

# Establishing Objectives and Budgeting for the Promotional Program

# Value of Objectives

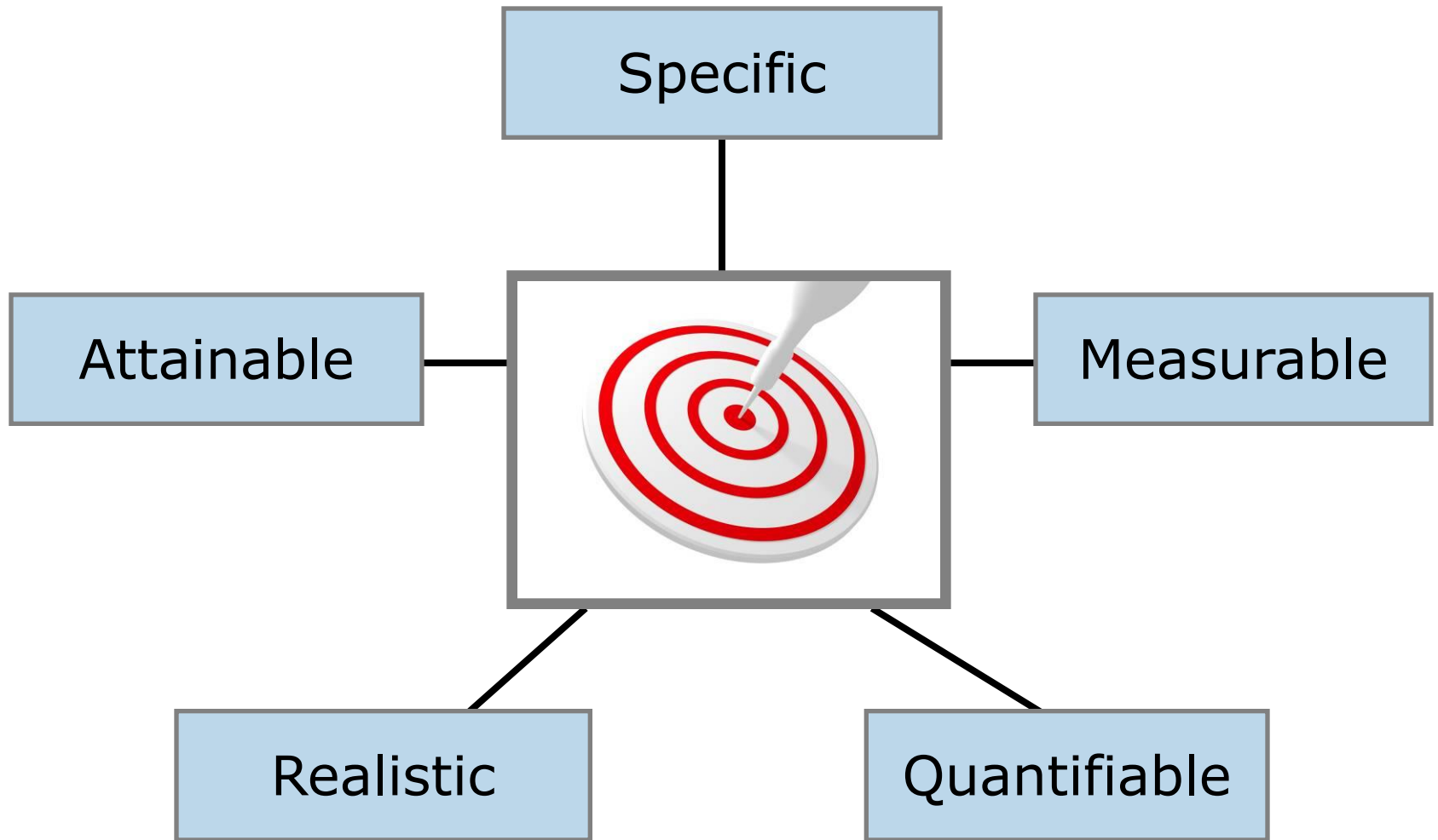
Measurement/Evaluation

Planning & Decision Making

Communications

Specific Objectives

# Characteristics of Objectives



# Marketing Versus Communications Objectives

## Marketing Objectives

- Generally stated in the firm's marketing plan
- Achieved through the overall marketing plan
- Quantifiable, such as sales, market share, ROI, #customers
- To be accomplished in a given period of time
- Must be realistic and attainable to be effective

**Vs.**

## Communications Objectives

- Derived from the overall marketing plan
- More narrow than marketing objectives
- Based on particular communications tasks
- Designed to deliver appropriate messages
- Focused on a specific target audience

