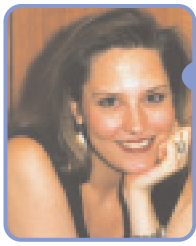

CK's Epiphanies

Inspirations & revelations from the mind of a marketer.

ckEpiphany marketing

budgeting: Is Your Marketing Budget Puzzling You?

(Part 2 of a 2-Part Series)

Welcome back to our series on budgets. Budgeting is really a 3-part process consisting of:

Budgets and Budgeting

Approach: Assembling a budget.

Approval: Getting budget approval.

Amount: Determining the amount of the budget.

In our last edition we covered the area of approach and learned that a budget is analogous to a puzzle (if you missed the 1st part of the series, it's available at: www.ckEpiphany.com). A budget, like a puzzle, is a compilation of several pieces joined together to understand and portray the big picture.

In order to assemble a budget, the marketer's first step is to analyze and assess the characteristics associated with the 4 pieces of budget puzzles, namely:

Objectives & Goals: Financial aspirations (quantitative) and marketing ambitions (qualitative) established to grow the organization, develop the product/service and increase market share.

Market Factors: Market forces that affect the success or failure of the product or service.

Product Attributes: Features and characteristics associated with the product or service.

Plan Components: Components that comprise the marketing plan: marketing mix, resources and tracking tools.

I've also included tips and tactics for garnering budget approvals in the sidebar; these gems have served me well in the most skeptical and scrupulous boardrooms.

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Getting the Green Light (and the Greenbacks)

Surefire Tips & Tactics

Now that you've endured the brain-strain, you'll need to master the boardroom. The following tips & tactics are surefire techniques for garnering budget approvals the first time, every time:

More is MORE

Always ask for more (at least 15%). Always. Managers don't feel they have done their diligence unless they cut costs. Let them cut the fat, but don't sacrifice (marketing) muscle.

Boast Benefits

Promote the benefits that the budget begets. Managers have a difficult time disputing returns and rewards; they however have little difficulty eliminating catchy campaigns.

Puzzle 'em

Review the methodical approach you took in piecing your budget puzzle together. Managers appreciate the circumspection and will learn a thing or two in the process.

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Amount:

Connecting the pieces of the (budget) puzzle.

Once marketers evaluate the characteristics of their budget pieces, they can map the findings to the amounts necessary to support objectives, goals and programs. In this issue, we'll review how to "connect" the pieces of our puzzles in order to arrive at the sum total.

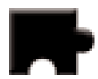
Unveiling the epiphany:

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

Many clients ask me – point blank – how much their marketing budgets should be. Truth is, there is no absolute amount for marketing budgets, regardless of industry, economy or product. While marketers must account for all pieces when comprising budget puzzles, the corresponding values for each piece will differ for each company – as will the sum total.

This is best explained by breaking down the puzzle, piece by piece:

Establishing Objectives & Goals



If your marketing objective is to "own the category" then your budget would need to be much larger than a company seeking mere involvement within the category.

Coca-Cola spends a heck of a lot more than *Pathmark Cola* to dominate the soft drink category. *Pathmark* is not aiming to own the category; it's looking to own a small percentage of it. Hence, the budget and marketing programs are less aggressive (and *Pathmark* is a regional marketing play, unlike *Coke* which is a global strategy).

Assessing Market Factors

Target Audiences: If your target market is more brand-loyal than brand-neutral (meaning it's harder to get them to switch to YOUR brand), then you're looking at a higher budget as you need to entice them to switch to your brand, translating into bigger bucks.

On the other hand, if the audience is brand-neutral, you may need to consistently throw more money at them in order to keep them loyal to your brand. Rates of customer acquisition and customer retention will be the key determinants of your budget.

Product Reach: Budgets should be scaled up or down depending upon the "footprint" of the company; meaning whether the company opts to trade regionally, nationally or globally. Some companies have local and national advertising budgets (e.g. *McDonald's* sponsors the town's little league out of the local budget and finances the national ad campaign out of the national one). Media costs are relative to the

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Formalize to Realize

Arrange a formal meeting to review the budget and plan. Your hard work will otherwise all be lost if you send an e-mail with a subject-header of: "budget - please approve ASAP!"

Reap RETURNS

Demonstrate how the plan and budget will be assessed on an ongoing basis. Managers need assurance that tracking mechanisms are a forethought; not an afterthought.

Chat the Competition

Cite the competition's efforts and budgets. Businesses don't exist in a vacuum and must be cognizant of competitive pressures. This "reality check" always helps to ignite a fire under the seats of those who guard the checkbooks.

