Establishing Objectives and Budgeting for the Promotional Program

Chapter 7

Value of Objectives

- Keep everyone focused on common goals
- Used to develop plans and make decisions
- Provide measurement and control
  - Benchmarks for evaluating results

Sales vs Communication Objectives

- Marketing objectives focus on sales, market share, and distribution
- Should advertising effectiveness be measured only by sales generated?
- What else affects sales?

Advertising and Movement Toward Action

- Conative: Realm of motives. Ads stimulate or direct desires.
- Affective: Realm of emotions. Ads change attitudes and feelings
- Cognitive: Realm of thoughts. Ads provide information and facts

Inverted Pyramid of Communications Effects

- 90% Awareness
- 70% Knowledge
- 40% Liking
- 25% Preference
- 20% Trial
- 5% Use

The DAGMAR Approach

Define Advertising Goals for Measuring Advertising Results

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Characteristics of Objectives

- Specific Communications Objectives
- Concrete Measurable Tasks
- Well-Defined Target Audience
- Existing Benchmark Measure
- Degree of Change Sought
- Specific Time Period

Dagmar Criticisms

- Behavior doesn’t always follow the response hierarchy
- Changes in attitudes don’t always lead to changes in behavior

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.
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Top-Down Budgeting

Top Management Sets the Spending Limit

The Promotion Budget Is Set to Stay Within the Spending Limit

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

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.

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)