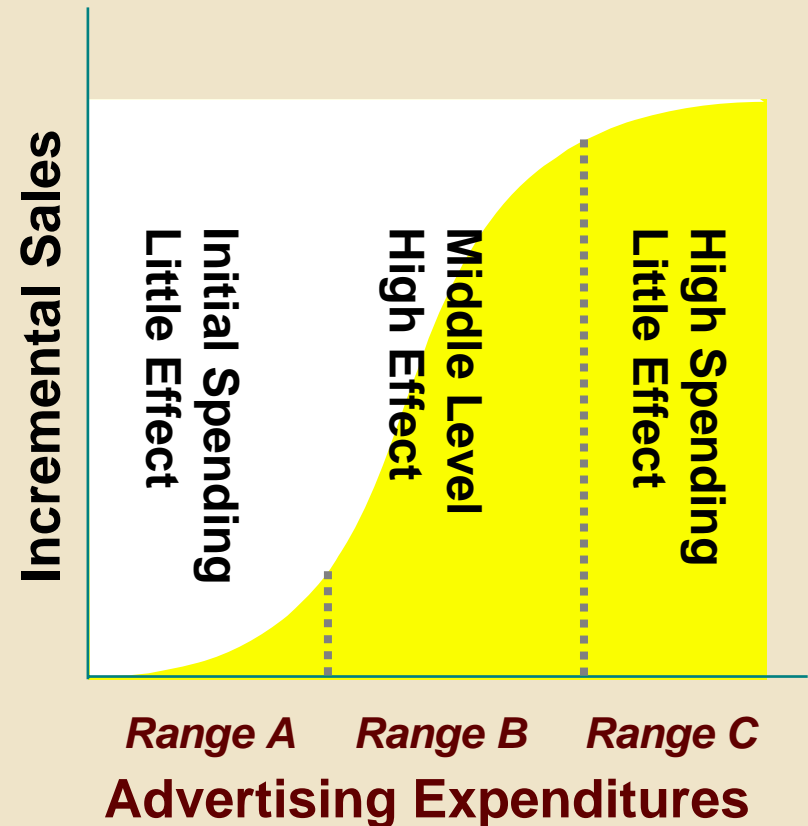
- Assumption:
 - Sales are the result of advertising and promotion and nothing else.

Advertising Sales/Response Functions

A. Concave-Downward Response Curve



B. S-Shaped Response Function



Top-Down Budgeting

**Top Management Sets the
Spending Limit**



**The Promotion Budget Is Set to
Stay Within the Spending Limit**



Top-Down Approaches

- The Affordable Method
 - What we have to spare. What's left to spend.
- Arbitrary Allocation Method
 - No system. Seemed like a good idea at the time.
- Percentage of Sales Method
 - Set percentage of sales or amount per unit.
- Competitive Parity Method
 - Match competitor or industry average spending.
- Return on Investment Method
 - Spending is treated as a capital investment.

Bottom-Up Budgeting

**Total Budget Is Approved by
Top Management**

Cost of Activities are Budgeted

**Activities to Achieve Objectives
Are Planned**

Promotional Objectives Are Set

Objective and Task Method

Establish Objectives

(create awareness of new product among 20 percent of target market)

Determine Specific Tasks

(advertise on market area television and radio and local newspapers)

Estimate Costs Associated with Tasks

(create awareness of new product among 20 percent of target market)

Payout Planning

To determine how much to spend, marketers develop a **payout plan** that determines the investment value of the advertising and promotion appropriation

Example of a three-year payout plan (\$ millions)

	Year 1	Year 2	Year 3
Product sales	15.0	35.50	60.75
Profit contribution (@\$.50 per case)	7.5	17.75	30.38
Advertising/promotions	15.0	10.50	8.50
Profit (loss)	(7.5)	7.25	21.88
Cumulative profit (loss)	(7.5)	(0.25)	21.63

Allocating the IMC Budget

Factors Affecting Allocation to Various IMC Elements

- Client/Agency Policies
- Size of Market
- Market Potential
- Market Share Goals
- Market Share and Economies of Scale
- Organizational Characteristics

Share of Voice and Ad Spending