Investment vs. Expense

An expense is a cost that pays for itself once. Your marketing budget is an investment in the company's future that pays for itself time and again. Costs zero-out at the end of each month and begin anew while marketing budgets build upon one another. The investment vs. expense argument isn't one of semantics; it's one of sense.

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density and competition of the market. So, your media dollars may go farther in Fargo, but will reach more prospects in Philly.

Industry Category: If your category is very "full" (many competitors), then your budget is most likely going to be higher as you need to "rise above the clutter" with your marketing messages.

Trends: If the current trends are favorable for your product it can help to lighten your budget as you're focusing on promoting your product, instead of altering consumer behavior, increasing product adoption and creating awareness.

Competitive Threats: If your competitors are the *IBM's* and *Microsoft's* of the world then your budget needs to reflect that; it's the price of entry for "playing with the big boys."

Evaluating Product Attributes

Product Lifecycle: If you're introducing a new product, you'll need to heavily invest in brand awareness, publicity and acquisition programs. If your product lies at the other end of the axis and is mature, you'll need to invest in retention initiatives and revitalization efforts (e.g. new distribution channels; brand extensions).

Features & Services: You'll also need to determine how many features and services you'll be marketing, as this will affect the level of budget investment. Take *Verizon*, the company markets individual services such as local or long-distance and promotes "total communications packages" which include call forwarding, caller ID and call waiting. While they offer various services, they earmark separate budgets for each initiative.

Determining Plan Components

All of the findings from the previous 3 pieces lay the foundation for your plan components and provide support for your budget investment.

Marketing Mix: Your marketing mix entails the types, timing and number or programs warranted to achieve objectives given the market factors and product attributes. The budget level is contingent upon the media and materials you'll need to procure. It's paramount that management understands that decreasing budget investments translates into decreasing objectives.

Resources: Review the support you'll need to develop, launch and manage your marketing initiatives. While all marketing budgets include agency and outsourced talent costs, some companies also stipulate the inclusion of staff salaries, thereby increasing your budget.

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Don't cut back... cut AHEAD

Hard times aren't the time to cut costs and lose marketing momentum; they're an opportunity to gain ground and bypass competitors. Enlist management to get more bang (and media) for their buck during market dips.

Foresight can be 20/20

Opportunities do not occur only during budget season. Explain to management that the budget may warrant periodic revisions to accommodate emerging opportunities that have not yet surfaced. At the time of writing this piece it appears that trade relations with China may become more favorable at some point in the next 12 months – why miss a chance to market to 1.5 billion prospective customers because of budget hindsight?

Last year is the PAST

Last year is the past. Your new budget deals with the present and the future. When you receive the objection that your budget is an increase from the previous year, provide an account of events, issues, competitors and opportunities that occurred since the last budget cycle. There is no denying that the world is a very different place than it was a mere 12 months ago.

There may also be other types of marketing resources at your disposal that will decrease your budget. For example, when I worked at *ABC.com*, the company apportioned a percentage of its broadcast and on-line advertising inventory to promote the network's shows and stars. While you might not have the luxury of national broadcast spots, you may be able to tap partners for cooperative advertising agreements that will decrease the cost of media buys and materials.

Tracking Tools: While it's imperative to track results, it's important to budget for these tools. Many times software programs and customer studies need to be purchased and updated to provide management with tracking data. Your budget may be higher if the tracking systems are complex or involve quarterly subscriptions to audited data reports.

While there is no empirical number for budget amounts, there are these best practices for budgeting approach and amount determination.

Uncovering the epiphany:

When puzzled by your budget, break it down into pieces and employ the "puzzle paradigm."

Next edition we'll explore more marketing epiphanies. Hope you'll join us. ■

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who is CK?

CK is Christina Kerley.

Since '91, Christina has been developing strategies, plans and programs for Fortune 500s, award-winning agencies and next-generation start-ups. Passionate about working on extraordinary projects and providing exemplary service, she formed ckEpiphany in '99. The business provides marketing and business development services; for more information on CK and ckEpiphany, please visit: **www.ckEpiphany.com**

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Inspire your friends and colleagues! We encourage you to forward these articles to anyone who enjoys learning about the multi-faceted world of marketing. Perhaps they too will be enlightened by the content.

contact CK:

Want to chat an epiphany, story idea or project?

Vmail: 212.567.0481
Email: ck@ckEpiphany.com
Web: www.ckEpiphany.com

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