# Marketing Vs. Communications Objectives

## Marketing Objective

**To increase sales by 10% in the youth segment of the market in the Next 12 months.**

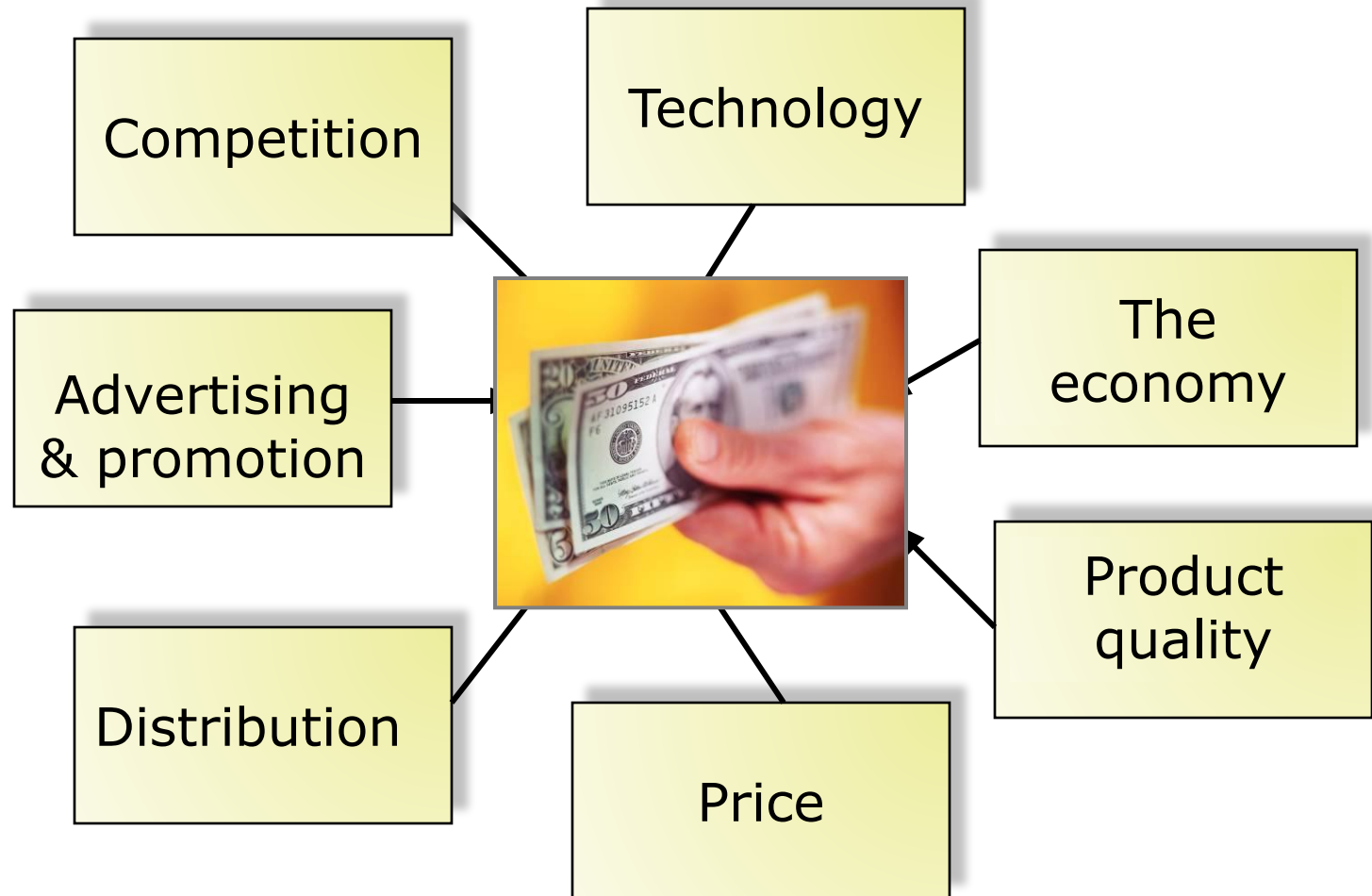
## Communication Objective

- Create awareness among 90% of target audience in 3 months.**
- Obtain trial among 30% of the target audience in 3 months.**

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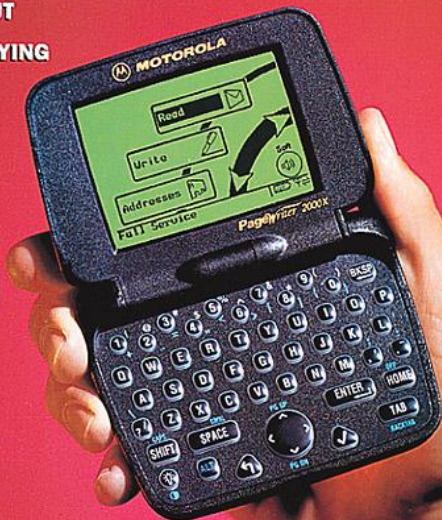
What affects Sales?

# Factors Influencing Sales





# Direct Response Ads Seek Sales


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 2000X is the two-way pager smart enough to communicate wirelessly with pagers, Internet email and fax machines.  **MOTOROLA** Also available at most  **OfficeMax** locations.

  
An MCI WorldCom Company  
**1-800-815-9537**  
[www.skytel.com](http://www.skytel.com)

\*Some restrictions may apply. © 1999 SkyTel. ® and Motorola are registered trademarks of Motorola, Inc. All rights reserved.

The effectiveness of the ad can be measured by the number of responses received and whether they result in sales of the product.



# Sales As Advertising Objectives



Sales management can evaluate the effectiveness of its promotional effort by analyzing the store traffic and sales volume during the sale days and comparing them to figures for non-sales days

# Some Communications Use Nontraditional Methods



This is an example of an ad that is attempting to create an image and favorable impressions of the company rather than generating immediate sales.

# Where Sales Objectives are Appropriate



New package design - 15.7% increase in Sales



# Creating an Image



They're learning for the future.  
We're building for it.

**NEW YORK KEEPS GROWING.** More people. More kids online learning about the world, doing homework, and having fun that means more energy. Con Edison is growing, too. We're investing \$7.2 billion over the next five years in new substations, transformers, more than 11,000 miles of new cable and other improvements. So power is there when you need it, now and in the future. Learn more at [www.conEd.com](http://www.conEd.com). You'll also find tips on how to save energy and help the environment. And remember to report safety service problems to us online or by calling 1-800-TS-COMED.

 **conEdison** | **ON IT**



# Where Sales Objectives are Appropriate

A young man in a grey polo shirt and khaki pants is running towards a silver car, carrying a golf bag. The background is a bright yellow sky over a golf course. The Mercury Insurance Group logo is in the top left corner.

**MERCURY**  
INSURANCE GROUP

**At a moment like this, you'll  
be glad you have **Mercury**.**

**AND OUR CUSTOMERS SAVE AN AVERAGE  
OF **\$381** WHEN THEY SWITCH, TOO!**

**MERCURY PERSONAL  
LINES PRODUCTS SOLD  
EXCLUSIVELY THROUGH  
INDEPENDENT AGENTS.**

**CONTACT US TODAY FOR A FAST, FREE QUOTE!**

**(877) 700-9050 | [mercuryinsurance.com](http://mercuryinsurance.com)**

Average savings of \$381 based on a June-November 2009 survey of 6,530 new CA Mercury policyholders.

PS0110WES/AVCA

# Communications Objectives



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# Project Update Team Evaluation + 3 Upcoming Tasks

- 1- Peer Review of IMC1 Reports
- 2- Business/Social Category  
Promo Analysis
- 3- IMC2

Due Dates?

What kind of Ad can  
You use first to raise  
awareness?



**OPENING  
SOON**

A graphic design featuring a bright yellow background. A piece of white paper is torn at the top and bottom edges. The words "OPENING" and "SOON" are printed in a bold, dark blue, sans-serif font on the white paper. The bottom edge of the white paper is curled up, revealing a dark, shadowed interior, which adds a three-dimensional effect to the design.



**READY?**

*"psst...can you keep a secret?"*

**IMI**  
HOTEL

Something new is happening with  
Hotel Management...stay tuned!

**Yes, I want to know!**

Put me on your guest list for early access to the secret!

[hotelmanagement.net/staytuned](http://hotelmanagement.net/staytuned)

QUESTEX  
HOSPITALITY  
GROUP

757 THIRD AVENUE • NEW YORK 10017 • 212.489.2800 • [QUESTEX.COM](http://QUESTEX.COM)

psst...

NEW  
PRODUCT

can you keep a secret?







Make every city pose for you.

The world's smallest D-SLR camera.\*  
The *40-410* with Live View.



Make other photographers  
ask for your name.

Total control for tricky shots.  
The *40-510* with Live View.

Discover  
Complete  
E-System



Coming soon.



Teaser Ad!

# Teaser Ad

- Brief advertisement designed to tease the public by offering only bits of information without revealing either the sponsor of the ad or the product being advertised.
- Teaser ads are the frontrunners of an advertising campaign, and their purpose is to **arouse curiosity** and get **attention** for the campaign that follows.



