MODULE 3

ADVERTISING OBJECTIVES AND BUDGETING

Ms. Jaya Shetty
Assistant Professor
Department Of Business Adm
MITE, Moodabidri

The Advertising Planning

- The major activities of advertising mana
are planning and decision making.

- The development of advertising plan ess
requires the generation and specification o
alternatives.

- The alternatives could be levels of exper
media choices etc.

Advertising Plan stands on three l

Targeting the Audience: Whom are you trying

Message Strategy: What do you say to them?

Media Strategy: When & where will you reach

- Decision making involves choosing f
among the alternatives.
- A complete advertising plan reflects
results of the planning and decision-
making process.

The Advertising Planning Cycle

1. Where are we?

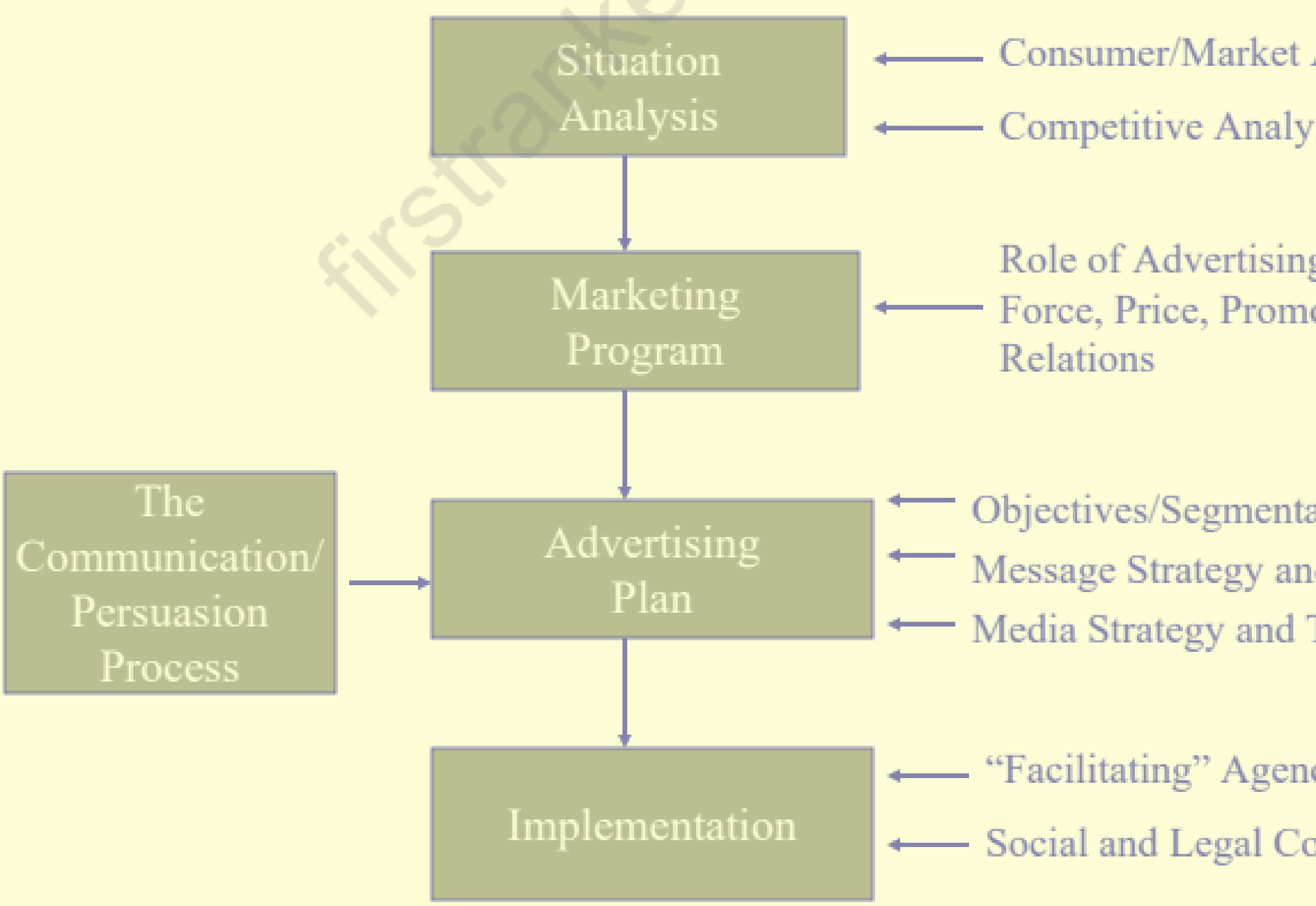
2.Why are we there

3.Where could w

4. How could we g

5. Are we getting there?

Advertising Planning and Decision Making



Framework for advertising planning and decision making

Understanding of Communication P

- A typical communication process mo
- A model of persuasion process
  - Ad exposure
  - Different functions of advertising mess
  - Brand attitude
  - Purchase behavior

Developing an Advertising Pl

- Advertising objectives and target mark selection
- Creative plan: Message strategy and tactics
- Media plan: media strategy and tactics
- Evaluation (research)
- ==> IMC approach: identify roles of various forms of IMC and repeat the process.

Typical Advertising or Campaign Plan

I. Introduction
- Executive Summary or Overview is provid

II. Situation Analysis
- Advertising Problems
- Advertising Opportunities

III. Key Strategy Decisions
- Advertising Objectives
- Target Audience
- Competitive Product Advantage
- Product Image and Personality
- Product Position

IV. The Creative Plan
V. The Media Plan
VI. The Communication Plan
- Sales promotion
- Public relations
- Direct marketing
- Personal selling
- Sponsorships, merchandising, packaging,

VII. Implementation and Evaluation
VIII. Evaluation
IX. Budget

Situation Analysis

- Opportunity analysis: to spot and capitalize on favorable demand tren
- Competitive analysis: to achieve and maintain a "competitive advantage"
- Target market selection
- ==> Marketing plan (4Ps)

Marketing Program

- Role of Advertising, sales Force.
- Price, Promotion, Public Relations

Implementation

