

# MODULE 3

## ADVERTISING OBJECTIVES AND BUDGETING

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# The Advertising Planning


- ☐ The major activities of advertising management are planning and decision making.
- ☐ The development of advertising plan essentially requires the generation and specification of alternatives.
- ☐ The alternatives could be levels of expenditure, media choices etc.

## Advertising Plan stands on three legs

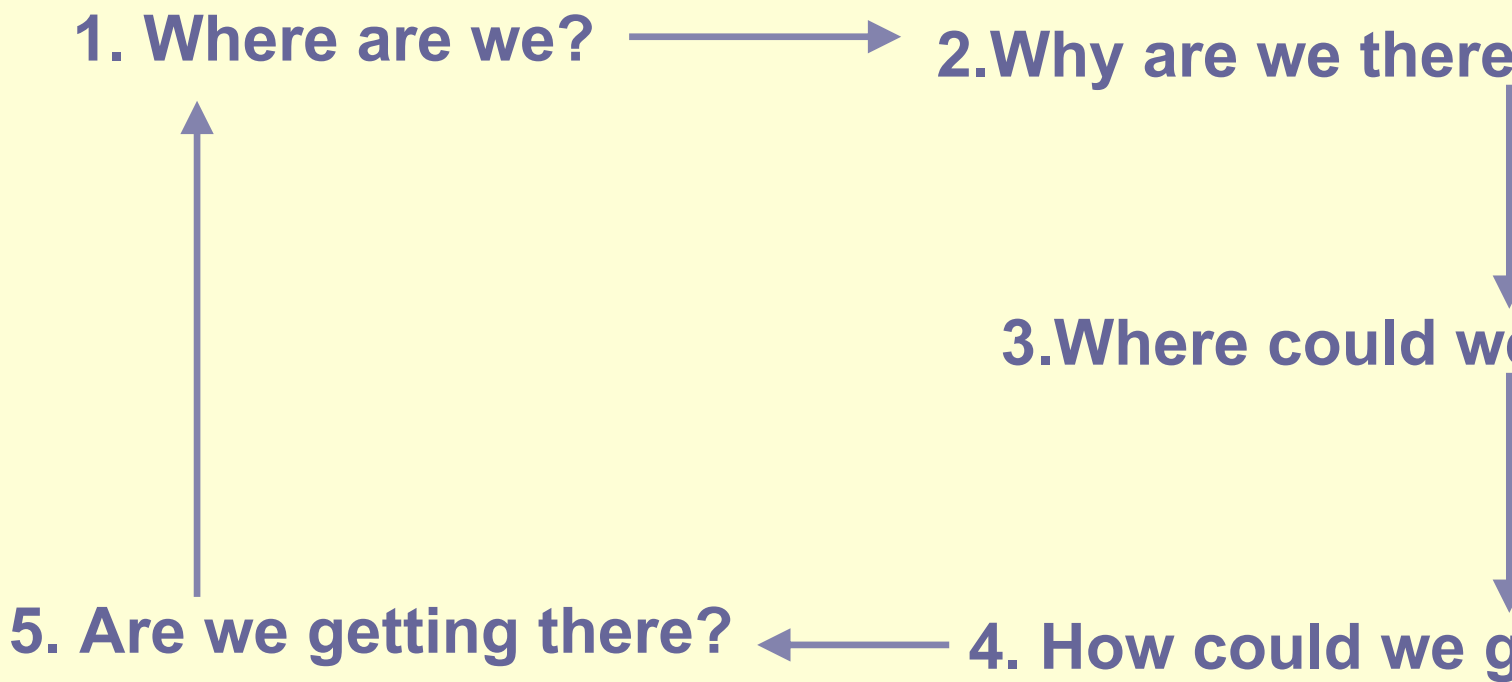
**Targeting the Audience:** Whom are you trying to reach?