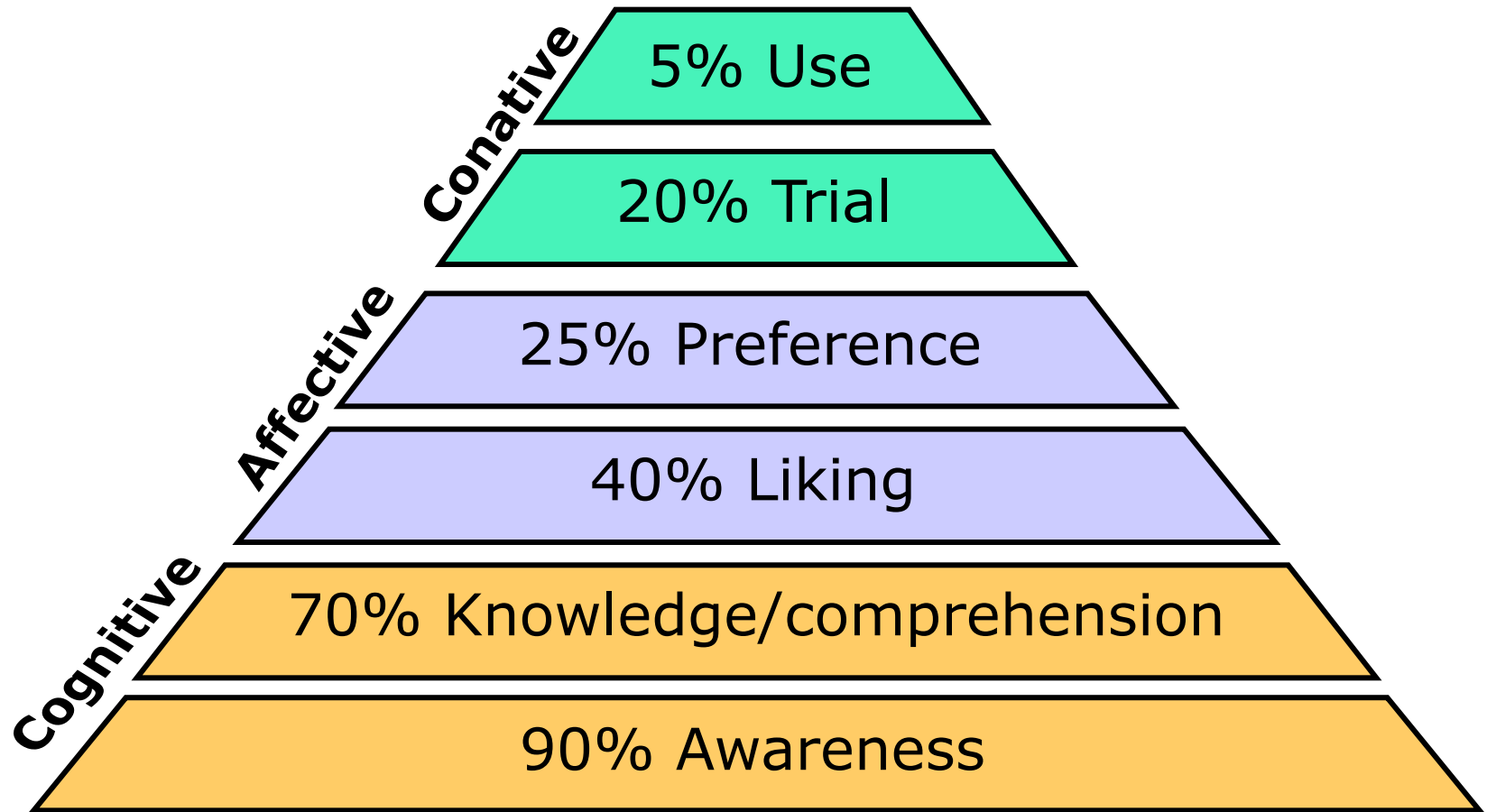




# Have You Seen any Teaser Ads?

Share Your Examples in our group & excel sheet

# Communications Effects Pyramid



# GfK Purchase Funnel

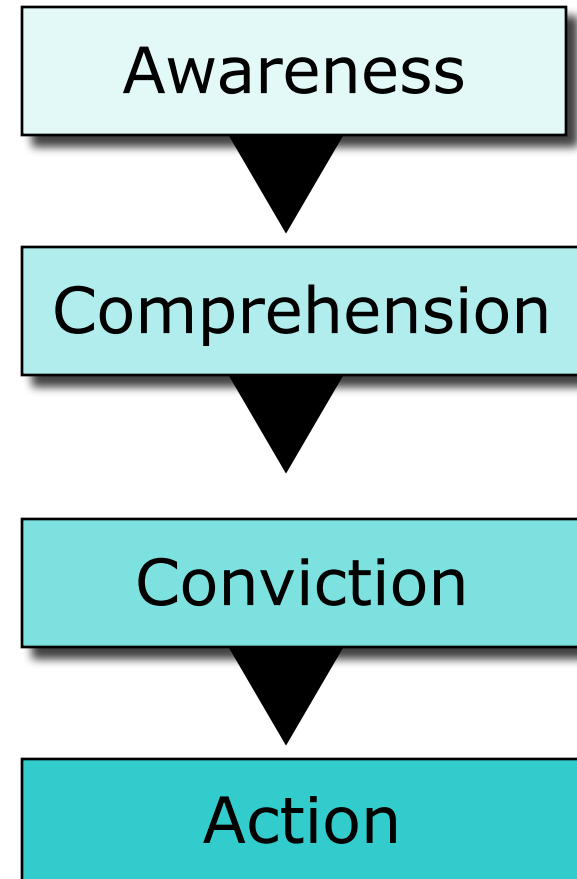


# Problems With Communications Objectives

- Translating sales goals into communications objectives
  - What is adequate level of awareness, knowledge, liking, preference, or conviction?
  - No formulas or guidelines

