

# Chapter 7

## Establishing objectives & budgeting promotional programs



*== Which Branded product will win the battle of the budget? You decide! ==*

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Mkt 337 (section 3)

# The value of objectives

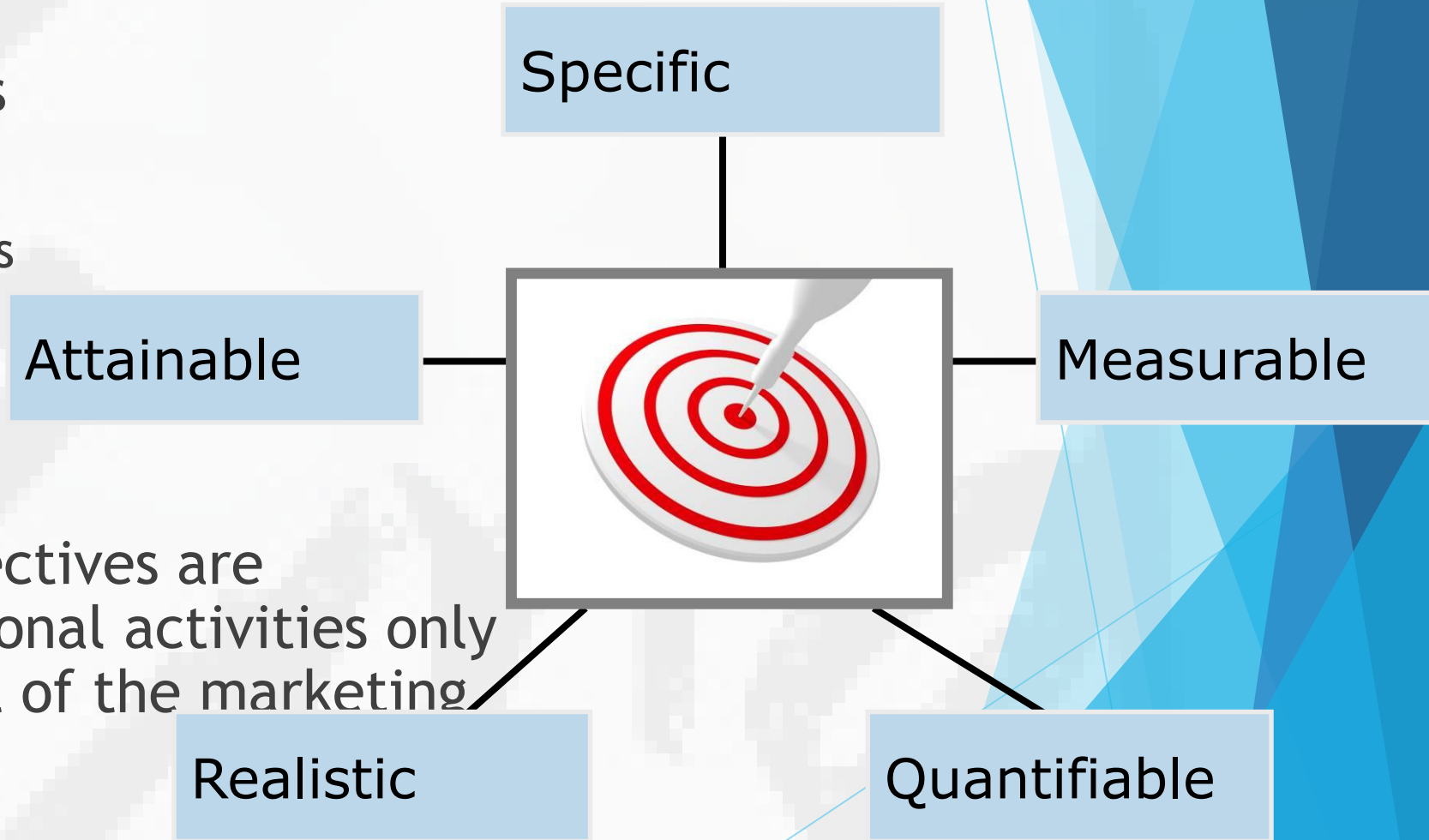
- ▶ Communication
- ▶ Planning & decision making
- ▶ Measurement & Evaluation

# Marketing vs Communication objective

## ▶ Marketing objectives

- ▶ Specific
- ▶ measurable outcomes
- ▶ Quantifiable
- ▶ Realistic
- ▶ Attainable

▶ Communication objectives are centered to promotional activities only which is a small part of the marketing objectives.



