

Integrated Marketing Communication
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Lecture - 17
Objectives and Budgeting

Welcome back, friends. Every time I face the camera, I feel like, you know, putting up a tagline or singing a jingle when I, you know, think of coming in front of you. And advertising is all about this integrated marketing communication: creativity, colors, music, jingles, and so on, and I will keep following those in times to come. This section also has lots of references for you.

And as last time, I keep urging you, you know, to get involved. Last time, we talked about consumer behavior and the relationship of consumer behavior with communication for a couple of sessions or so, and there we tried to analyze how to look at consumers and how marketers tend to focus on consumers with messages, which are relevant to them, and which make a difference.

Today, we will be going on for a specific discussion on objectives, budgeting, strategy, and brand building. Now, this would have an elaboration later on. There would be references in due course of time when we would go ahead, explicitly talking about costs and budgets; time and again so, we would mention that.

And we would be talking about the role of integrated marketing communication in brand building all in due course of time when specifically, we would be talking of different modes in times to come. But today, we will sort of categorically try to look at objectives and budget and then the role of IMC as a strategic tool and then in brand building.

So here it is, let us talk about objective setting in understanding budgeting decisions. And first of all, you see, we should focus on the requirement of setting suitable integrated marketing communication objectives. We have mentioned this, and we have talked about this broadly as well as specifically in due course of time.

But now, let us slightly visit a few elements and specifically enumerate those elements with elaboration. As we all understand, objectives give a specific structure to how and why we would like to reach the customers. And you see, as we all understand, objectives include a precise statement of who the target is; we have that target in mind. A target is the number of customers.

And we need to understand and acknowledge that when we focus on a target, an individual comes to mind, and then we replicate that image in our mind in terms of several individuals. We develop a category of customers that these are the people, and then from that larger category, once again, we come to individuals.

For example, an organization is targeting a student, hence students, and then students and a student. Because the individual will be making the purchase, and the message would be going to everyone, although we have so many individuals in our minds. So, whenever we talk of objectives, remember that we are thinking of one to be multiplied or replicated in due course of time.

And then we are coming back to the one again, with a specific release of that message. This is how the thought process is.

And you see, that is why when we say objectives, they include who. Then it is directed towards what. What is to be explicitly said to that person? Who people like him would appreciate? And when? What should be the timeframe? Should it be related to our convenience or release of a product, or should it be related to when that customer or those customers need that product?

When would they need that? That also has to be assessed. And this assessment goes on continuously. So objective, that is why objectives are required, and objectives entail this kind of a thought process, which always keeps ongoing. You would be wondering if we are creating messages, so should we be thinking about every time we create a message? Yes, we do.

But once we have created the message, then what? So then, the release of the message matters. And that is where when follows who and what. Once we have decided who and what then when is a very specific element and through which kinds of modes. That we will see in due course of time, the other element is that objectives must be quantitative and measurable.

Now, it is challenging. But especially when we are talking in terms of integrated marketing communication. You see, sales objectives can easily be quantifiable. But integrated marketing communication to be quantified, definitely we must try for that. For example, we can talk about the level of awareness we have generated. How many people have become aware of our product?

So, this is a quantifiable kind of a thing. To what extent they have become aware also can be quantifiable. But again, it is a slightly stricter deal. How many have been persuaded can also be quantified at the end of the day because that persuasion results in sales or the objective, which organization is carrying and the objective, which is the reason for this message to go to the customer.

Interest, what kind of interest we have generated, what kind of a desire we have generated. And all these things can be measured in terms of feedback from the people we target in terms of integrated marketing communication. How do we get that? We get that through primary research, and we get that through several kinds of TV shows, reality shows, online interactions, and so on.

So, there are several methods when we release one kind of message or put a name in front of the customer. Do you remember Kaun Banega Crorepati? So, the sponsors knew how many people were watching that particular show. So, to assume that whosoever is watching the show and is sticking by the show would also be hearing the sponsor's name.