# The DAGMAR Approach

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





# Characteristics of Objectives



Concrete,  
measurable tasks



Well-defined  
audience



Benchmark  
measures



Specified  
time period



# Criticisms of DAGMAR

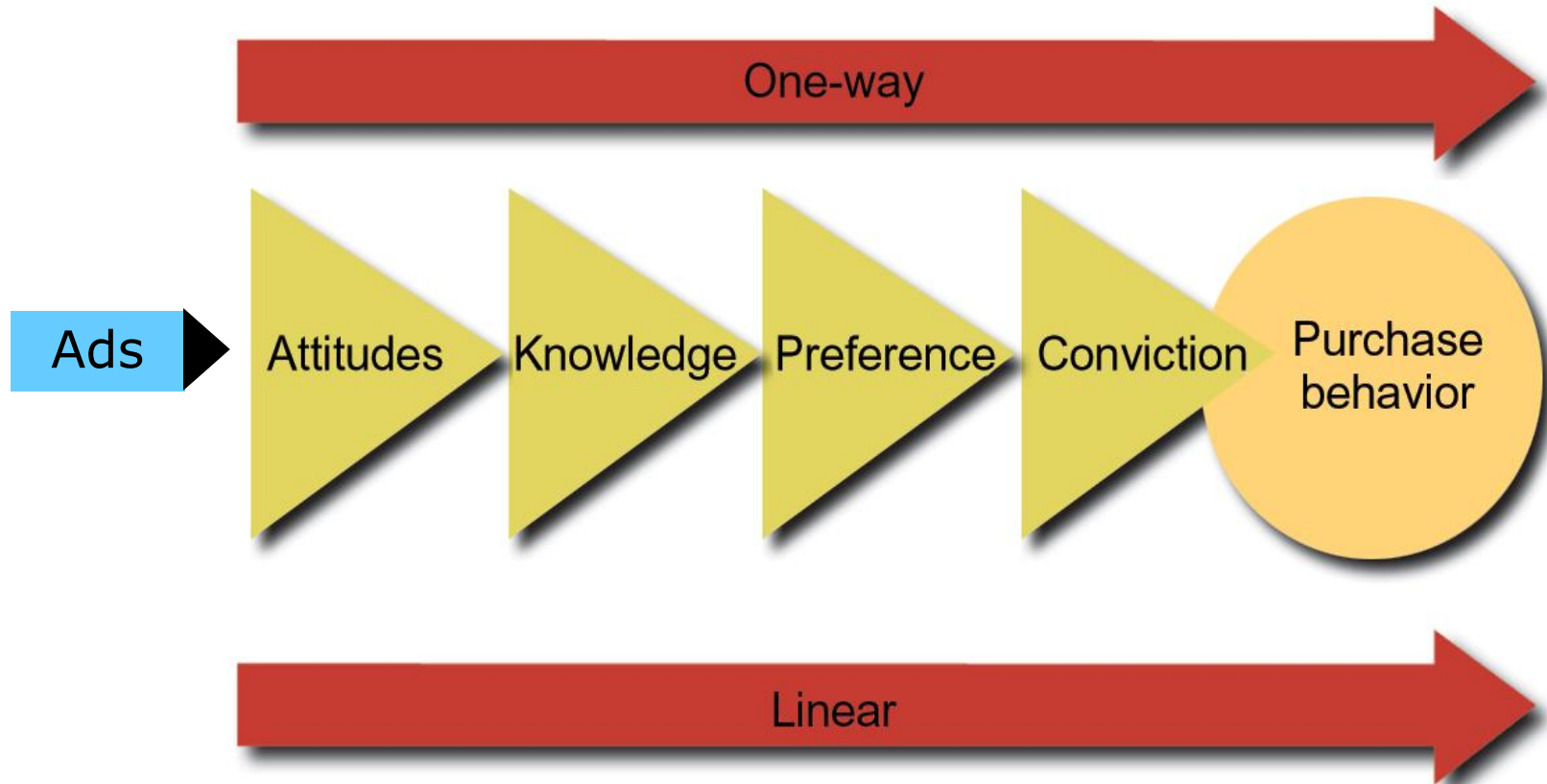
Problems with response hierarchy

Only relevant measure is sales

Costly and time consuming

Inhibits creativity

# Advertising-Based View of Marketing



***Acting on Consumers***

An Ad campaign that  
achieved 90%  
awareness!

Was it successful?

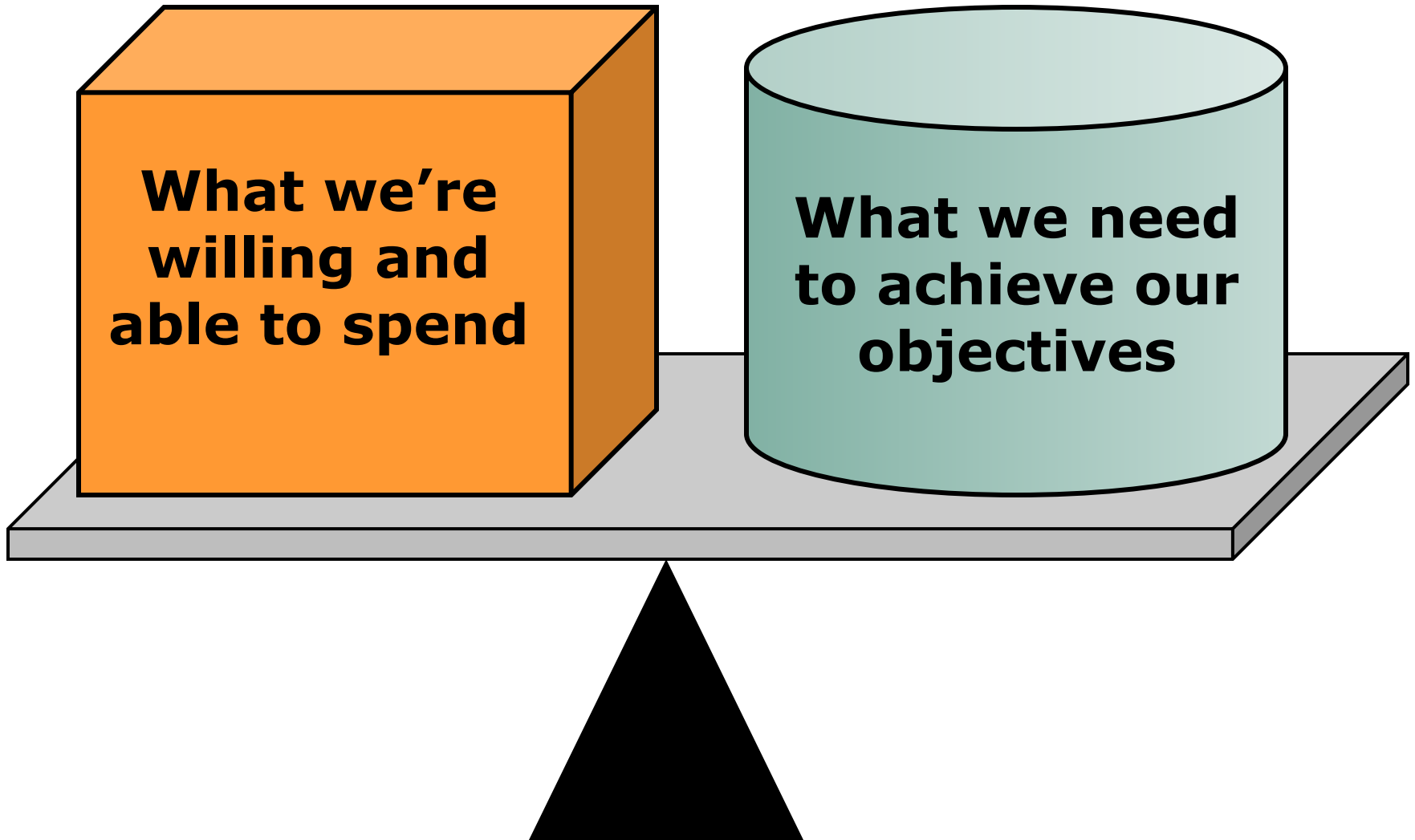
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An ad campaign that results in a 90% awareness level for a brand among its target audience cannot really be judged effective unless one knows what % of consumers were aware of the brand ***before*** the campaign began