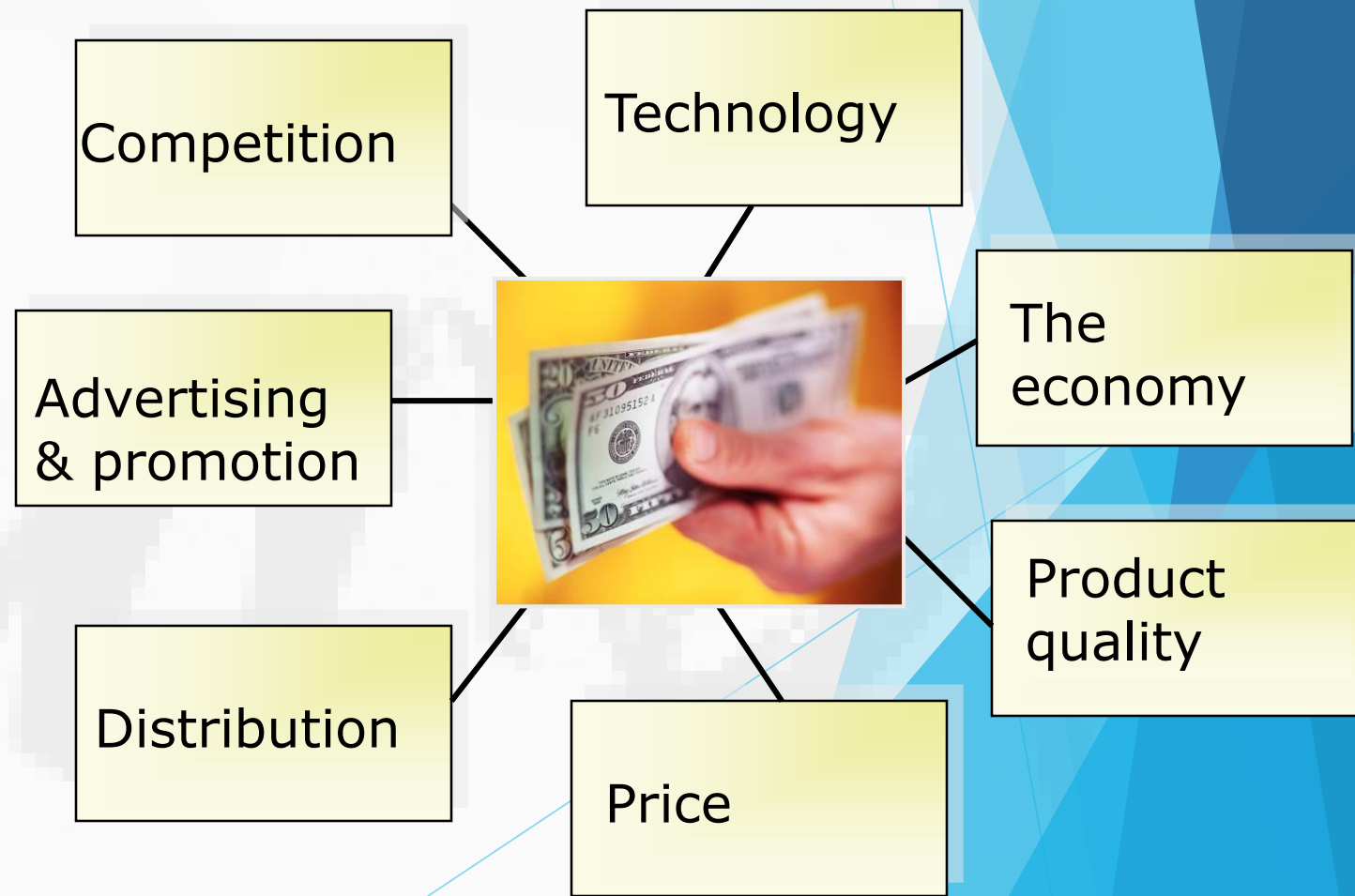
# Sales oriented objective

- ▶ Some managers prefer sales oriented objectives show how the promotional program will influence sales
  - ▶ GEICO insurance
  - ▶ Heinz



