# PDM

S.E.Pravena

# Establishing Objectives and Budgeting for the Promotional Program

Chapter 7

**Advertising And Promotion**, 6/E - **Belch**

Group 8

**Integrated Marketing Communications**

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# Chapter Objectives

- To recognize the importance and value of setting specific objectives for advertising and promotion.
- To understand the role objectives play in the IMC planning process and the relationship of promotional objectives to marketing objectives.
- To know the differences between sales and communications objectives and the issues regarding the use of each.
- To recognize some problems marketers encounter in setting objectives for their IMC programs.
- To understand the process of budgeting for IMC.
- To understand theoretical issues involved in budget setting.

# The Value of Objectives

- Communications

  The advertising and promotional program must be coordinated within the company, inside the ad agency, and between the two. Many problems can be avoided if all parties have written, approved objectives to guide their actions and serve as a common base for discussing issues related to the promotional program.

- Planning and Decision Making

  Promotional planners are often faced with a number of strategic and tactical options in terms of choosing creative options, selecting media, and allocating the budget among various elements of the promotional mix. Choices should be made based on how well particular strategy matches the firm's promotional objectives.

- Measurement and Evaluation of Results

  An important reason for setting specific objectives is that they provide a benchmark against which the success or failure of the promotional campaign can be measured. Without specific objectives, it is extremely difficult to determine what the firm's advertising and promotion efforts accomplished.

  One characteristic of good objectives is that they are *measurable*

# Determining Promotional Objectives

- Marketing versus Communications Objectives

Marketing objectives are generally stated in the firm's marketing plan and are statements of what is to be accomplished by the overall marketing program within a given time period. Marketing objectives are usually defined in terms of specific, measurable outcomes such as sales volume, market share, profits, or return on investment. Good marketing objectives are *quantifiable realistic* and *attainable.*

Integrated marketing communications objectives are statements of what various aspects of the IMC program will accomplish. They should be based on the particular communications tasks required to deliver the appropriate messages to the target audience.

Managers must be able to translate general marketing goals into communications goals and specific promotional objectives.


# •Major Problem:

# •Carryover effect:-

•monies spent on advertising do not necessarily have an immediate impact

on sales.

•Advertising may create awareness, interest, and/or favourable attitudes toward a brand, but these feelings will not result in an actual purchase until the consumer enters the market for the product, which may occur later.

# Sales versus Communicati

- Communications Objectives

| Related behavioral dimensions | Movement toward purchase | Example of types of promotion or advertising relevant to various steps |
|---|---|---|
| **Conative** The realm of motives. Ads stimulate or direct desires. | **Purchase** | Point-of-purchase<br>Retail store ads<br>Deals<br>"Last-chance" offers<br>Price appeals<br>Testimonials |
| | **Conviction** | |
| **Affective** The realm of emotions. Ads change attitudes and feelings. | **Preference** | Competitive ads<br>Argumentative copy |
| | **Liking** | "Image" copy<br>Status, glamour appeals |
| **Cognitive** The realm of thoughts. Ads provide information and facts. | **Knowledge** | Announcements<br>Descriptive copy<br>Classified ads<br>Slogans<br>Jingles<br>Skywriting |
| | **Awareness** | Teaser campaigns |

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**Communications effects pyramid**

**Effect of advertising on consumers: movement from awareness to action**

# DAGMAR: An Approach to Setting Objectives

In 1961, Russell Colley prepared a report for the Association of National Advertisers titled *Defining Advertising Goals for Measured Advertising Results* (DAGMAR).

The major thesis of the **DAGMAR model is** that communications effects are the logical basis for advertising goals and objectives against which success or failure should be measured.

Colley proposed that the communications task be based on a hierarchical model of the communications process with four stages:

- ***Awareness****—making the consumer aware of the existence of the brand or* company.
- ***Comprehension****—developing an understanding of what the product is and what it* will do for the consumer.
- ***Conviction****—developing a mental disposition in the consumer to buy the product.*
- ***Action****—getting the consumer to purchase the product.*

# DAGMAR: An Approach to Setting Objectives

- Characteristics of Objectives
  - **Concrete, Measurable Tasks**
  - **Target Audience**
  - **Benchmark and Degree of Change Sought**
  - **Specified Time Period**

- Assessment of DAGMAR

  **Criticisms of DAGMAR**
  - ***Problems with the response hierarchy***
  - ***Sales objectives***
  - ***Practicality and cost***
  - ***Inhibition of creativity***