- Facilitating Agencies
- Social and Legal Constraints

Setting Objectives

- Why set objectives?:
  -- Planning and decision making
  -- Communication
  -- Measurement and evaluation
- Sales vs. Communication objectives
  -- Problems with sales objectives
    - When sales objectives are appropriate
  -- Challenges with communication obje

What is Good Objective

Objectives such as..

- Sales as an objective.
- Towards operational objectives.
- New customers from other categorie
- Increasing share of requirements (S
- Increasing brand loyalty, reducing attrition and price elasticity.
- Increasing usage.
- Behavioral or action objectives.

Budget Decisions

- Establishing the budget
- Budgeting approaches
- Allocating the budget

Factors Influencing Advertising Budg

Factor	Relationship of Advertising/ Sales	Factor	Relationship of Advertising/ Sales	Factor
Product Factors		Maturity	—	*Strategy Factors*
Basis for differentiation	+	Decline	—	Regional markets
Hidden product qualities	+	Inelastic demand	+	Early stage of brand life cycle
Emotional buying motives	+	Market share	—	High margins in channels
Durability	—	Competition:		Long channels of distribution
Large dollar purchase	—	Active	+	High prices
Purchase frequency	Curvilinear	Concentrated	+	High quality
Market Factors		Pioneer in market	—	Media strategy
Stage of product life cycle:		*Customer Factors*		Creative strategy
Introductory	+	Industrial products users	—	Promotional strate
Growth	+	Concentration of users	+	*Cost Factors*
				High profit margir

Note: + relationship means the factor leads to a positive effect of advertising on sales; — relationship indicates little or no effect of advertisi

Budgeting Approaches

- Top-down budgeting
- Bottom-up budgeting

Top-Down Budgeting

Top Management Sets the Spending Limit

↓

The Promotion Budget Is Set to Stay Within the Spending Limit

Top-Down Budgeting

- 1.The affordable method
- 2.Historical Method
- 3.Percentage of Sales
- 4.Competitive parity
- 5.The objective and task method

1.The Affordable Metho

- It is used when a company allocates wha is left over to advertising.
- It is common among small firms and cert non-marketing-driven large firms.
- Companies using this approach don't valu advertising as a strategic imperative.
- Logic: we can't be hurt with this method.
- Weakness: it often does not allocate enou money.