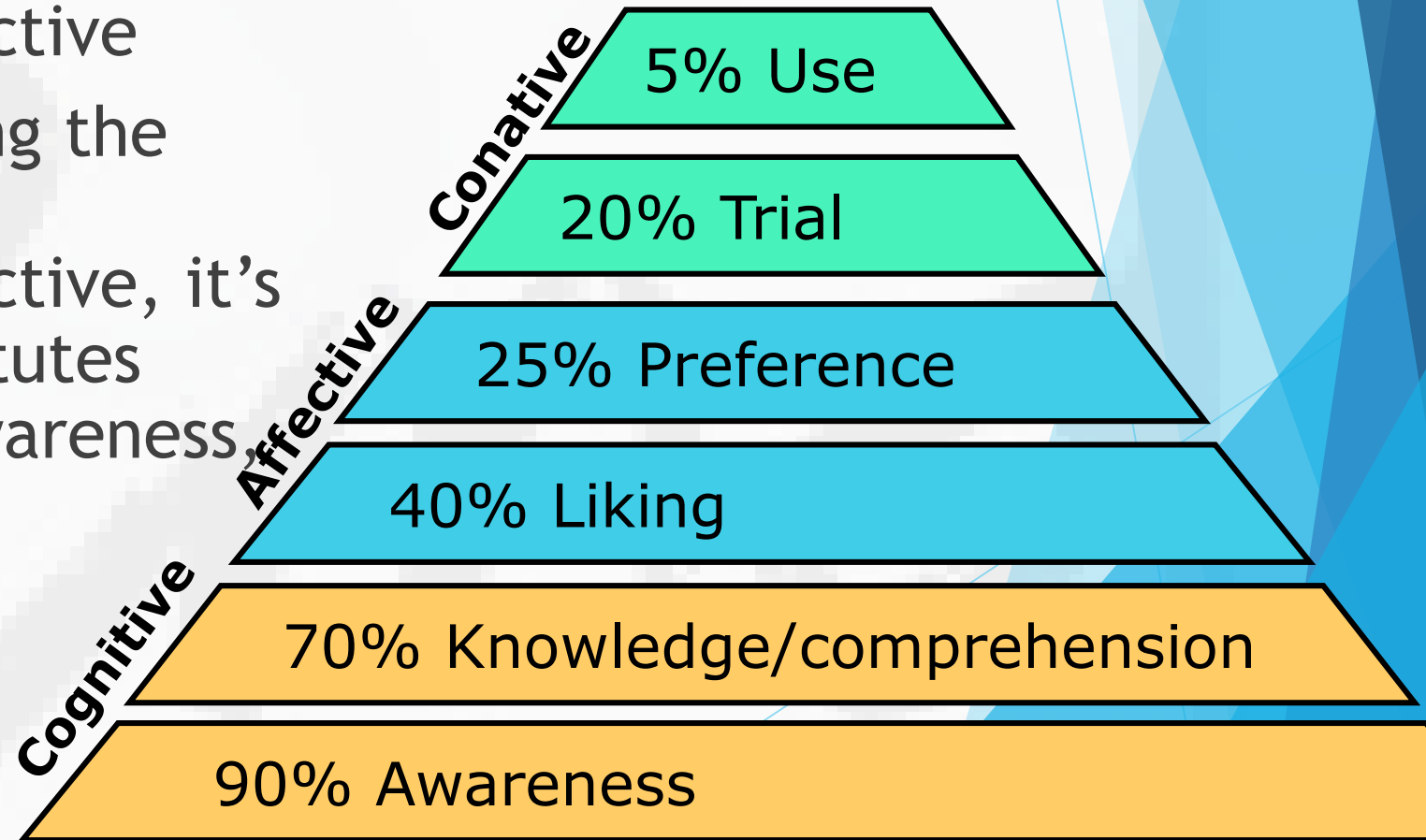
# Problems with sales objective

- ▶ Promotion is important but not the only one responsible for influencing sales.
- ▶ Advertising has a lagged or carryover effect
- ▶ Offer little guidance to those who plan & develop promotional programs



# Problems with communication objectives

- ▶ Difficult to translate a sales goal into a specific communication objective
- ▶ In terms of translating the sales objectives into communication objective, it's not sure what constitutes adequate level of awareness, liking, preference or conviction