Hero, earlier it was Hero Honda, SaReGaMaPa, then Hero, SaReGaMaPa, and so on. So, how many people are watching the show. It is related to the contest and how that is reaching the customers and so on. And there are several other methodologies. Organizations they go, home to home and house to house to talk about that, what kind of you know, reach the message they created to their hearts and minds.

What kind of, how have they acted upon that? But, you see, there are measuring methodologies. And you know, the ultimate aspect is that advertising goals are to be defined and measured against results. And that is where the relevance of quantification of objectives and measurability comes in. Now, objectives must specify the amount of change.

What change do you want after the release of this message? Do you want an incremental sale? Do you want the name to reach a more significant number of people? Do you want any other impact or effect? Do you want a more significant number of stockholders to reach your organization when you release a corporate image-building advertisement? Do you want, just want that people should know you?

So, what is the objective, and that is related to the amount of change, percentage change, or institutions? They resort to integrated marketing communication exercises to build their image, perception, and rankings. Today, it is a ranking era. There are several institutional, global, and national rankings wherein institutions they, you know, wish to perform.

They wish to, you know, compete. And for building the perception, perception is a very integrated part of the ranking system or ranking criteria, I should say. And perception is built through what, integrated marketing communication, through the word to word, mouth to mouth publicity, word of mouth, you may say, or let us say structured advertising, or let us say, you know, public relations or whichever way.

We will be talking about several modes later on, but that and some rankings are entirely based on perception. So there, you see the percentage change in the ranking; it matters. The last time an institution scored this much, last time an institution was included in this kind of a bracket. And you can go to different rankings. Almost all the students are worried about rankings nowadays.

So, you know what I am talking about. Objectives must be realistic. Is it so? I have put up so many question marks in front of this. You see, being realistic is related to if they are realized. Many times, beautiful communications and excellent communications generate so much recall; they do not generate the kind of effect that is desired of those.

So, that does not mean that they were not realistic. You see, there we try to decide that ultimately, the effect they generated was destined to be that kind of an effect. Somehow, we did not look for the specific measurability or criteria that should have been associated with that kind of advertisement.

For example, an advertisement we thought would generate a particular kind of sales levels and the constitution or, you know, the storyboard and the choices of the modes and different vehicles took it to the levels where it generated lots of recall. That means, somehow, our objective or measurability criteria were not correct.

It was supposed to create, you know, recall, which it did. So, we have to think carefully about generating our expectations from a particular kind of message, integrated marketing communication, or a campaign; later on, we will see how it works. Objectives must be internally consistent. That is, you know, having a consistency all through in terms of, you know, positioning of the product, message, storyboard, everything.

So, coherence should be there, and objectives must be clear so that we may remember how, you know, we should look at them. Now, let us go to the subsequent aspect of budgeting. Because when we have decided upon what the message should do, the communication should do, we have to allocate a particular cost.

I will spend some time on this because, ultimately, you would wonder how many successful organizations, you know, have this leverage of putting up lots of communication. Yes, they have, and that works for them. Some organizations spend hundreds of millions of dollars on advertising and communication. There is a considerable lot of, you know, lot of money which is engaged in this kind of a thing.

Many have a crunch in terms of the cost of marketing, and they try to focus on sales and sales force and retail chains rather than advertising and communication. So, they do not have that kind

of leverage in advantage because, in the earliest stage, they might not have that kind of liquidity or sales returns that could be utilized for this kind of a thing.

So, it is a matter of, you know, definitely compulsions many times. Still, you have to decide on a budget for what kind of a cost you would like to spend on this particular campaign or, let us say, in due course of time on integrated marketing communication.

So budgeting decisions involve identifying the financial requirements for advertising and promotions each year and allocating the funds accordingly. You have to decide beforehand. And remember, it is an expenditure. It is an expenditure which is desired to give you returns. So, you wish to calculate returns, but the money is spent because it may or may not give that kind of a return.

So, the key to budgeting is to maximize the profit for the given investment or so on. But you see, in terms of actual, you know, when you write it in books, you call it cost of marketing, it is a part of the cost of marketing. So, it is a cost. So, you look at it as an investment or, say, you know, with the perspective of return, but it is a cost.

