



CK's Epiphanies

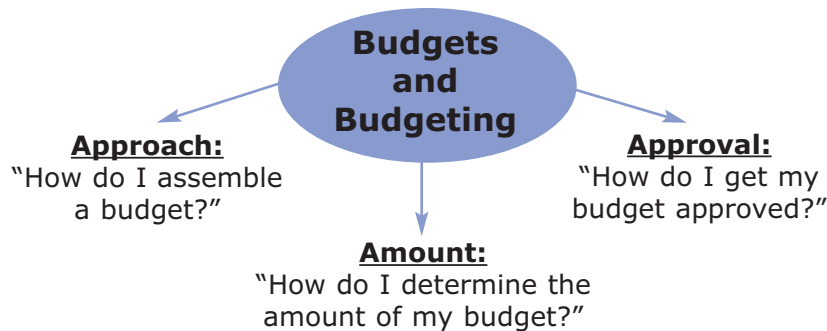
Inspirations & revelations from the mind of a marketer.



budgeting: Is Your Marketing Budget Puzzling You?

(Part 1 of a 2-Part Series)

One of the most common topics that clients and colleagues ask me about is budgeting. Seems marketers spend 3 months slaving over the preparation of a budget and 12 months falling slave to them. The questions and quandaries are numerous and varied; but the prominent themes lie in one of 3 areas:



Budgets are one of the leading reasons why companies fail to achieve their objectives – spend too little and you lose market share, spend too much and you lose profits (and possibly, your job).

Yet time and again, marketers are armed with budgets that don't support objectives and aren't conducive to the conditions within their business environments. Further, the majority of marketing budgets are calculated by a mathematical formula that has more to do with a percentage of forecasted sales and much less to do with the level of investment necessary to maintain market leadership.

The result? Marketers are served with an unrealistic budget, expected to make plan and relegated to "work their magic." We're marketers after all...not magicians!

Due to all the anxiety that budgets beget and the myopic methods by which organizations are preparing budgets, I'm devoting the next 2 editions to budgets and budgeting. Through this 2-part series, we'll cover the areas of:

- > **Approach:** Pieces of the budget puzzle. (Part 1)
- > **Amount:** Connecting the pieces of the budget puzzle. (Part 2)
- > **Approval:** Tips for getting marketing budgets approved. (Part 2)

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The Budget Puzzle



Marketing budgets are like puzzles. They have several pieces that must be identified, assessed and connected in order to provide marketers with the big picture and level of investment necessary to obtain objectives, support plans and produce programs.

There are 4 pieces to budget puzzles:

 Objectives & Goals

Market Factors 

 Product Attributes

Plan Components 

Approach:

Pieces of the (budget) puzzle.



I suggest approaching your budget in the same manner as you would approach a jigsaw puzzle.

The analogy uncovers an epiphany:

A budget, like a puzzle, is a compilation of several pieces joined together to understand and portray the big picture.

Like a puzzle, a budget has several parts and when all pieces of the puzzle are connected, the puzzle is complete. If one or more pieces of the puzzle are missing or have not been accounted for, the puzzle is lacking and vulnerable. The same goes for budgets.

Each part is equally important and distinct; yet still just one piece of the larger puzzle. While individual pieces of a puzzle are meaningless, when they are combined they complement one another and form a meaningful product.

The marketer's initial tasks then are to identify and assess all pieces that compose their budget puzzle. In our next edition, we'll discuss budget amounts and the values that marketers should assign each piece of the puzzle in order to "connect" the various parts. For now, we are focused on acquainting marketers with all the pieces of their budget puzzles and analyzing the characteristics of those parts.

I've formatted the budget puzzle into 4 pieces:

Establishing Objectives & Goals



The first piece of the budget puzzle is: **Objectives & Goals**. Objectives are financial aspirations and quantitative in nature (increasing consumer sales by 10%; decreasing customer attrition by 15%). The financial objectives should then be converted into marketing goals, which are qualitative in nature (repositioning the brand to better appeal to a younger demographic; strengthening press relations).

With the collaboration of their teams and supervisors, marketers need to establish the objectives and goals for the period that is governed by the budget. While all pieces of the puzzle are equal, objectives and goals drive and determine budgets more than any other part.

Ask and answer:

- How aggressive are these objectives and goals?
- Which of these objectives are short-term? Which are long-term?
- What is the timetable for achieving each objective and goal?