Before 85 % vs. 30%

# Budgeting

# Balancing Objectives and Budgets



# Establishing the Budget

**How much  
should we spend  
on advertising  
and promotion?**

**To whom should  
we allocate the  
monies?**



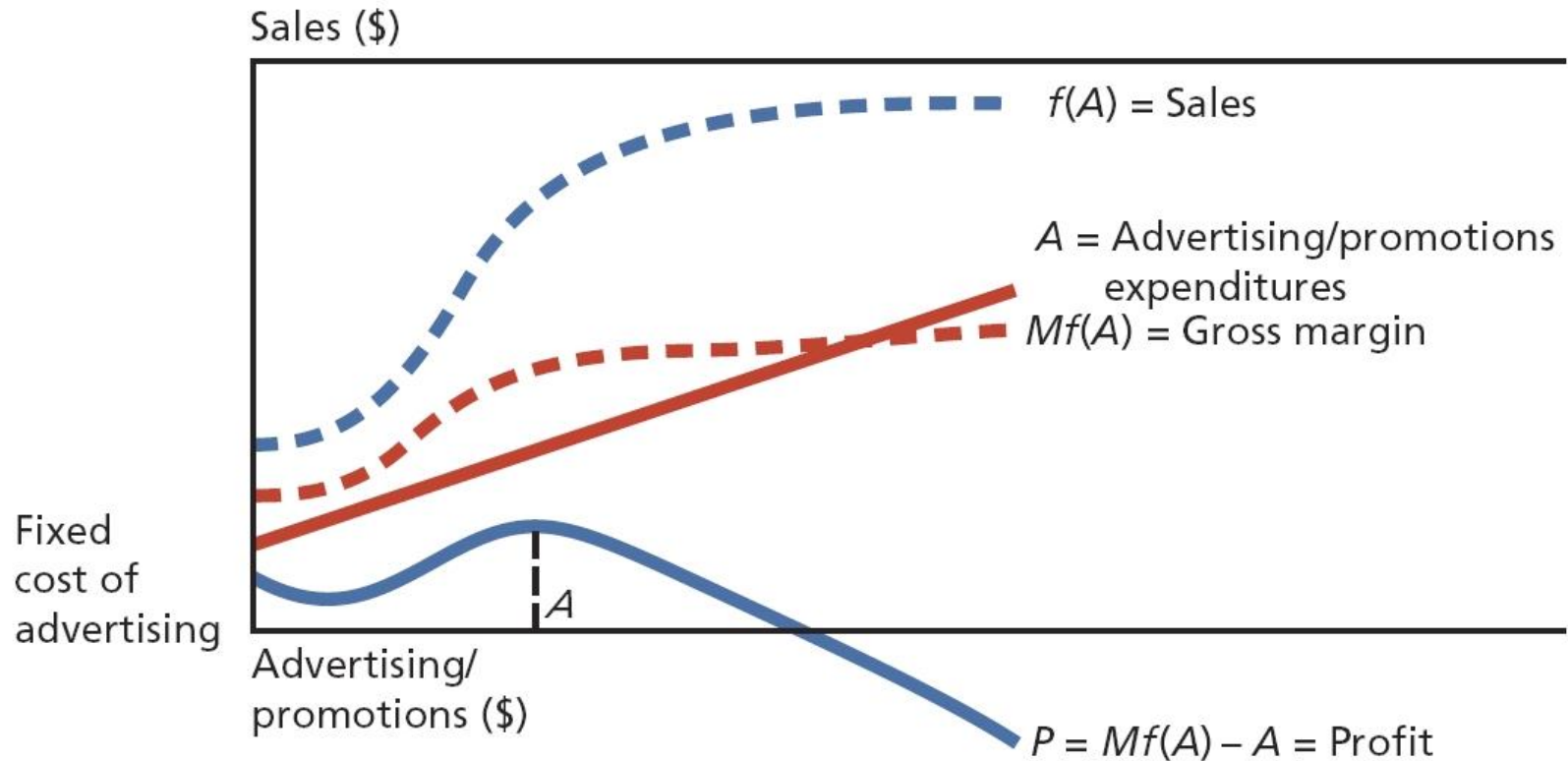
# Budget Decisions in a Down Economy



When times get tough, advertising and promotional budgets are the first to be cut



# Marginal Analysis



# Weaknesses of Marginal Analysis

**Sales are a direct measure of advertising and promotions efforts.**

**Sales are determined solely by advertising and promotion.**



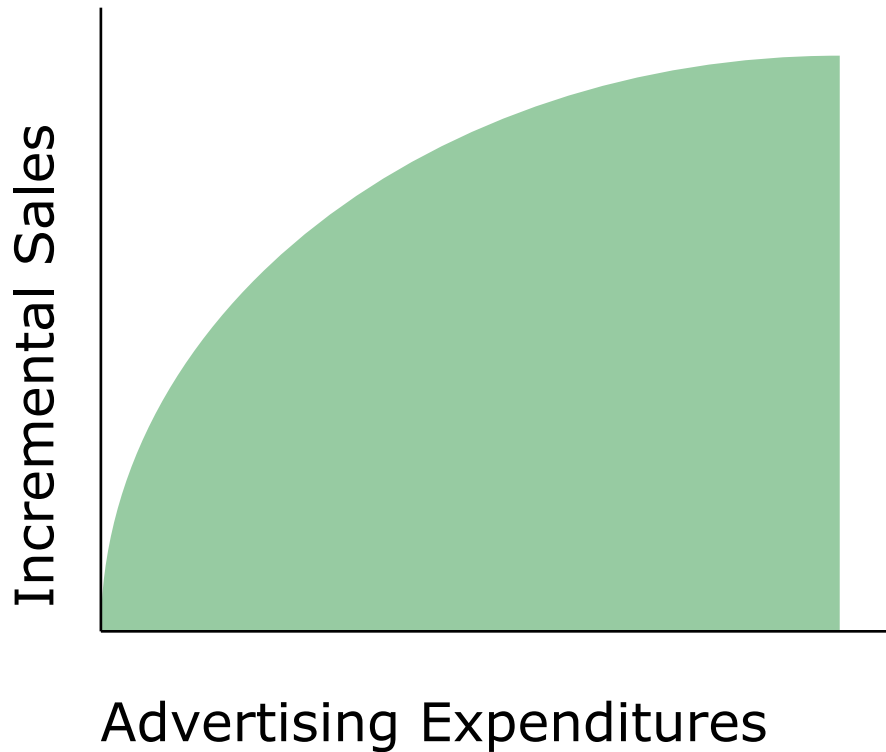
# Test Your Knowledge

In marginal analysis, all of the following should be considered *except*:

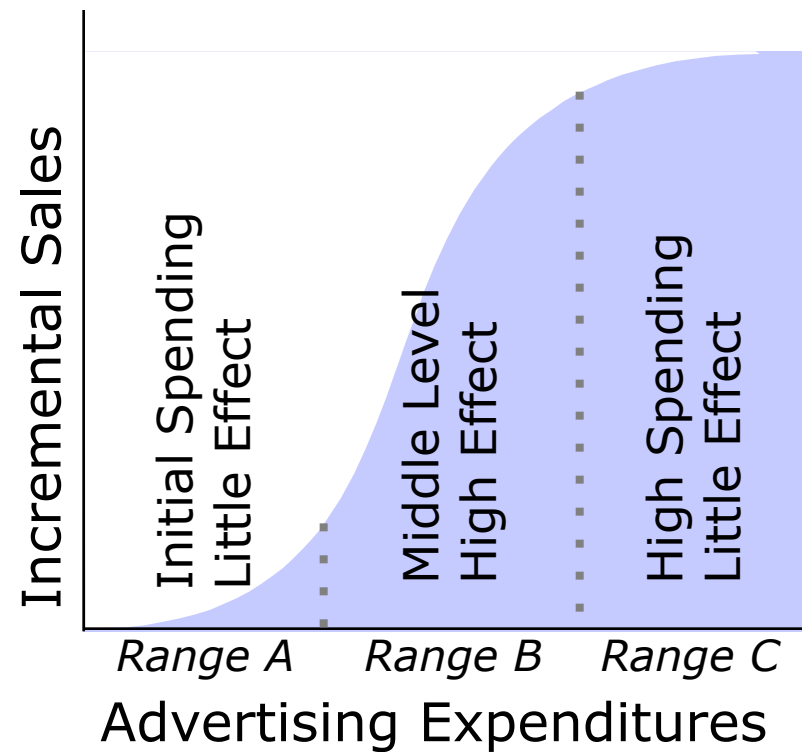
- A) Sales
- B) Fixed costs of advertising
- C) Advertising expenditures and other variable costs
- D) Gross margin
- E) Net worth