# DAGMAR approach to setting objectives

***D**efine  
**A**dvertising  
**G**oals for  
**M**easuring  
**A**dvertising  
**R**esults*

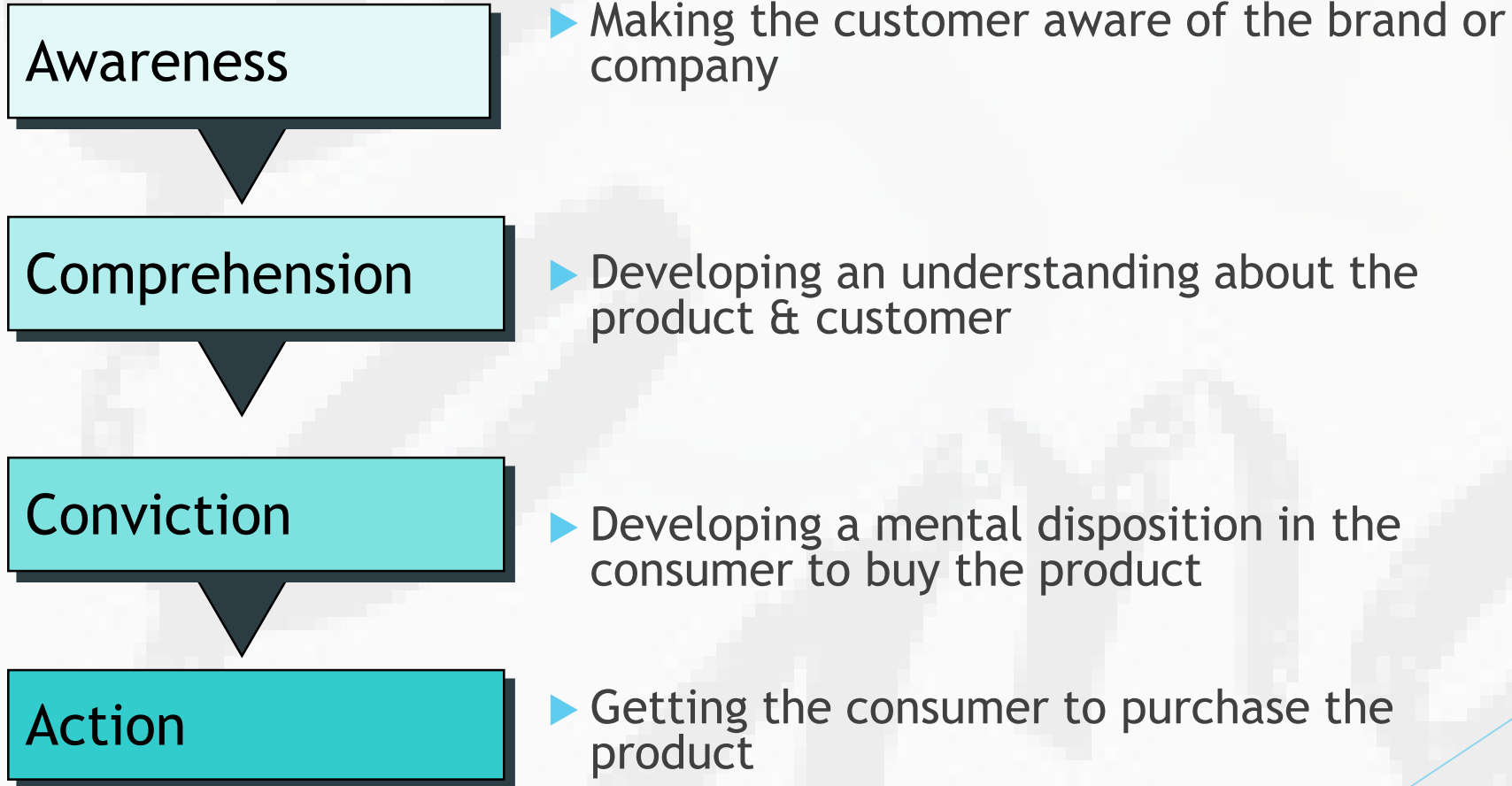
Awareness

Comprehension

Conviction

Action

# Communication task under DAGMAR approach





# Constitution of good objective under the DAGMAR approach

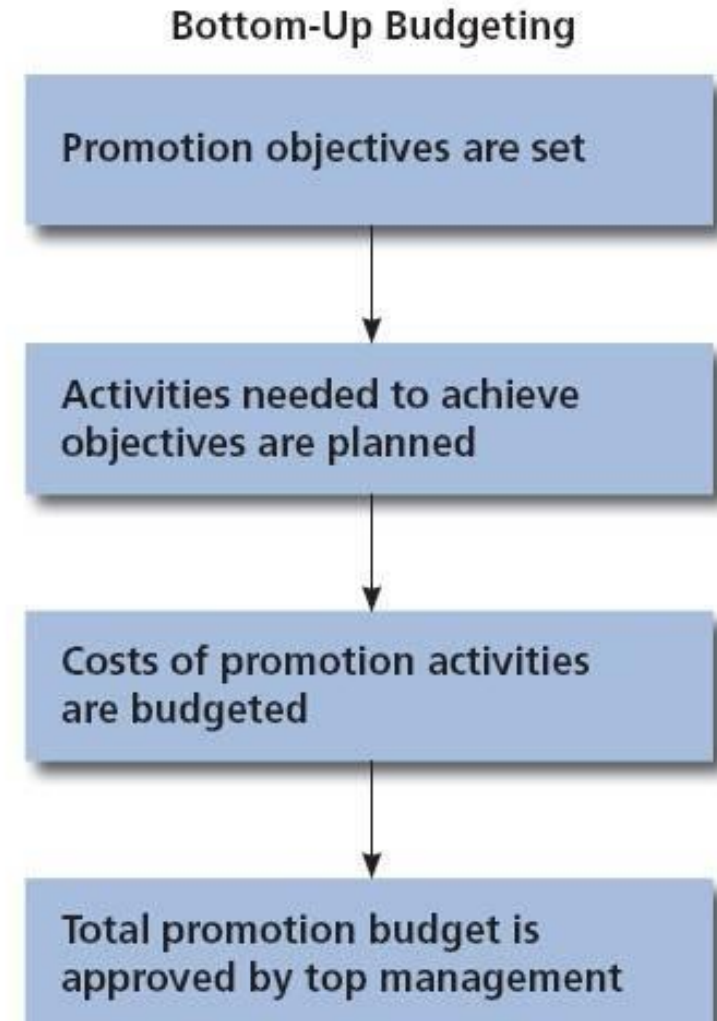
