Chapter 5

IMC planning

LEARNING OBJECTIVES

After reading this chapter, you should:

- Know the basic steps in IMC planning.
- Understand the concept of zero-based planning.
- Know what communication objectives are and how they relate to other types of objectives.
- Know what steps are taken in the strategy and tactical development process.
- Understand the various budgeting techniques.

CHAPTER PERSPECTIVE
KNOWING THE SCORE

Integrated marketing communication is often compared to an orchestra. Just as an orchestra's performance is guided by a musical score, an IMC campaign must have a written score, or plan. This plan details which marketing communication functions and which media are to be used at which times and to what extent.

An IMC campaign plan is a written document. It can be as minimal as a set of organized notes by a person running a small retail business or as complex as a 100-page document for a multimillion-euro brand campaign. But all good plans, regardless of size, have six basic elements: targeting (designated customers and prospects), SWOT analysis, objectives, strategies and tactics, a budget, and evaluation. The planning process begins with the selection of the desired audience for the brand message. Research then determines the strengths and weaknesses of a company or brand from the perspective of customers and prospects. Planning also takes into consideration marketplace opportunities and threats—the things that companies cannot control but can leverage or address to their advantage.

This chapter explains the differences between objectives, strategies, and tactics and describes the six steps in the planning process. It also clarifies what role the IMC plan has in the company's planning process.

IMC in Action

Insights from everywhere
McCann-Erickson, Melbourne, Australia

Holden Ltd. is Australia's premier automaker. The Barina—Holden's smallest model and one of the oldest models in the Australian market—had been a success in the small-car market for many years. However, in recent years, it became clear that the model had lost its way and was on a decline. This situation raised a number of questions for Holden: How do you get a small car back on track and design a marketing communication program that will help it finish ahead of the competition? Who should be involved in planning the turnaround? Is there a pricing problem? A targeting or positioning problem? A promotional problem? Where do you start?

The McCann-Erickson office in Melbourne saw it as a research problem, one that called for a better understanding of the car's target market in order to create a more on-target creative strategy and communication mix.

The marketing challenge

The Barina was originally launched in the Australian market with an advertising campaign called "Beep, Beep", which used the Road Runner character from the old Warner Bros. cartoon series. This campaign transcended the memorable limits of most advertising and became part of the Australian vernacular. The car was soon affectionately referred to as the "Beep Beep Barina". Even when Holden abandoned the Road Runner visual, the "Beep, Beep" was maintained as an advertising sign-off and a powerful mnemonic device.

However, in the 1990s, the Barina's sales declined by 16 per cent and then by an alarming 43 per cent. There were a number of reasons for this, including an increase in small-car brand alternatives and greater price competition. The most critical change, however, was the decline in interest by the traditional small-car target market—young women.

Segmenting and targeting

McCann-Erickson Melbourne formed a cross-functional task force to gather information about trends important to the Barina's key target market. This task force included personnel from advertising, market research, public relations, and promotions, as well as innovators from other consumer categories such as music producers, magazine publishers, and clothing marketers.

From the research, the McCann task force determined that the primary target audience would be a sub-segment of young women—those in their early 20s who were also characterized as "early adopters" , that is, the first to try something and then influence the opinions of others. The broader target audience was identified as "single, female optimists" aged 18 to 34. The third most important segment was all remaining 18- to 34-year-olds, male and female.

The research was also designed to determine why young women had abandoned the Barina. Knowing the *why* is what enables a company to create brand messages relevant to a targeted segment. The McCann task force found that safety was not particularly relevant to young women. Further, Barina's image, which was still associated with the dated "Beep, Beep" campaign, did not match the segment's aspirations—it was considered too young and "girlie". This research also revealed that young women have a great affinity with their cars—they see their car as an "accomplice" in their life. Therefore, a car's image and personality are important to this group. And the car must suit their lifestyle. McCann also found that this segment considered traditional car advertising dull, uninspiring, and unengaging. What scored high with this segment was unexpected advertising conveyed with wit.