**Message Strategy:** What do you say to them?

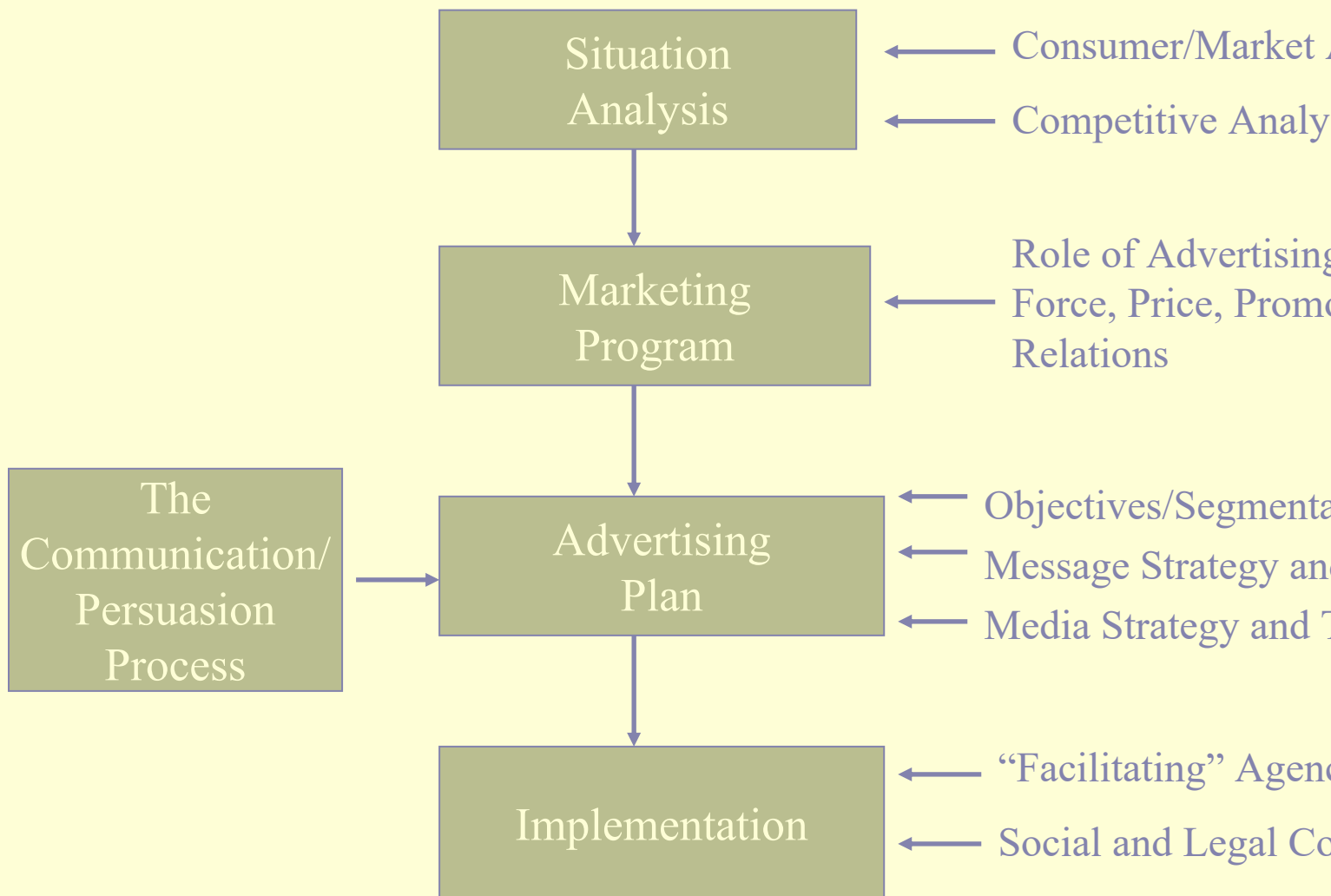
**Media Strategy:** When & where will you reach them?