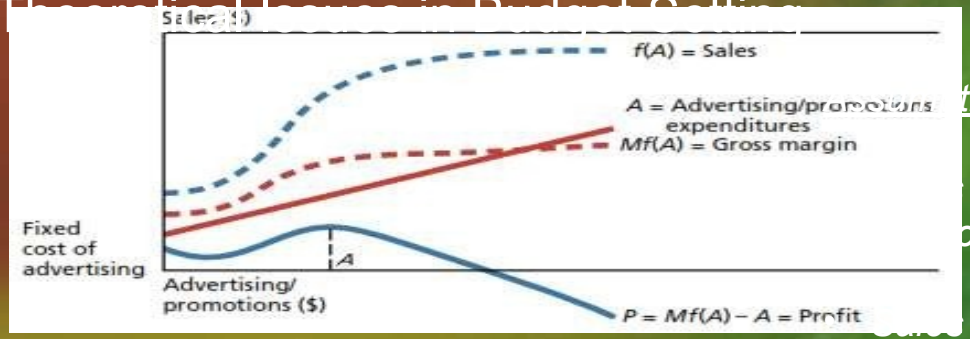
# Establishing and Allocating the Promotional Budget

- Establishing the Budget

  While it is one of the most critical decisions, budgeting has perhaps been the most resistant to change. A comparison of advertising and promotional texts over the past 10 years would reveal the same methods for establishing budgets.

  Advertisers also use an approach based on contribution margin—the difference between the total revenue generated by a brand and its total variable costs. But, *marginal analysis and contribution margin* are essentially synonymous terms.

- Theoretical Issues in Budget Setting



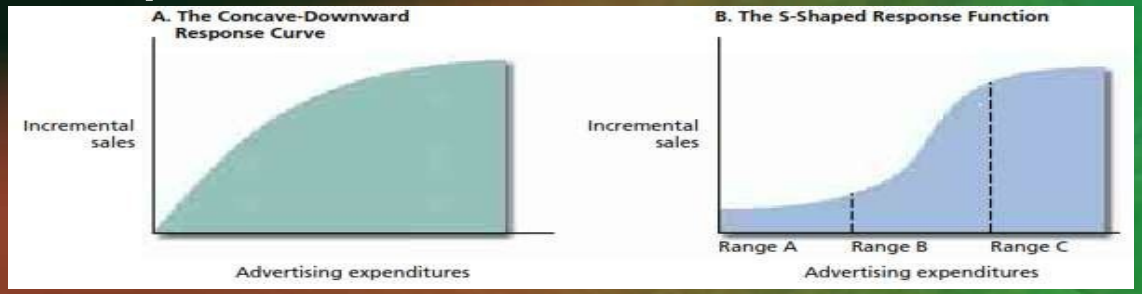

*tions:*

*are a direct measure of advertising and otions efforts.*

*are determined solely by advertising and promotion.*

# Establishing and Allocating the

- **Sales Response Models**




- **Additional Factors in Budget Setting**
  - *Product Factors*
  - *Market Factors*
  - *Customer Factors*
  - *Strategy Factors*
  - *Cost Factors*

# Establishing and Allocating the Promotional Budget

- Budgeting Approaches

Top-Down Budgeting


Bottom-Up Budgeting

# Establishing and Allocating the Promotional Budget

- Other Budgeting Approaches

**The Affordable Method**

In the affordable method (often referred to as the "all-you-can-afford method"), the firm determines the amount to be spent in various areas such as production and operations. Then it allocates what's left to advertising and promotion, considering this to be the amount it can afford.

**Arbitrary Allocation**

In this there is no theoretical basis is considered and the budgetary amount is often set by fiat. That is, the budget is determined by management solely on the basis of what is felt to be necessary

**Percentage of Sales**

Perhaps the most commonly used method for budget setting (particularly in large firms) is the percentage-of-sales method, in which the advertising and promotions budget is based on sales of the product. Management determines the amount by either (1) taking a percentage of the sales dollars or (2) assigning a fixed amount of the unit product cost to promotion and multiplying this amount by the number of units sold.

# Establishing and Allocating the Promotional Budget

- Other Budgeting Approaches

**Competitive Parity**

The managers establish budget amounts by matching the competition's percentage-of-sales expenditures.

**Return on Investment (ROI)**

In the ROI budgeting method, advertising and promotions are considered investments, like plant and equipment. Thus, the budgetary appropriation (investment) leads to certain returns.

**Objective and Task Method**

The objective and task method of budget setting uses a buildup approach consisting of three steps: (1) defining the communications objectives to be accomplished, (2) determining the specific strategies and tasks needed to attain them, and (3) estimating the costs associated with performance of these strategies and tasks. The total budget is based on the accumulation of these costs..

# Allocating the Budget

- **Allocation depends on**
  - Market Size
  - Market Potential
  - Market Share Goals
  - Economies of Scale in Advertising
  - Organizational Characteristics
    - The organization's structure—centralized versus decentralized, formalization, and complexity.
    - Power and politics in the organizational hierarchy.
    - The u


**The share of voice (SOV) effect and ad spending: priorities in individual markets**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