To convince "young female early adopters" that Barina was "cool", the McCann team first had to understand what this group considered cool in general and then anticipate the next trend. To do this, the team conducted innovative multidisciplinary research designed to monitor the lifestyle and attitude trends of this group. This research unearthed two key facts: (1) The target needs to identify with the brand, by identifying with a projected brand user who represents someone she would like to be. (2) The target was interested in Japanese *manga* (a highly identifiable style of comics and animated cartoons), which if translated into advertising could potentially be a very original and unique communication device for Barina (see Exhibit 5-1).

Objectives and strategies

McCann determined that the Barina campaign's communication objectives were

- To create a "cool" image of the Barina among 75 per cent of the target audience.
- To have 75 per cent of the target audience associate Barina with two or more of the following attributes: fun, smart, independent, outrageous, and stylish.

The consumer research and resultant understanding of the key target audience indicated that if the McCann team was going to change perceptions of Barina and leave "Beep, Beep" behind, a radically different creative approach was critical. Barina needed to break the rules of traditional car advertising, in terms of both medium and message. The resulting communication strategy recommendation were

- To develop a character who reflected the identified lifestyle aspirations of the target audience.
- To develop a sense of intrigue and consumer involvement. (The target audience needed to discover Barina for itself, not be told.)
- To build the brand in a consistent supporting manner across all communication expressions.

Message and media strategy

The Japanese cartoon style provided an approach that was fresh and original and in tune with the early adopters' aspirations. The result was an animated character called "BG"—Barina Girl—which represented the target audience's lifestyle, aspirations, and personality. The story lines described BG as handling life's highs and lows with intelligence, wit, and spunk. For example, a "Bad Hair Day" commercial was inspired by discussions in a focus-group session. In this commercial, BG uses her Barina to deal with her bad-hair problem in an imaginative way.

McCann repositioned Barina as a hip brand by building a strategic street presence prior to the launch of the multimedia campaign. This was accomplished by creating a BG Roller Blading Team, which appeared at selected trendy festivals and gave away premiums branded "BG". Recipients had no way at that point of knowing what "BG" meant, and the simple "BG" logo was reminiscent of a secret underground nightclub symbol. The BG premiums included T-shirts, sun cream, backpacks, stickers, and key rings. Posters designed to look like those for underground bands were hung in selected inner-city areas.

The agency then launched a multimedia advertising campaign that capitalized on the broader target's unique relationship with each medium. The BG commercials appeared only in a select list of television programs and movies considered to be leading-edge, must-see programmes among the target. The character BG was given her own weekly radio programme on a key radio network. McCann developed new adventures each week to keep the campaign fresh, maintain consumer involvement, and capitalize on topical issues.

A half-page comic strip appeared in another popular medium for the target, a weekly magazine. The strip cartoons were supplemented with full-page colour ads themed around the magazine's special issues such as most beautiful people, celebrity weddings, best and worst dressed, and best bodies.

Evaluation of the BG campaign

Quantitative testing of the BG campaign was positive: 97 per cent of targeted respondents liked the manga-style animation. Findings from ongoing qualitative tracking studies found that the targeted segment was shifting its perceptions of the Barina and its manufacturer, Holden. In approximately 20 focus groups the campaign was discussed spontaneously and enthusiastically. In terms of the behavioural objectives, the campaign had a positive impact on sales. Since the BG campaign launch in 1998, the Barina sales decline has been reversed and sales have grown by 30 per cent. This case demonstrates the importance of segmenting a market, identifying a target, and then learning as much as possible about that target in order to create messages and select media that will have an impact.

Source:
This case was adapted with permission from the award-winning Advertising and Marketing Effectiveness (AME) brief submitted by McCann-Erickson, Melbourne.

Starting at zero with IMC campaign planning

Although managing the acquisition and retention of customers is an ongoing process, most once a year companies do a major analysis to determine what changes need to be made in their marketing communication efforts during the coming year. Each review should start with a clean sheet, as marketers consider how various tools and budgets are used. This process, which is called **zero-based planning**, *determines objectives and strategies based on current brand and marketplace conditions, which are considered the zero point.* That's particularly true when a new product is being launched.