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

# The Advertising Planning Cycle



## Advertising Planning and Decision Making



# Understanding of Communication P

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

# Developing an Advertising Plan

- Advertising objectives and target market 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 provided

## II. Situation Analysis

- Advertising Problems
- Advertising Opportunities

## III. Key Strategy Decisions

- Advertising Objectives
- Target Audience
- Competitive Product Advantage
- Product Image and Personality
- Product Position

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- 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 trends
- 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 objectives

# What is Good Objective



## Objectives such as..

- Sales as an objective.
- Towards operational objectives.
- New customers from other categories
- 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 Budget

Factor	Relationship of Advertising/ Sales	Factor	Relationship of Advertising/ Sales	Factor
<b>Product Factors</b>		Maturity	—	<b>Strategy Factors</b>
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
<b>Market Factors</b>		Pioneer in market	—	Media strategy
Stage of product life cycle:		<b>Customer Factors</b>		Creative strategy
Introductory	+	Industrial products users	—	Promotional strategy
Growth	+	Concentration of users	+	<b>Cost Factors</b>
				High profit margin

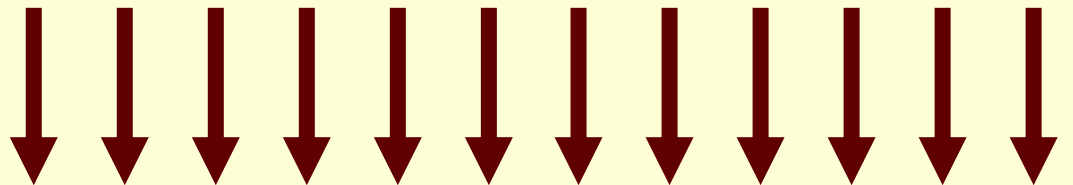


# Budgeting Approaches

- 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 Method

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



## 2. Historical Method

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

### 3. Percentage-of-Sales Method

- It compares the total sales with the total advertising budget during the previous year or the average of several years to compute a percentage.
- Two steps
  - Step 1:  $\text{past advertising dollars} / \text{past sales} = \% \text{ of sales}$ .
  - Step 2:  $\% \text{ of sales} \times \text{next year's sales forecast} = \text{new advertising budget}$ .

## 3. Percentage-of-Sales Method

### Method 1: Straight Percentage of Sales

2007	Total dollar sales Straight % of sales at 10%	\$100,000
2008	Advertising budget	\$10,000

### Method 2: Percentage of Unit Cost

2007	Cost per bottle to manufacturer Unit cost allocated to advertising	\$1
2008	Forecasted sales, 100,000 units	100,000
2008	Advertising budget (100,000*\$1)	\$100,000