So, it is an expenditure. So, the practical budgeting methods most frequently are the percentage of sales, objective and task, competitive parity, and affordability methods. And I have chosen these specific four methods to be deciphered in front of you for a short while, although several methods can come up and keep on evolving in due course of time.

And you will find so many when you look for the sources and the references, which I will be giving you in due course, but along with this course, the names of the books and the papers and so on. But many times, I should caution you, while looking at those budgeting methods, one must remember that they are specific to a particular kind of an organization having, you know, financial advantage or a huge sales advantage which exists for them.

Sometimes it exists for the organizations who have decided to go for a particular spurt of sales in terms of a particular product, or they are working on terms of being a specific project, which must give them returns. For example, movies. Although they are made or produced for a very long time, they know that the viewers' initial response matters a lot for them.

So, people might, you know, revisit or review that movie later on, but as far as you know, two weeks, three weeks, four weeks, or initial revenue goes, so that is where they are focusing. So, for that particular level, or for that particular period, they would be advertising heavily. So, they would assume that this would be the kind of viewership they would be generating.

And there they would be going on for lots of advertising. And that also depends upon what kind of money they can involve. I will give you one example. There was a movie called lunchbox in India. And that movie did well. It earned quite a good revenue. And they very cautiously went for integrated marketing communication, not a vast spurt-based kind of advertising.

On the other hand, when you go for larger movies, which involve lots of production costs, they go for massive advertising and promotion campaigns. And you would find lots of posters and messages, and stars appearing in reality shows and so on because they want a spurt of revenue from that movie. So here is the difference, and that is where I caution you. So broadly, we will look into the commonly used practices.

So here it is, percentage-of-sales budgeting. Now, percentage-of-sales budgeting is wherein, you know, a company sets a brand's advertising budget by simply establishing the budget as a fixed percentage of past or anticipated sales volume.

Past sales volume motivates us to think in terms of the future sales volume because the sales team is continuously in touch with the retail chain or customer, and they presume that you know this is going to be the flow as far as future sales go depending upon the environment remains conducive. For example, COVID came in suddenly. So definitely, it hit many organizations from all sides, and their accurate forecasting cannot be done.

But definitely in case you know stable growth, we can assume that we can think of 5%, 10% or so on. And last year we had this kind of ad spend for this kind of a sales volume, so next year we can plan for this kind of. So, we can go to preceding sales growth and advertising spend, and about that, we can go for that. But here is one essential thing; I have also talked about that earlier.

Because advertising and integrated marketing communication are responsible for supporting the product life cycle of products and services, these organizations think in terms of what stage of the life cycle they are. If they are in growth, they might not be going for a regular percentage-based increase in ad spending related to sales.

They might, you know, they might suitably reduce the percentage growth in terms of ad spend, as compared, comparison to sales growth. For example, sales are undergrowth phase of their life cycle, and they are rising from 100 units to 200 units, and while rising from 50 to 100, they had a proportionate ad spend.

But from 100 to 200, they might not have the same percentage of ad spend because they are undergrowth phase, and customer is well versed with their product and looking forward to their products. So, they might go for the initial spurt of advertisement that Apple this is being

launched. And that is all. So, they might not be spending that kind of money at this time.

Yes, when the lifecycle stagnates, when the number of customers gets saturated, they might again go for a more significant percentage of ad spend in terms of percentage of sales. So then comes the objective-and-task method. And I will again caution you that all these methods face criticism because they are relevant for some and might not be relevant for others.

So, it is more or less a time, trial and error, often trial and error for a particular period. Then comes the objective-and-task method. Now here, planners specify clear objectives for the advertising, identify the tasks, and then to reach those objectives, budget accordingly. For example, there is a particular seasonal production that they have planned.

Because that season requires, you know, that kind of production to support a sales demand or product demand and to support that, they would go for more extensive advertising, because competition would also be doing that although that will be seen in competition, you know, based advertising budget wherein we would be talking about parity.