A formal campaign plan is drawn up for several reasons. First, it provides a rational process for identifying the most important communication issues on which the company should focus over the next 12 months—that is, to determine how best to use marketing communication to help the company achieve its sales and profit objectives. Second, it informs everyone involved with MC, including outside MC agencies, what is expected of them. Third, it helps ensure that the MC effort is integrated and focused on the most important communication issues. Fourth, a MC plan tells top management how and why MC euros will be spent and what the company can expect in return for the euros it is investing in marketing communications. Finally, the plan provides a standard against which progress and final results can be measured.

In most cases, the annual plan takes the form of a **campaign**, which is *a set of MC messages with a common theme that runs for a specified period of time to achieve certain MC objectives.* The larger the MC budget, generally speaking, the more pieces and parts a MC plan will have, such as a number of different customer segments being targeted and a number of different MC functions being used.

IMC in Action

Using employee input in MC planning

For its SoftBench Suite, a Unix application program sold to businesses, Hewlett-Packard (HP) developed a marketing communication programme based on defining customers' needs. The division began its planning with a product-positioning workshop that defined customers' dilemmas with Unix and identified HP resources that could be used to address these dilemmas.

One result of this customer-focused approach was that planners determined that each HP department—sales, product marketing, engineering, customer support—understood a different aspect of customers' needs. According to a HP marketing manager, "By integrating all perspectives, we were able to think constructively about how our product addressed those dilemmas. Out of all this, we developed a creative strategy focused on customer need."

The creative strategy used the theme "We understand" to emphasize HP's understanding of the issues, pressures, and constraints that software developers and software development managers faced, such as unrealistic deadlines, hidden code errors, simultaneous development of multiple application versions, and transition problems in moving to object-oriented programming. This theme was launched in a print advertising campaign, reinforced in three direct-mail pieces and a trade-show handout, showcased on the company's website, and then later picked up in another division's direct-marketing campaign promoting a product bundled with SoftBench.

As HP managers discovered, true integration goes beyond co-ordinating graphic designs and key messages. Entire divisions or companies need to adopt an integrated attitude to implement an effective marketing communication programme. HP used that approach so that customers would be greeted at all levels with the idea that HP understood their dilemmas. For example, in speaking to customers, all HP employees—from customer-service representatives to sales associates to product marketing engineers—focused on the same thing: understanding and solving the customer's problem.

Integration as a process makes everyone in the company a salesperson. Integration as an attitude allows employees to offer solutions, not just programmed responses, to customers.

Think about it

Why is it important to use a customer focus in planning an IMC programme? How was this done in HP's SoftBench Suite campaign planning? In what way were cross-functional teams needed to plan, implement, and monitor the "We understand" campaign?

Source:
Adapted from Lindell, P. Griffith, "Lining Up Your Marketing Ducks: Integrated Marketing Communications", Marketing Computers, *October 1996, p. 27.*

IMC planning within the organization

Planning occurs at multiple levels within an organization. At the corporate level, it means revising the business plan, which is the company's overall strategy of operating, in order to maximize profits and shareholder value. The business plan is concerned primarily with profit, brand equity, and the company's share price (if the company is publicly owned).

Below the corporate business plan are the plans of individual departments—operations/production, human resources, financial, marketing, and sales. In the case of marketing, the analysis and planning focus primarily on goals for sales and share of market, which can be met through such strategies as launching a new product, a line extension, or expanding the market.

The level below the department level is where analysis and planning take place for marketing communication that focuses on customer relationships (acquisition and retention), brand awareness, brand knowledge, trial, repeat purchase, and overall customer satisfaction. In very large companies with very large MC budgets, the final level of planning is done by each of the major MC functions—advertising, publicity, sales promotion, events and sponsorships, and direct response. The *Integrated* Marketing Communication approach, however, suggests that such a planning at the level of MC functions—as if they were independent—may be suboptimal in terms of loss of effectiveness and missed opportunities for synergies.

MC planning is the planning of activities at a functional level, in contrast to business planning which occurs at the strategic level. MC plans contribute to the realization of the company's goals, and as such MC is a part of the marketing activities. So the process is that corporate goals are translated into marketing goals, which are subsequently translated into MC goals. Hence, the goals as set by the marketing department form the starting point for devising an IMC plan.