## 3. Percentage-of-Sales Meth

### Pros

- Financially safe
- Reasonable limits
- Stable

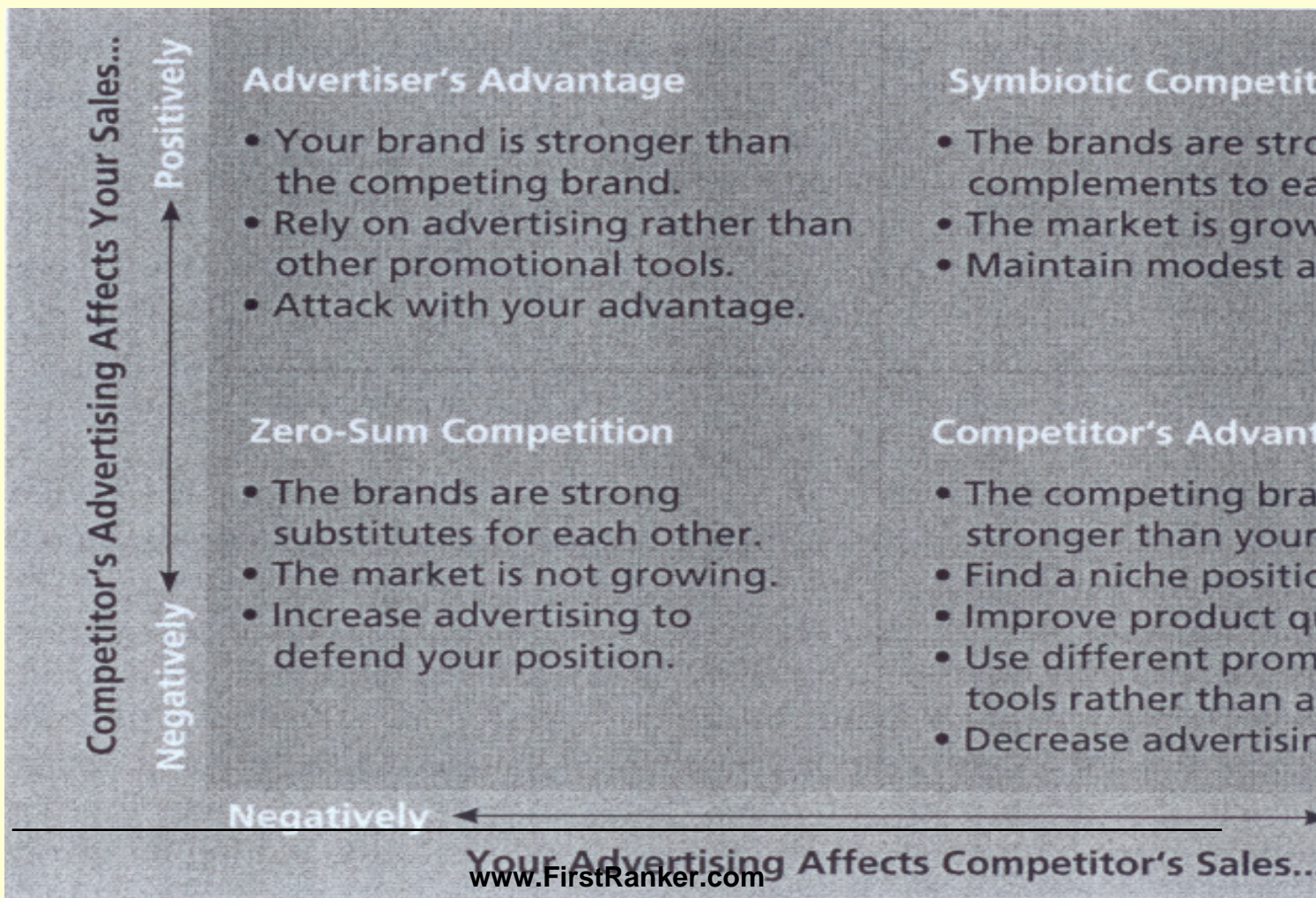
### Cons

- 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 Method

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

# Competitors' Advertising Outlays Not Always Hurt



# Competitive-Parity Method

## ● Pros

- Take advantage of the collective wisdom of the industry
- Spending what competitors spend helps prevent promotion wars.

## ● Cons

- Companies differ greatly.
- There is no evidence that budgets based on competitive parity prevent promotional wars. (Prisoners' Dilemma)

## 5. The objective and task method

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

# The Advertising Budgeting Methods

## Historical Method

- Common budgeting method
- May be based on last year's budget with a percentage increase.
- Nothing to do with advertising objectives.

## Task-Objective Method: Bottom-Up

- Most common method.
- Looks at objectives set for advertising activity, and determines the cost of accomplishing each objective.

## Percentage-of-Sales Method

- Compares total sales with advertising (or marketing communication) budget during previous time period to compute percentage.

# The Advertising Budgeting Methods

## Competitive Methods

- Relates the amount invested in advertising to the product's share of market.
- Must understand share-of-market.

## All You Can Afford Method

- Allocates whatever is left over after other expenses.
- Companies who use this method value advertising very much.