2.Historical Method

- Historical information is the source f
this common budgeting method.
- The inflation rate and other marketp
factors can be used to adjust the
advertising amount.
- This method, though easy to calcula
has little to do with reaching adverti
objectives.

3.Percentage-of-Sales Meth

- It compares the total sales with the total advertising budget during the previous year or the average of seve years to compute a percentage.
- Two steps
  - Step 1: past advertising dollars/past sa = % of sales.
  - Step 2: % of sales X next year's sales forecast = new advertising budget.

3.Percentage-of-Sales Meth

Method 1: Straight Percentage of Sales		
2007	Total dollar sales Straight % of sales at 10%	$1
2008	Advertising budget	
Method 2: Percentage of Unit Cost		
2007	Cost per bottle to manufacturer Unit cost allocated to advertising	
2008	Forecasted sales, 100,000 units	
2008	Advertising budget (100,000*$1)	

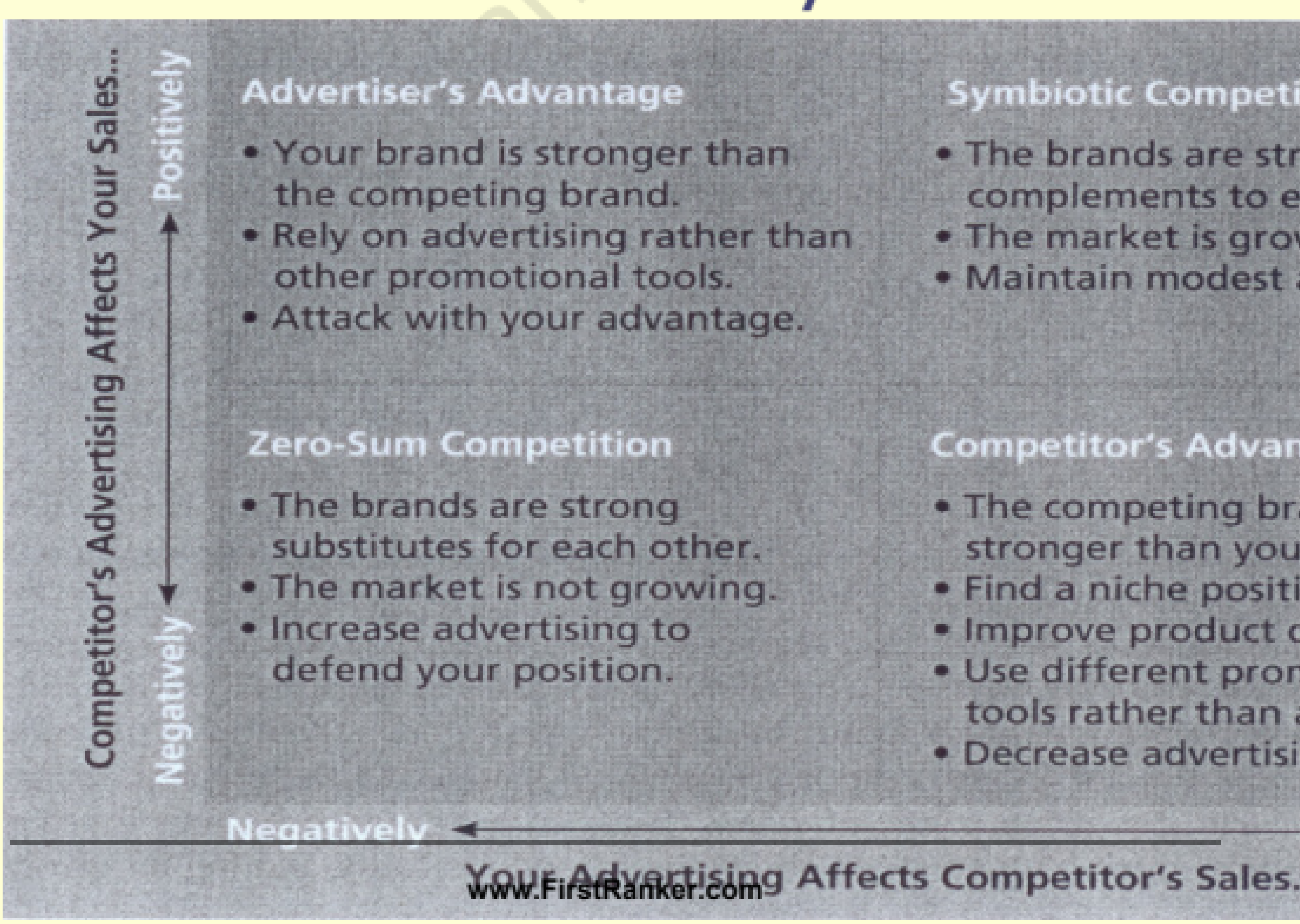
3.Percentage-of-Sales Meth

- Pros
  - Financially safe
  - Reasonable limits
  - Stable
- Cons
  - Reverse the cause-and-effect relationship between advertising and sales.
  - Stable?
  - Misallocation
  - Difficult to employ for new product introductions.
  - Sales↓ → Advertising budget↓

4.Competitive-Parity Metho

- This method uses competitors' budgets as benchmarks and relates the amount investe advertising to the product's share of marke
- Logic: share of media voice → share of co mind → share of market.
- Share of media voice: the advertiser's med presence.
- The actual relationship above depends to a extent on factors such as the creativity of th message and the amount of clutter in the marketplace.

Competitors' Advertising Outlays Not Always Hurt



Competitive-Parity Meth

- Pros
  - Take advantage of the collective wisdo the industry