This is not the whole story, however. Truly integrated marketing communications does not only integrate the marketing communications functions, it also integrates the communicative aspects of all other marketing actions, and even actions performed by other people in the organization. This point was made more extensively in Chapter 3. Consequently, IMC planning requires a holistic view on the company's actions, and logically this should be reflected in the planning process as well. Ideally business planning is performed in consultation with all departments, including marketing, and the marketing department should base its input on its functional specialists: people focusing on communication, production, etc.

So the role of MC and MC plans is much more complex than the simple sequence: corporate plans, marketing plans, MC plans. The planning process is highly interactive. Nevertheless, at some stage, MC will be set certain goals by the marketing department: brand awareness has to increase with 10 per cent; 15 000 product trials are required by the end of the year; at least 40 per cent of our target must be able to tell the main difference from our competitor. At that stage, the MC department has to make a plan

This chapter discusses a typical planning process (see Table 5-1) used for an overall MC plan. Planners focus on target audiences, objectives, strategies and tactics, the budget, and the scheduling of MC activities. The plan also describes what ongoing market testing will be done and specifies what measurement methods will be used to determine the effectiveness of the plan once it has been executed. MC managers working with the people in their departments and with the director of marketing are responsible for putting the MC plan together. Companies that have a good relationship with their MC agencies may ask members of the agency for their ideas and suggestions.

Step	Description
1 Identify target audiences	Analyse the various customer and prospect segments, and determine which to target and to what extent.
2 Analyse SWOTs	Summarize internal (strengths, weaknesses) and external (opportunities, threats) brand-related conditions with respect to communicating with the selected target; determine the success of the MC functions and media used in preceding year.
3 Determine MC objectives	Decide what marketing communication programmes should accomplish.
4 Develop strategies and tactics	Determine which MC functions should be used and to what extent. Choose brand messages and means of delivery. Support each strategy with a rationale. Decide when each MC programme will begin and end.
5 Determine the budget	Decide what the overall MC budget will be and then how money will be divided among the selected MC functions.
6 Evaluate effectiveness	Conduct ongoing MC tests in an effort to find more effective ways to do IMC. Monitor and evaluate all the IMC efforts to determine effectiveness and accountability.

Table 5-1 Zero-based campaign planning

Applying zero-based planning

For years most companies conducted MC planning by looking at a few market research studies and then making some slight adjustments to the plan that had been used the year before. Today this approach is being replaced with the more sophisticated zero-based approach. The "zero" means that planning starts with no preconceived notions about what MC functions or media are needed.[1] Rather than starting with last year's plan, planners select functions and media in the light of current marketplace and brand conditions. For example, advertising may have been heavily used in the preceding year to increase awareness, but now awareness levels are fine and a more important concern is getting trial, which means using more sales promotion and less advertising during the coming year.

Zero-based planning makes sense because competitors and distribution channels are constantly changing, as are customers' wants and needs. With the increase in interactivity and tracking of customer interactions, companies now have more data on which to base MC and media decisions.

Merely because this planning process starts from "zero" does *not* mean, however, that a company will not continue to do some of the things it has done before. Obviously, if there is still need for a promotional effort or an advertising strategy that was used successfully in the preceding year, it should be repeated. One aspect of corporate learning is keeping track of what worked and didn't work. Such learning should help guide annual campaign planning.

The IMC planning process

The six-step planning process that is presented below is equally applicable to B2C and B2B companies; to companies of every size, from the smallest retailer to the largest global brand; to service providers as well as manufacturers; and to non-profit organizations. Each medium and each MC function has its own unique strength. An organization can determine the right mix of media and MC functions only after it has targeted its audience. The first step in zero-based planning, therefore, is to identify key customer and prospect segments.