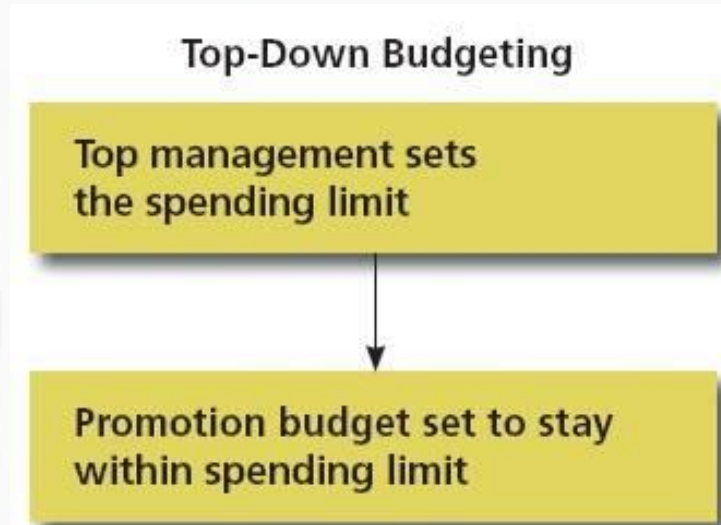
- ▶ Concrete & measurable communication task
  - ▶ e.g Hyundai
- ▶ Specify a target audience
  - ▶ Based on the STP, 4ps & Situation analysis
- ▶ Indicating a benchmark starting point
  - ▶ Concerning response hierarchy variable
- ▶ Degree of change sought
- ▶ Time specificity of accomplishing the objectives
  - ▶ A few days to a few years