# 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

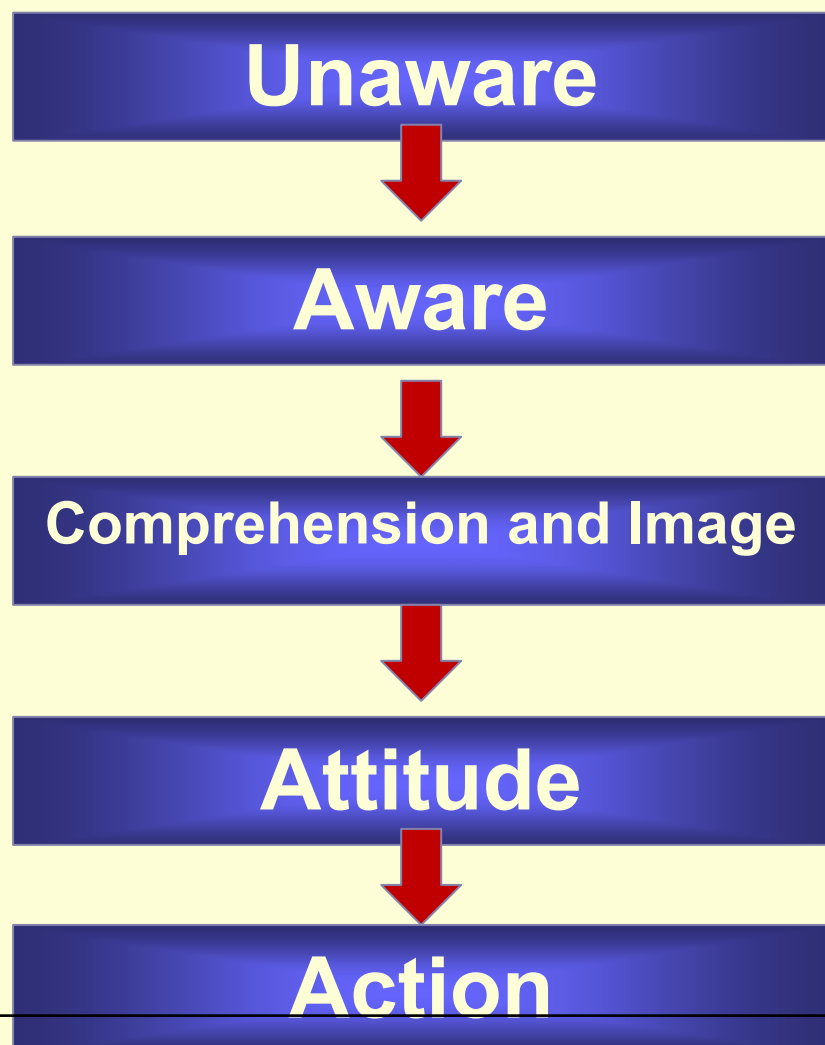
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Action

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- In 1961, Russel Colley prepared the model called Defining Advertising Goals for Measured Advertising Results (DAGMAR).
  - It propounds that communications' *effects* are the logical basis for advertising goals and objectives against which success or Failure should be measured.

- Advertising's job is to communicate to a defined audience information and a frame of mind that stimulates action.
- Advertising succeeds or fails depending on how well it communicates the desired information and attitudes to the right people at the right time for the right cost.
- Under the DAGMAR approach, an advertising campaign involves a communication task that is specific and measurable.
- Colley proposed that the communications task be based on a hierarchical model of the communications process with four stages:

## Communication process in DAGMAR app



# Characteristics of Objective

- Well-Defined Target Audience
- Concrete Measurable Communication Task
- 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

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  - Imposes too much structure.