Step 1: identifying target audiences

To advertise and promote a product to everyone would be a waste of money because there is no single product that everyone wants or can afford to buy. An analysis of consumer behaviour and customer-response factors (discussed in Chapter 4) will lead to a better understanding of the people and companies most likely to be in the market for the product. Therefore, companies (both B2C and B2B) segment customers into groups based on certain characteristics and the likelihood that group members will buy the product; then companies target messages specifically to these key audiences. The term **segmenting** means *grouping customers or prospects according to common characteristics, needs, wants, or desires*. **Targeting** refers to *analysing, evaluating, and prioritizing the market segments deemed most profitable to pursue*.

Targeting focuses the MC effort on (1) current customers who are most likely to repurchase or influence purchases; (2) customers and prospects who need special attention for whatever reason (they may have slowed their frequency of purchase, have had a serious customer-service problem, have had a dialogue with the brand but have not yet purchased); and (3) prospects who have never bought the brand but might buy it, given their profiles. Other stakeholders who affect or influence these three categories of customers and prospects may also be targeted. Because of its emphasis on consumer insights, account planning helps companies identify and understand their target audiences.[2]

Because it is expensive to send out brand messages, the more precise the targeting is, the less the media waste. Also, only by knowing whom to target can a brand do a SWOT analysis (explained next) and develop objectives and strategies that are relevant and persuasive.

Segmenting and targeting is not specific for IMC planning.[3] In fact, the marketing function will have decided on the overall target groups. But within that broader target, selecting a smaller sub-target may be useful for the MC function. For example, when a car manufacturer wants to enter the Danish market (business plan), the marketing department may decide to target the higher-income categories (marketing plan). The MC people may subsequently decide that the best group of customers to which to direct a campaign may be the subgroup of the selected target that lives in the capital of Copenhagen, given the relatively strong presence of the target in this city.

All marketing textbooks have lengthy chapters on segmenting and targeting. The main message in segmenting is that it is better for it to be based on customers' needs and wants. In other words, try to split up a larger group into smaller groups based on commonalities in needs and wants, of course with respect to the product that the company is selling. Usually multiple groups are then identified, all of which, in one way or the other, may be interesting for the company to target. Which target(s) to select is then determined by criteria that relate to the susceptibility of the group to the marketing and communication actions the company can undertake. For example, when it is known that almost all consumers in one of the targets like to watch German *Krimi's*, this common characteristic makes it possible to use the commercial breaks in those programmes to air commercials. In this case the target is selected on the basis of shared television-watching behaviour.

Step 2: analysing SWOTs

Strategic planning in general is based on an analysis of marketplace conditions. This is what a SWOT analysis does, and this also holds good for the development of a strategic IMC plan. A **SWOT analysis** is *a structured evaluation of internal strengths and weaknesses and external opportunities and threats that can help or hurt a brand.* SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats. In the case of IMC planning a SWOT analysis restricts itself to the communications and brand characteristics that are encountered. For example, a specific sponsorship can be identified as a strength; or a clear media consumption pattern can be seen as an opportunity. Other SWOT elements that may be relevant at the marketing planning level can become irrelevant at the ICM level. A company with a well-qualified workforce as a strength will not call this a strength in the context of IMC planning. Or the threat of entry of foreign companies is usually not seen as a threat when developing a communications plan. So, although SWOT analyses are performed on most strategic planning levels, the contents of the SWOT analyses do not necessarily coincide. Rather a SWOT analysis is unique at its specific level, though it is useful to tap relevant elements from the adjacent levels of planning.

Strengths and weaknesses are internal factors under a company's control (see Figure 5-1). Strengths and weaknesses are determined by asking the target audiences identified in Step 1 of the IMC planning process, colleagues within the company, or by asking a consultant to identify them. Opportunities and threats are external elements—the company has little or no control over them though on occasion it can influence them.

A SWOT analysis that is part of devising an IMC plan concentrates on Strengths, etc. with respect to the two main building blocks of MC: the brand and communication. So, although general developments must not be neglected, emphasis will have to be put on the company's marketplace situation with respect to these two aspects in particular.