# Sales Response Models

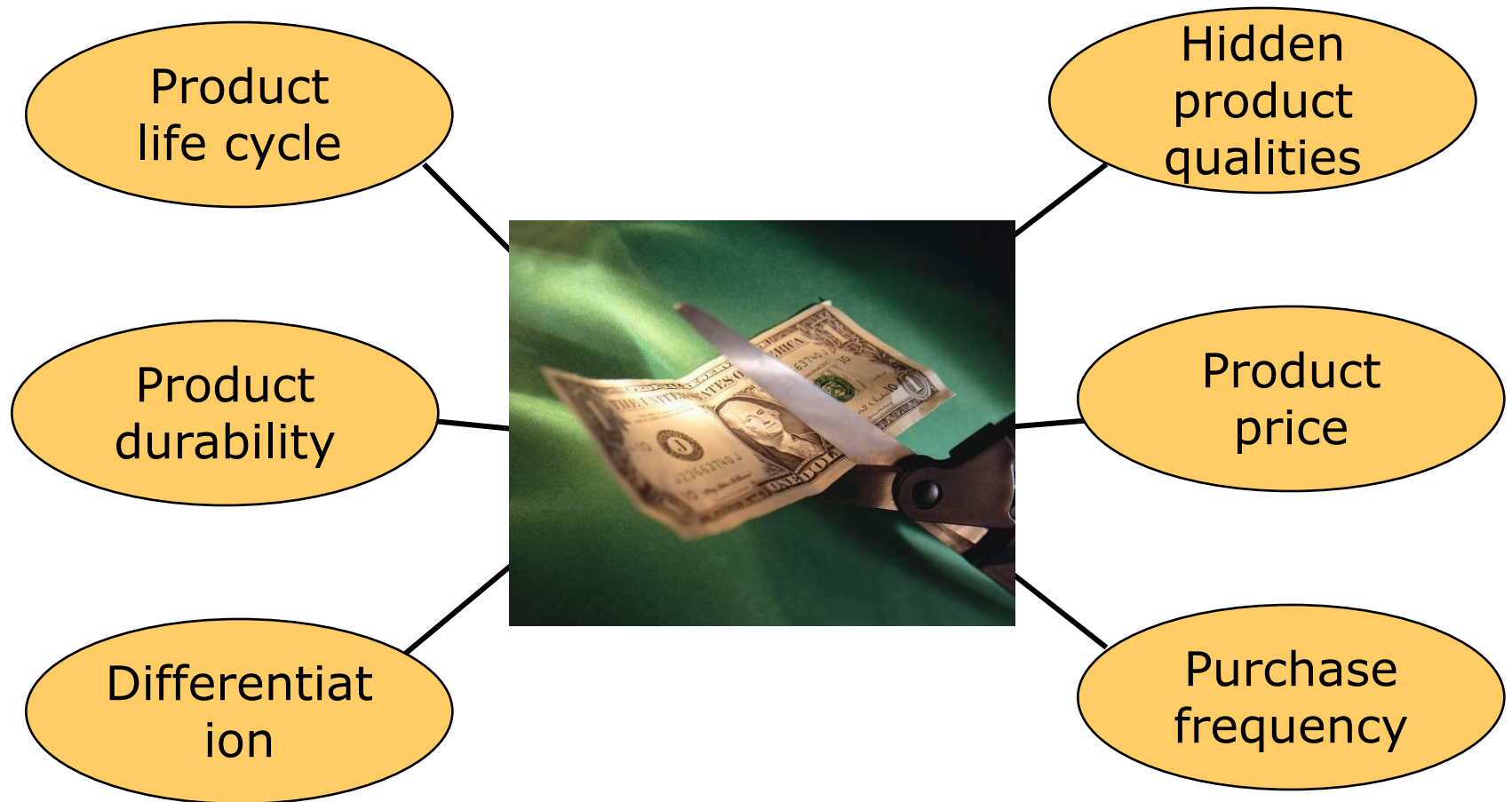
## A. Concave-Downward Response Curve



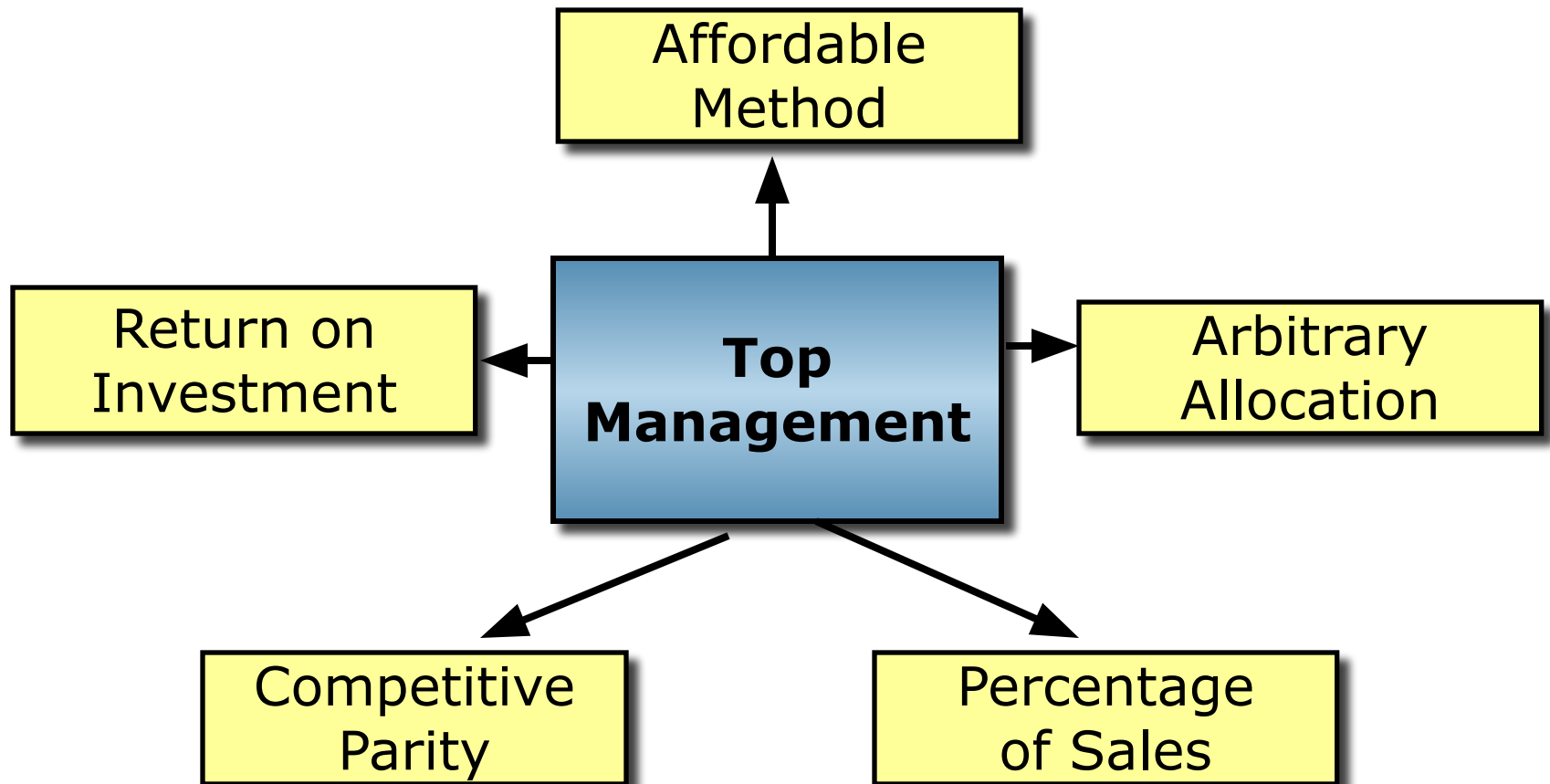
## B. S-Shaped Response Function



# Factors Influencing Advertising Budgets



# Top-Down Budgeting Methods



# Top-Down vs. Bottom-Up Budgeting

## Top-Down Budgeting

Top management sets the spending limit



Promotion budget set to stay within spending limit

## Bottom-Up Budgeting

Promotion objectives are set



Activities needed to achieve objectives are planned



Costs of promotion activities are budgeted



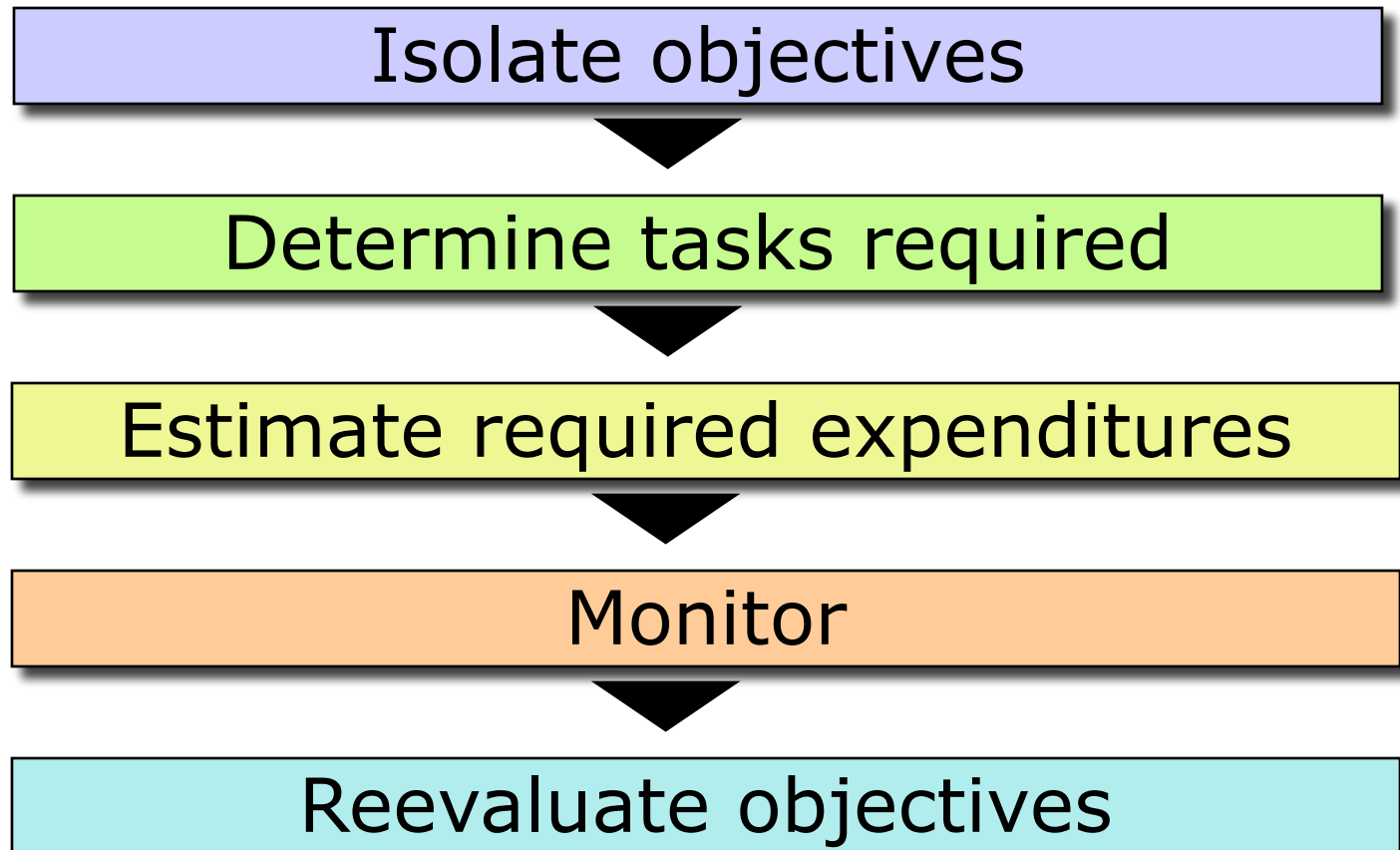
Total promotion budget is approved by top management