# Criticism of DAGMAR approach

- ▶ Problem with the response hierarchy
  - ▶ The fact that consumers do not always go through the sequence of communication effects before making a purchase decision, hence alternative response models have been built
- ▶ Sales objective
  - ▶ Advertising is seen effective only if it induces customer purchase
- ▶ Practicality & Cost
  - ▶ Difficult to implement the model as money is needed to measure change in response hierarchy and establish quantitative benchmarks
- ▶ Inhibition of creativity
  - ▶ Too concerned with quantitative assessment of a campaign's impact rather than developing a creative message

# Budgeting approaches

- ▶ Top-Down approach
  - ▶ Essentially predetermined and have no theoretical basis
- ▶ Bottom up approaches



# Budgeting approaches: Top-down

- ▶ Affordable method

- ▶ Also called ‘all you can afford method’
- ▶ Allocates what’s left for advertising & promotion after spending on all other activities
- ▶ Mostly used by marketing driven firms that don’t understand the significance of advertising and promotion

# Budgeting approaches: Top-down

## ▶ Arbitrary allocation

- ▶ Weaker than the affordable method
- ▶ There is no theoretical basis to set the budgeting amount & is determined solely by management on the basis of what is felt to be necessary
- ▶ Has no obvious advantage
- ▶ Used by some companies but not recommended

# Budgeting approaches: Top-down

## ▶ Percentage of sales

- ▶ Based on the sale of the product
- ▶ Companies either take this percentage from percentage of sales dollar or from future sales projection
- ▶ Management factors the change in the external environment into this budget
- ▶ Financially safe and keeps ad spending within a reasonable limit.
- ▶ Brings stability to the market as all firms use similar percentages.
- ▶ Difficult for new products in their introduction stage

# Budgeting approaches: Top-down

- ▶ Competitive parity
  - ▶ Managers set this budget by matching their competitors percentage of sales expenditure



# Budgeting approaches: Top-down

- ▶ Return on investment
  - ▶ Advertising and promotion are considered investment
  - ▶ Theoretically possible but rarely possible to assess the return provided by promotional effort
  - ▶ Remains a difficult method to employ



# Budgeting approaches

- ▶ Objective an task method

Isolate objectives

Determine tasks required

Estimate required expenditures

Monitor

Reevaluate objectives



**Thank You**