But here again, you see forecasting for a particular period or looking forward to a particular kind of a period or a particular objective. Let us say, you know, a new product line variant is being launched. That launch requires lots of introduction-based kind of an advertisement for that kind of product. For example, a new variant of shampoo is being launched.

So that has to be supported by lots of you know. So objective and task are related to several things between when you have planned for the anvil and there. For example, you have to go for, you know, some events to support an ongoing exercise to enhance the sales of a newly launched variant, for example, an automotive model, which you were planning to come for.

And suddenly, that model is ready, and you want to launch that. So, you will add some budget to that particular kind of exercise of launching that particular automotive model.

Now coming to the competitive parity method, I have just mentioned, you look at your competitors. How hard do you want to hit them, or are they snatching your market share, Coke and Pepsi. I do not think they would be spending fewer dollars than others. Huggies and Pampers. Or, you know, Levers, for example, in comparison to Procter and Gamble.

Patanjali in India. Ghadi detergent has, you know, given a tough time to many, you know, organizations in their category. Nirma, washing powder Nirma. You know, they spend a lot of money at that particular kind of time. Such a competitive parity. What kind of ad spend are people doing because you do not want to get away from the eyes of the customer?

Because many times your customer and their customer overlap. Many times, your customer can move to their side if you do not, you know, put up a show in front of the customer, or you do not remain in the customer's memories, and so on. So competitive parity methods, you know, are essential for many organizations, especially fighting a war with each other.

Now comes an affordability method. Now, it is a primary method methodology which I mentioned, you know, how much I can afford. After all, whatever I desire does not matter because the kind of money I have is the basis for how to go ahead. So, a firm spends on advertising, you know, only those funds that remain after budgeting for everything else.

Many times, you have several necessary expenses to be made. And you know, you have to have the sales force on the ground. You have to have your retail setup charged up. You have to have your points of purchases, you know, in place. You have to spend on several other things. And you have to coordinate with several other activities related to, you know, being there in front of the customer.

And at the end, you feel that there should be some integrated marketing communication or let us say communication, or specifically advertising for the customer to have some recall. Or, let us say, to have an impetus so that he can move from his home and move towards your retail setup or, you know, your avenue and so on.

So, you see, the challenge is demonstrating that advertising and other marketing communication initiatives produce results. So, I would not say that any of these or many others, which I have not mentioned here, are formulas. No, they are not formulas; they are specific frameworks used by several kinds of organizations.

And we notice those, we think about those, we analyze those, and we realize which one is working for whom. And then we try to put up those things as models. So definitely, organizations that are coming as followers or second in line, follow one or several more models at one time.

Many of you who would be joining the advertising world, or let us say you would be working with budgeting departments of the organizations wherein you would be responsible for allocating budgets or deciding on budgets, would be thinking in terms of these categorizations, which I have just mentioned in front of you. So, I will end the discussion on budgeting here.

And I will be coming back to you with the role of advertising in, you know, strategy, long-term strategy, or advertising or integrated marketing communication as a strategic tool in times to come. But from now onwards, the specific aspect of budgeting and objectives should accompany

your thoughts.

Whenever we think about integrated marketing communication, the question which should come to your mind must have a portion of the cost associated with that question. For example, if we go for the choice of several modes of advertising or messaging to the customer, we use television, newspaper, or the internet. Suddenly, it should come to your mind that what would be the budget?

And can this organization in concern or the product I am having, in my mind, be afforded this kind of a budget? Or would it be required at this particular lifecycle stage? Would it be rational actually to put up that kind of money? And if I somehow reduce one or two modes, would it not produce that kind of an effect?

So, the whole exercise would be meaningless at the end of the day. That means spending 100 rupees on two modes might not produce that effect. And spending 110 rupees on three modes might bring in that kind of an advertising effect or integrated marketing communication effect.

So that is the thought which should be coming to your mind now onwards and especially when we think in terms of, you know, IMC to support organizational or product strategy at the end of the day. So, I will end this session here and come back to you later. Thank you. Bye-bye.