  - Spending what competitors spend help prevent promotion wars.
- Cons
  - Companies differ greatly.
  - There is no evidence that budgets base on competitive parity prevent promotio wars. (Prisoners' Dilemma)

5. The objective and task me

- The marketer decides what he or sh wants to accomplish and then works budget out based on what it will cos create and implement the communications needed to make th happen.

The Advertising Budgeting Met

Historical Method

•Common budgeting meth
•May be based on last yea
a percentage increase.
•Nothing to do with advert
objectives.

Task-Objective Method: Bottom-Up

•Most common method.
•Looks at objectives set fo
activity, and determines th
of accomplishing each obj

Percentage-of-Sales Method

•Compares total sales with
advertising (or marketing
communication) budget du
previous time period to co
percentage.

The Advertising Budgeting Meth

Competitive Methods

•Relates the amount investe
advertising to the product's
of market.
•Must understand share-of-

All You Can Afford Method

•Allocates whatever is left
advertising.
•Companies who use this
value advertising very muc

The DAGMAR Approach

Define
Advertising
Goals for
Measuring
Advertising
Results

The DAGMAR Approach

- It is basically an approach to advertising planning and a precise method for selecting and quantifying goals and for using those goals to measure performance.
- It is based on a hierarchical model of the communication process.
  - Awareness
  - Comprehension
  - Conviction
  - Action

- In 1961, Russel Colley prepared the model called Defining Advertising Go for Measured Advertising Results (DAGMAR).

- It propounds that communications' *effects* are the logical basis for advertising goals and objectives aga which success or Failure should be measured.