# Comprehensive Response Model Applications

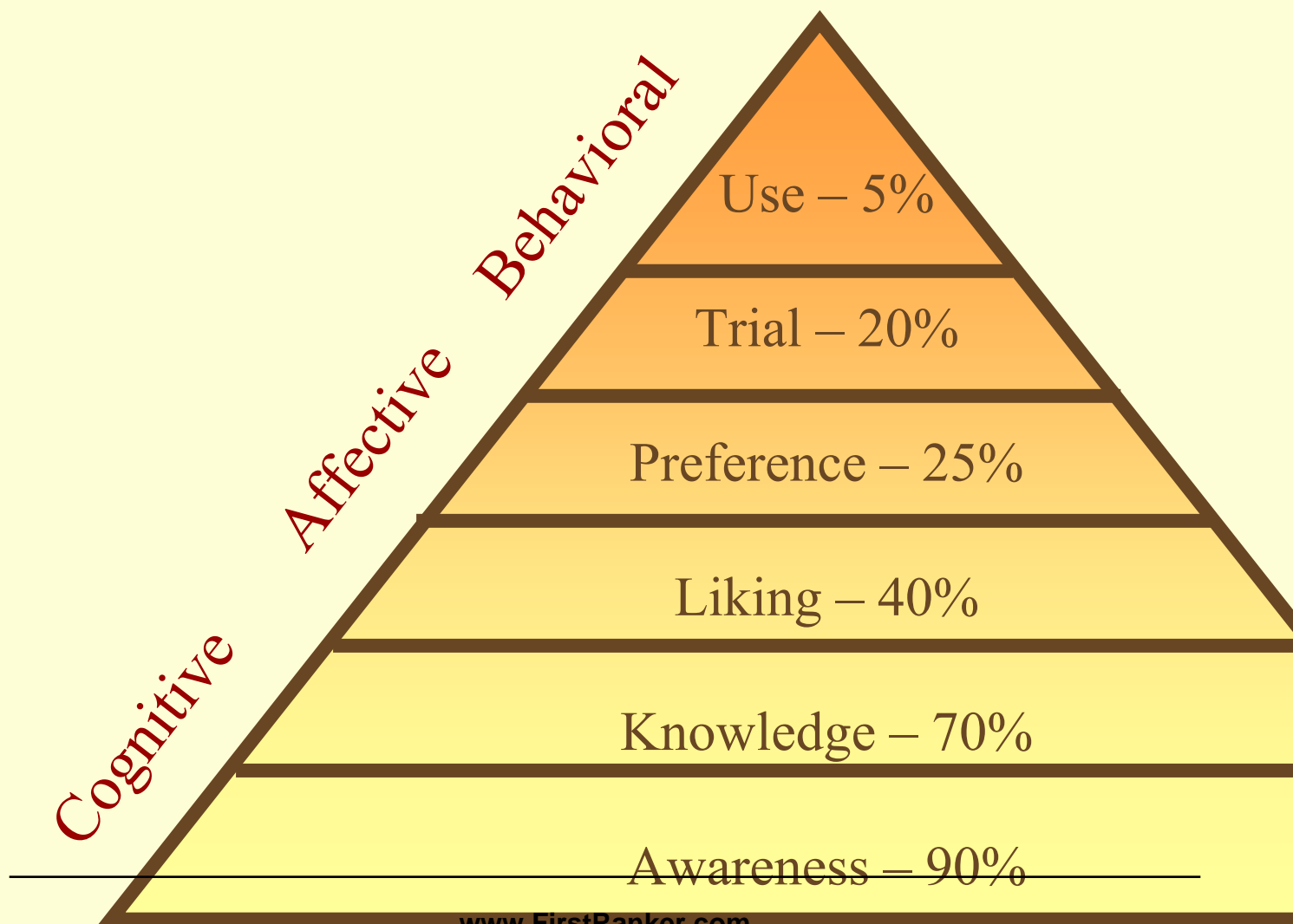
## Lavidge and Steiner Hierarchy of Effects Model

- As consumers proceed through the three stages, they move closer to purchase.  
Cognitive -- Affective -- Behavioral
- Consumers are not expected to respond to advertising immediately.
- Ads must provide relevant information and create favorable predispositions toward the brand before purchase behavior will occur.

# Communications Effects Pyramid

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

# Communication Effects "Pyramid"





## Setting Objectives Using the Communications Effects Pyramid

Product: Shampoo

Time period: Six months

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

Objective 2: Create interest in the brand among 80 percent of target audience. Communicate information 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 pyramid

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

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

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

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# THANK YOU