Recognizing internal strengths and weaknesses

A company's strengths and weaknesses are the elements of a SWOT analysis over which the company has control. Strengths are competitive advantages; weaknesses are competitive disadvantages. Strengths should be leveraged and weaknesses fixed. Mercedes has a strong

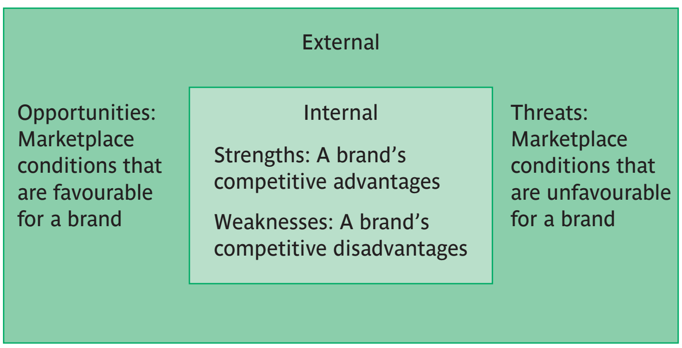

Figure 5-1 SWOT Analysis Categories.

brand name, associated with robustness, reliability and strength. Mercedes can leverage this brand name when introducing new versions, e.g. the B-class.

Strengths and weaknesses related to the *brand* include such things as how customers and prospects perceive a brand's innovativeness, the convenience of finding and buying the brand (distribution), its pricing compared to competition, the expertise and helpfulness of its sales force, the condition of its physical facilities, and its overall financial strength. Brand image, brand positioning, corporate culture, and core values can also be either strengths or weaknesses. (Although brand images and reputations live in customers' minds, they are considered internal controllable elements because the company can make changes in the 4 Ps (including MC messages) that will in turn affect how these are perceived.)

To determine which are the strengths and weaknesses of *customer brand relationships*, research can have customers rate a brand and its competitors on the following characteristics, or *relationship constructs*, which are dimensions of brand relationships (also see Chapter 2)—whether they:

1. *Trust* the brand.
2. Are *satisfied* with the brand.
3. Perceive the company as *consistent* in its dealings and product performance.
4. Perceive the company as *accessible.*
5. Perceive the company as *responsive.*
6. Feel the company is *committed* to customers and puts them first.
7. Have an *affinity* for the company and its other customers.
8. *Like* the company and enjoy doing business with it.

To determine the strengths and weaknesses of a brand's *communications*, a SWOT analysis should also include how the brand compares to its competitors in each of these areas among the target audience(s):

- Media presence.
- Appreciation of advertising.
- Access to media.
- Possession of an advertising property (an **advertising property** is *an element in advertising that is uniquely related and attributed to one brand*; e.g. the picture of a tiger in action is uniquely associated with the brand Esso).
- A strong sponsorship.

Just as important as *how* a brand scores on these constructs is *why* it scores high or low. For example, if a brand scores low on trust, the first thing a company must do is determine the source of the distrust (among the possibilities are poor customer service, overpromising in planned messages, and poor product performance). Negative performance messages can make millions of euros in marketing communication a wasted investment.

An example of the benefits provided by a SWOT analysis comes from athletic-shoe manufacturer Nike's early experiences of selling to women. In the early 1990s women made up only about 5 per cent of Nike's customer base. Consequenlty, women became a target for Nike, and when the company did some customer research, it discovered that women did not find advertising that featured Michael Jordan and other male athletes relevant; these messages didn't talk to women. In order to fix this Weakness the company created a separate women's campaign with advertising copy that addressed how women felt about their bodies and themselves, responding to the trend of the 1990s that physical presence was becoming an important aspect in social live (Opportunity). The ads included lines such as "Did you ever wish you were a boy?" "You were born a daughter", and "A woman is often measured by the things she cannot control." Soon after this campaign, women accounted for 15 per cent of Nike's sales.[4] Such success is what led Nike to move further into the women's market, reaching the market niches of girls and young women.

A company can employ many ways to learn of its strengths and weaknesses: by formal market research, but also by analysing service calls, interviewing the sales force and front-line retail employees, doing observation studies of customers shopping, maintaining customer advisory boards, reviewing what the trade press and the popular press are saying about the company and brand, and doing formal or informal surveys of the brand's suppliers and channel members.