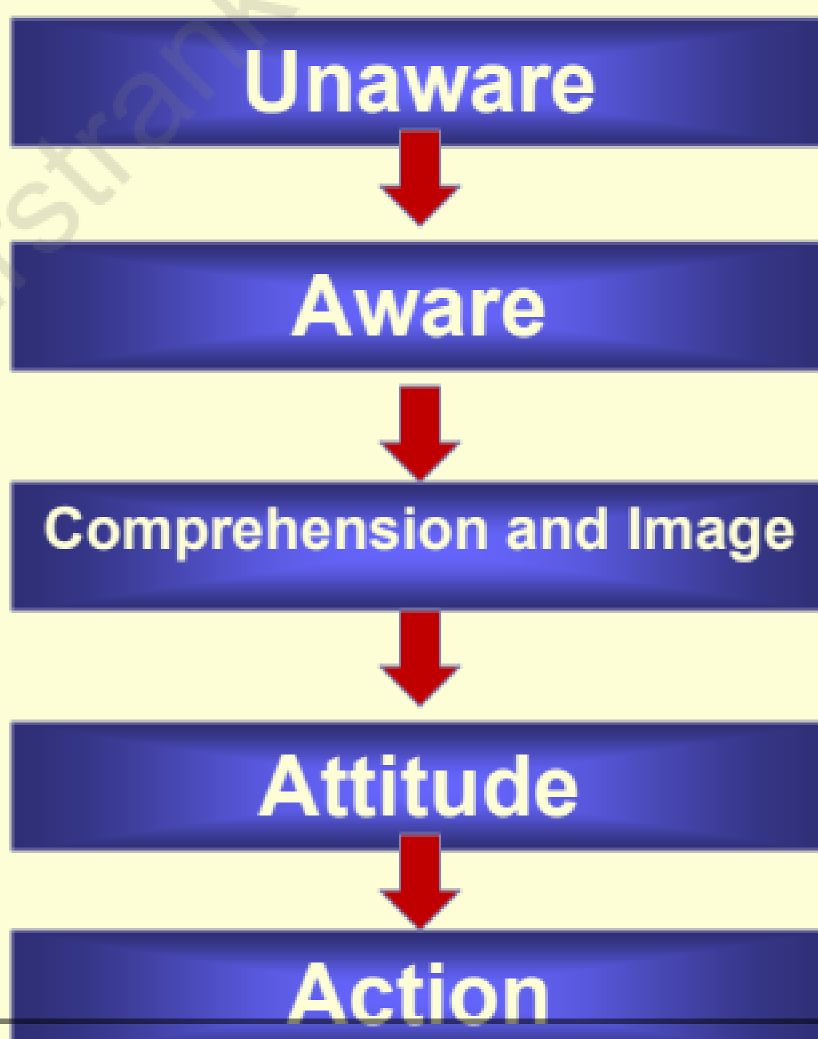
- Advertising's job is to communicate to a de
audience information and a frame of minc
Stimulates action.

- Advertising succeeds or fails depending on h
it communicates the desired information
attitudes to the right people at the right time
the right cost.

- Under the DAGMAR approach, an advertisir
involves a communication task that is speci
measurable.

- Colley proposed that the communications t
based on a hierarchical model of the
communications process with four stag

Communication process in DAGMAR app



Characteristics of Objective

- Well-Defined Target Audience
- Concrete Measurable Communication Tas
- Existing Benchmark Measure
- Specific Time Period
- Specific – Measurable-Attainable-Realistic
Timely

Limitations of DAGMAR

- Problems with response hierarchy
  - Consumers do not always go through this sequence of the communication effects before making a purchase.
- Practicality and costs
  - Research costs more than it is worth.
- Inhibition of creativity
  - Imposes too much structure.

Comprehensive Response Mode Applications

Lavidge and Steiner Hierarchy of Effects Model

- As consumers proceed through the three stag they move closer to purchase.