# Build-Up Approaches

- Objective and Task Method
  - Define communications objectives to be accomplished
  - Determine specific strategies and tasks needed to attain them
  - Estimate costs associated with performance of these strategies and tasks



# Implementing the Objective and Task Approach



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# IMC Project Updates

# Payout Planning

	Year 1	Year 2	Year 3
Product sales	15.0	35.50	60.75
Profit contribution (@ \$0.50/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 to IMC Elements

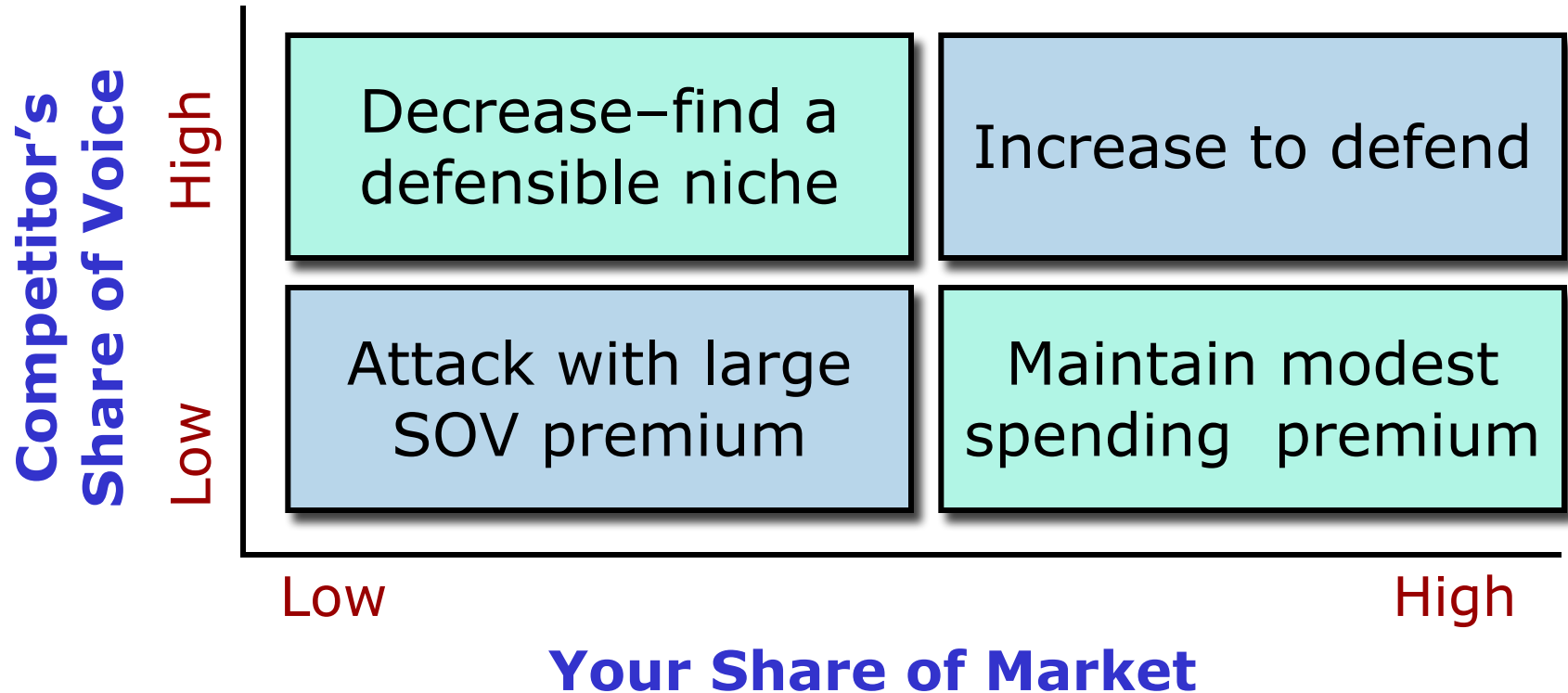
## PERCENT CHANGE IN MEASURED AD SPENDING

MEDIA SECTOR	Full Year 2009 vs. 2008
<i>Television Media</i>	– 9.5%
■ Network TV	– 7.6
■ Cable TV	– 1.4
■ Spot TV	– 23.7
■ Spanish-language TV	– 8.9
■ Syndication-National	– 4.9
<i>Magazine Media</i>	– 17.4
■ Consumer magazines	– 16.6
■ B-to-B magazines	– 26.2
■ Sunday magazines	– 11.0
■ Local magazines	– 27.7
■ Spanish-language magazines	– 21.6
<i>Newspaper Media</i>	– 19.7%
■ Newspapers (local)	– 20.0
■ National newspapers	– 17.8
■ Spanish-language newspapers	– 16.4
<i>Internet (display ads only)</i>	7.3
<i>Radio Media</i>	– 20.3
■ Local radio	– 20.6
■ National spot radio	– 24.6
■ Network radio	– 8.7
<i>Outdoor</i>	– 13.2%
<i>FSIs</i>	3.0%
<b>TOTAL</b>	– 12.3%

# Other Budget Allocation Factors

- Budgeting Factors
  - Client/agency policies
  - Market size
  - Market potential
  - Market share goals

# Share of Voice Effect



# Budget Adjustments

**Increase  
Spending**

If cost is less than the  
marginal revenue generated

**Hold  
Spending**

If the cost is equal to the  
marginal revenue generated

**Decrease  
Spending**

If the cost is more than the  
marginal revenue generated

# Economies of Scale

## **Proposition I**

Larger firms can support their brands with lower relative advertising costs than smaller firms.

## **Proposition II**

The leading brand in a product group enjoys lower advertising costs per sales dollar than do other brands.

## **Proposition III**

There is a static relationship between advertising costs per dollar of sales and the size of the advertiser.

**There is no evidence to support any of these!**



# Organizational Characteristics

- Factors that influence advertising and promotion budgets
  - The organization's structure
  - Power and politics
  - The use of expert opinions
  - Characteristics of the decision maker
  - Approval and negotiation channels
  - Pressure on senior managers to arrive at the optimal budget



# Sales vs. Communications

## Objectives

### Sales Objectives

- Primary goal is increased sales
- Requires economic justification
- Should produce quantifiable results

### Communications Objectives

- Increased brand knowledge, interest, favorable attitudes and image
- Immediate response not expected
- Goal is creating favorable predispositions