

Lecture 17

Objectives & Budgeting

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Objective setting and understanding budgeting decisions

❑ Requirements for setting suitable IMC objectives

- Objectives must include a precise statement of who, what, and when
- Objectives must be quantitative and measurable - For example, the level of Awareness, Interest, Desire and Action (AIDA) - support in achieving sales targets (Defining Advertising Goals for Measured Advertising Results)
- Objectives must specify the amount of change---percentage or numbers, ranks---in time.
- Objectives must be realistic ??????????????????????????????????
- Objectives must be internally consistent.
- Objectives must be clear and in writing.

Budgeting

- Budgeting decisions involve identifying the financial requirements for advertising and promotions each year and allocating the funds accordingly.
- The key to budgeting is to maximise the profit for the given investment.
- The practical budgeting methods most frequently are the percentage-of-sales, objective-and-task, competitive parity, and affordability methods.

Types of Budgeting

Percentage-of-Sales Budgeting

- Company sets a brand's advertising budget by simply establishing the budget as a fixed percentage of past (e.g., last year's) or anticipated (e.g., next year's) sales volume.
- Critics argue that the method reverses the logical relationship between sales and advertising.

Objective-and-Task Method

- Advertising planners specify clear objectives for the advertising, identify the tasks the advertising must perform to reach these objectives, and then set the budget accordingly.
- Generally regarded as the most sensible and defensible advertising budgeting method.

Types of Budgeting

Competitive Parity Method

- Competitive parity method sets the budget by examining what competitors are doing.

Affordability Method

- Firm spends on advertising only those funds that remain after budgeting for everything else.
- Challenge is for brand managers to demonstrate that advertising and other marketing communication initiatives produce results.

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