  Cognitive -- Affective -- Behavioral

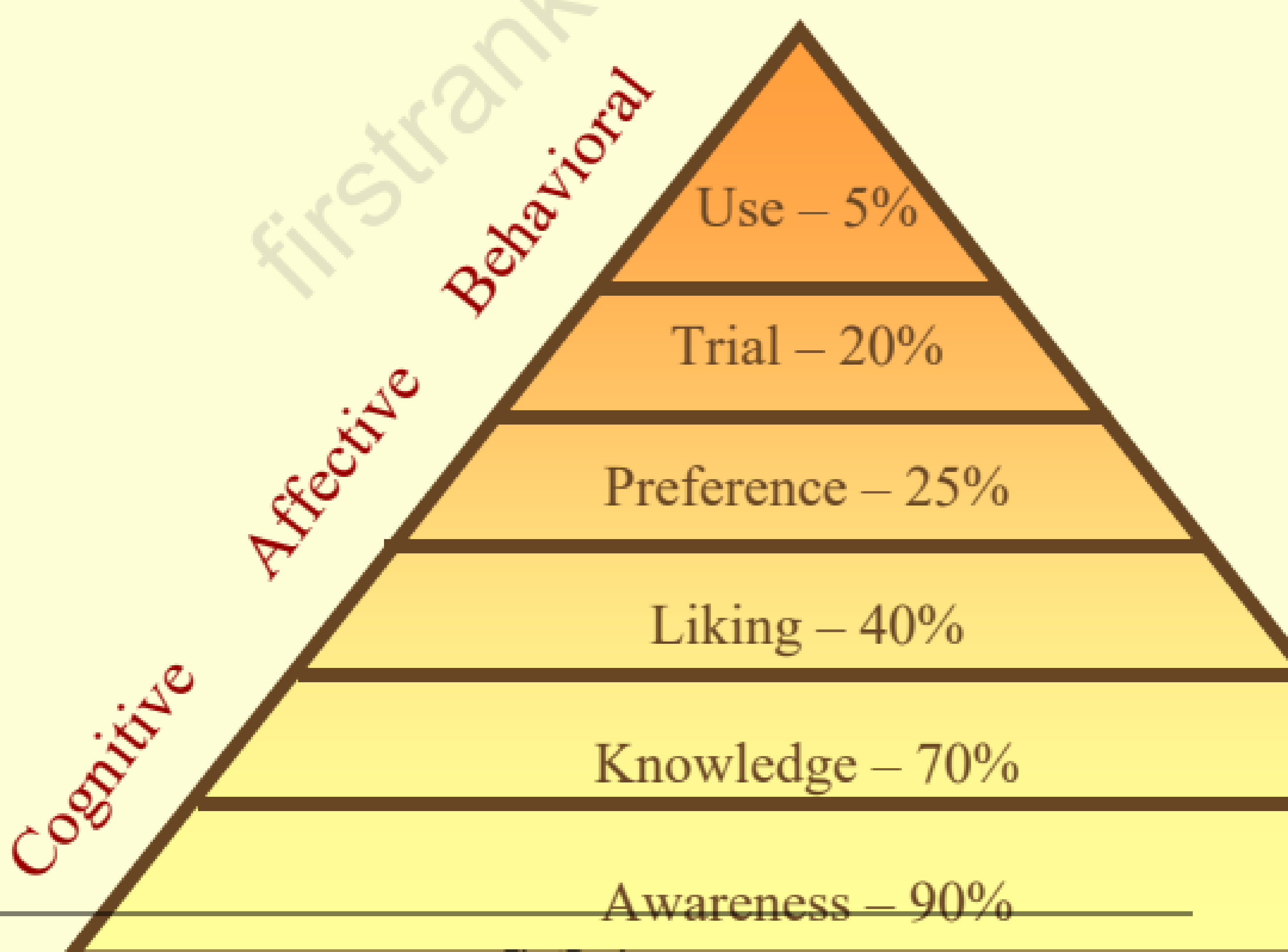
- Consumers are not expected to respond to advertising immediately.

- Ads must provide relevant information and cr favorable predispositions toward the brand be purchase behavior will occur.

Communications Effects Pyramid

- Lower level objectives such as awareness and knowledge or comprehension must be accomplis first.
- The initial stages are easier to accomplish than t those toward the top.
- The percentage of prospective customers will de as they move up the pyramid.

Communication Effects “Pyra



Setting Objectives Using the Communications Effects Pyramid

Product:Shampoo

Time period: Six months

Objective 1: Create awareness among 90 perce
target audience. Using repetitive advertising in newspapers, magazines, TV and radio programs. Simple message.

Objective 2: Create interest in the brand among
percent of target audience. Communicate informa
about the features and benefits of the brand-I.e., that it contains no soap and improves the texture of the hair

Setting objectives using the communications effects pyrami

Objective 3: Create positive feelings about the brand among 40 percent and preference am 25 percent of the target audience. Create favor attitudes by conveying information, promotions, sampling

Objective 4: Obtain trial among 20 percent of t target audience. Use sampling and cents-off coupons with advertising and promotions

Objective 5: Develop and maintain regular use Shampoo among 5 percent of the target audience. Use continued reinforcement advertising, fe coupons and promotions

THANK YOU