Recognizing external opportunities and threats

External factors that companies must live with are a mixture of opportunities and threats. Threats are marketplace conditions that reduce the perceived value or attractiveness of a brand or that result in its being more costly to make or provide. Threats can also be found in changes in the media landscape, both on the consumer side (e.g. people spend less time reading), or on the supply side (e.g. the explosion of television channels consumers can choose from). By definition, threats cannot be controlled, but sometimes a company can lessen their impact. The idea is to anticipate them and make efforts to counteract them.

Opportunities are social and economic conditions and situations in the marketplace that can positively alter customers' attitudes about and behaviour toward a brand or its communication. Smart companies identify and leverage opportunities. Increases in commuter behaviour and the subsequent introduction of tabloid newspapers distributed for free at railway stations in various European countries like Sweden offer distinct opportunities for brands which have those commuters as their target groups (e.g. mobile phone operators).

SWOT analysis

Once the SWOTs have been identified, they need to be analysed. This means that the SWOTs must be assessed in a systematic way. Many things can be taken into consideration when analysing SWOTs, among which the following aspects can be used for most product categories:

1. *Realistic damage* to brand relationships and brand equity if a weakness or threat is not addressed (i.e., anticipated and counteracted).
2. *Realistic benefit* if a strength or opportunity is leveraged (i.e., used to its full potential).
3. *Cost* of addressing or leveraging each SWOT.
4. The *time frame* in which the company has to address or leverage each SWOT.

After the company has analysed its SWOTs, it must use them to set objectives. No company has the time or resources to address and leverage all its SWOT findings, but the analysis can help IMC planners determine where to focus their attention. A SWOT analysis also leads to decisions about which marketing communication tools to use. Table 5-2 illustrates how a SWOT analysis translates into MC objectives and a choice of MC functions for a fictitious new product launch.

Key SWOTs	MC objectives	Best MC function	Rationale
No brand awareness	Create 40% awareness among target	Advertising	Mass media advertising quickest in building general awareness
Identifiable sub-target	Create 70% awareness among sub-target	Direct marketing	Small audience; contact information available
Availability problem	Sell 3500 units in advance of availability	Direct marketing	Use personal contact medium to presell target

Table 5-2 Examples of measurable objectives

Step 3: determining marketing communication objectives

The primary purpose of setting objectives is to state what is to be accomplished in order to direct an organization's efforts and allow the organization to evaluate effectiveness. **Objectives** are *what marketers want to accomplish with marketing communication.* They should be measurable if marketers truly want to prove that an MC plan was effective. "Measurable" means that numbers are assigned to the objectives, such as "Increase awareness by 10 per cent" or "Motivate 70 per cent to buy the brand again".

Communication objectives versus marketing objectives

Communication objectives should focus on things communication can achieve. Increasing awareness, changes in attitudes, increased knowledge of the brand, response because of the communication. In general the IMC plan will be part of a Marketing plan, that will have its own *marketing objectives*. Marketing objectives and communication objectives may coincide, but it is more logical to think of marketing objectives that are formulated in higher-order marketing terms. For example, a newly introduced product should sell 12 000 units in its first year. All marketing instruments should play together to reach this marketing objective. Accompanying communication objectives could then be that 20 per cent of the target market should have the brand Top of Mind in this product category, 20 000 requests for information should be collected, the sales promotion must lead 4000 customers to closing the deal, etc. The last objective in particular illustrates that communication objectives and marketing objectives can come very close to each other. Bear in mind that the main distinction is that communication objectives should be within the scope of *only* (integrated) communication activities, whereas marketing objectives are the result of all kinds of marketing actions. When you recall from Chapter 3 that marketing actions like pricing themselves have communication implications, you start to appreciate the subtleties of the marketing discipline.

SWOT findings determine objectives

Here is an example of how a SWOT analysis can be used to set objective. Whisky is not a product people learn to drink naturally. So the product category is traditionally facing the problem of attracting new consumers. New consumers are also typically in their thirties, when consumption habits have been established. New products are not so often tried, consumers of that age have to be persuaded and, more importantly, informed. A SWOT analysis may have revealed that potential new consumers are especially scared off by the large variety of choices of whiskies, and have the feeling they cannot see the wood for the trees.