Assessing Market Factors



The second piece of the budget puzzle is: **Market Factors**. Market factors entail all market forces that affect the success or failure of the product or service.

Marketers must assess:

Target audiences: Analyze the demographics (age, gender, marital status) and psychographics (preferences, habits, values) of the target audiences.

Ask and answer:

- Is my target audience brand-neutral or brand-loyal?
- How much does it cost to attain one customer?

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- What type of programs and media will I need to implement in order to reach this audience?
- How many target audiences will I be marketing to?

Product Reach: Determine the reach or "footprint" of your product.

Ask and answer:

- How large of an area am I planning to market and sell my product/service (regionally/nationally/globally)?
- How do media prices differ between the areas I'm looking to sell my product?
- Which areas do I forecast to represent the majority of product purchases?

Industry Category: Examine the characteristics of the industry category.

Ask and answer:

- Is this a wide-open or cluttered category?
- How many new entrants do I forecast in the coming year?
- How many entities will this industry support?

Trends: Identify trends emanating through the industry.

Ask and answer:

- What market trends will fuel my product's success?
- Are there technological or regulatory trends that could supplant my product?
- Do the current trends reveal new opportunities for my product?

Competitive Threats: Pinpoint current and emerging competitors.

Ask and answer:

- What type of budgets do my competitors have?
- What % of market share do my competitors possess?
- What type of marketing and sales programs are my competitors initiating to acquire and maintain market share?
- What type of reach (regional/national/global) do my competitors cover?

Evaluating Product Attributes

The third piece of the budget puzzle is: **Product Attributes**. Product attributes involve features and characteristics associated with the product.

Marketers should evaluate:

Product Life Cycle: Every product has a life cycle; plot where your product falls within the cycle.

Ask and answer:

- Where does my product lie within its life cycle (introduction, growth, maturity, decline)?

Features & Services: Outline the various features and selling points of your product or service.

Ask and answer:

- How many features of my product/service are compelling and unique?
- Can services and features be marketed both individually and bundled as package offerings?
- Do the various features appeal to more than one target audience?

Determining Plan Components

The fourth and final piece of the budget puzzle is: **Plan Components**. A common misconception is that plans should be written after the budget is approved. However, plans are produced in order to depict how the budget will be spent and to arm the marketer with the documentation

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necessary for securing investments. Further, if the budget is decreased, the marketer is able to exhibit how the elimination of programs will necessitate revision of objectives and goals. In essence, a decreased budget results in a lower-impact plan and therefore less-aggressive objectives.

Marketers must determine:

Marketing Mix: The marketing mix (programs, media vehicles, materials) stems from the previous 3 pieces of the budget puzzle.

Ask and answer:

- What types and amounts of programs will I need to achieve goals and objectives?
- Which media vehicles should be utilized in order to reach target audiences?
- What type of “reach and frequency” will I need with my media in order to rise above the clutter and showcase my offerings?
- Will I need different materials and programs to promote the various features and characteristics of my product or service?

Resources: Depending upon the programs, media and materials proposed in the plan, the marketer must identify and budget for internal (staff) and external (agency) resources.

Ask and answer:

- Is my internal team able and available to implement all components of the marketing plan?
- Which elements will I need to outsource (creative, copy, technical)?
- Are staff salaries and bonuses part of the marketing budget?

Tracking Tools: For each initiative, the marketer will need to implement tracking mechanisms so as to provide management with data on successes and returns. These tools should be accounted for within the marketing plan.

Ask and answer:

- What tools will I need to track data for each of my programs?
- Will I need to purchase new software/hardware to monitor returns?

Now that we have identified and assessed the four parts of budget puzzles, our next step is to connect all the pieces and arrive at the total.

Unveiling the epiphany:

Budgets, like puzzles, are the sum of their parts (or pieces).

We'll cover budget amounts and approvals in the 2nd part of our budget series.
Hope you'll join us. ■

who is CK?

CK is Christina Kerley.

Since '91, Christina has been identifying and developing marketing epiphanies for up and coming Start-ups and formidable Fortune 500s. Passionate about working on extraordinary projects and providing exemplary service, she formed ckEpiphany in '99.

Strengthening marketing efforts one epiphany at a time, the business develops client strategies, plans and programs. For more information on CK and ckEpiphany, please visit: www.ckEpiphany.com

If you would like to be alerted when new editions of CK's Epiphanies are released, please drop us a line with your name and e-mail address in the body of the message to: InspireMe@ckEpiphany.com