The logical conclusion of this analysis is that potential new consumer should be well informed. So a leaflet may be designed that gives clear and detailed, but easily accessible information about the various types of whisky, and drinking advice. Objectives may be made concrete, e.g. in one year 50 000 leaflets should be picked up by consumers, of which 20 000 should show serious interest, e.g. by asking the retailer for further information or advice. Or the leaflets should lead to 15 000 visits of a specially designed website.

What makes a good objective?

Because a marketing plan defines the target audience at the outset, objectives do not have to mention the target. Only when the target audience is different from the stated one—for example, because the SWOT analysis led to a focus on a sub-target—is it necessary to define it in an objective. Also, it is assumed that each objective listed must be achieved within the year for which the plan is designed. As with the target audience, the time period is stated only when it differs from the overall plan—for example, "Within the first three months, obtain 75 per cent awareness among the retail trade of the brand's new, improved formula."

Well-written objectives pass the SMAC test. They are

Specific.
Measurable.
Achievable.
Challenging.

The more *specific* an objective is, the better it is. The objective "Increase brand knowledge by 15 per cent" is less specific than "Increase knowledge of the brand's superior warranty by 15 per cent".

Objectives are *measurable*, otherwise it is not possible to determine whether they have been achieved. It is sometimes tempting to state objectives in easy-reading terms: "Brand awareness should increase with 10 per cent", or "25 per cent of our current customers must become loyal customers". When an objective is just this, the objective does not pass the measurability test. The problem is that concepts like awareness and loyalty have multiple interpretations. Chapter 2 has already demonstrated that for the awareness topic: awareness can be defined at different levels, and as far as loyalty is concerned, an important question is whether loyalty is only repeat purchase behaviour, or can also be manifested in a "loyal" attitude. Therefore, the concepts as they appear in objectives must be well defined, and in a way that makes them measurable.

In order to set a realistic and measurable objective, a company first needs a *quantifiable measure of the current situation*. This measure is called the **baseline** or **benchmark**. For example, if you want to set a share-increase objective, you first need to know what the current share is. If the current share is 10 per cent and you want to increase it to 12 per cent, then you are proposing a change of 2 share points. This is a 20 per cent increase (2/10 {equals} ?20%). But herein lies a problem for most companies: they are not willing to spend the money required to determine the necessary benchmarks. Unless a company knows what percentage of its target audience is aware of its brand, has tried it, has made repeat purchases, and so on, there is little or no basis for setting measurable objectives.

When objectives are *achievable*, those responsible for meeting them will be more inclined to take them seriously. Some managers set objectives too high, hoping to maximize the effort of those involved. Because meeting objectives gives employees a sense of satisfaction, employees are likely to resent managers who consistently set unreachable objectives. Yet objectives should be *challenging* in order to push employees to be creative and do their best work. Objectives need to be set in some interval ranging from minimally challenging, to just achievable.

Using consumer behaviour models to set objectives

As explained in Chapter 4, consumer response models explain how brand messages affect the brand decision-making process. Companies use the steps in these models to guide them in setting MC objectives. The AIDA sequence—awareness, interest, desire, action—for example, suggests that a brand has *communication* objectives for achieving certain levels of brand awareness, certain levels of interest, and so on. Action, the last step in the AIDA sequence, is a *marketing* (behavioural) objective.

In the case of B2B products and high-priced consumer products, MC objectives may address where customers are in their buying process. An insurance company may set an MC objective for its sales representatives as follows: "All customers who request a quote on their home and automobile insurance policies will be contacted personally within 72 hours of their quote requests." This objective would relate directly to customers at the interest step in the AIDA sequence.

Figure 5-2 shows that the percentage of the target audience affected at each hierarchical step gets smaller as customers move toward the last step, action.[5] This illustration gives hypothetical response rates to demonstrate how drastically the percentage of customers affected drops as customers move through this series of effects. Drop-off happens because making people aware of a brand is much easier than persuading them to buy a brand or take some other action. The level of expected impact obviously varies with the product category, the brand, and the strength of the brand messages.

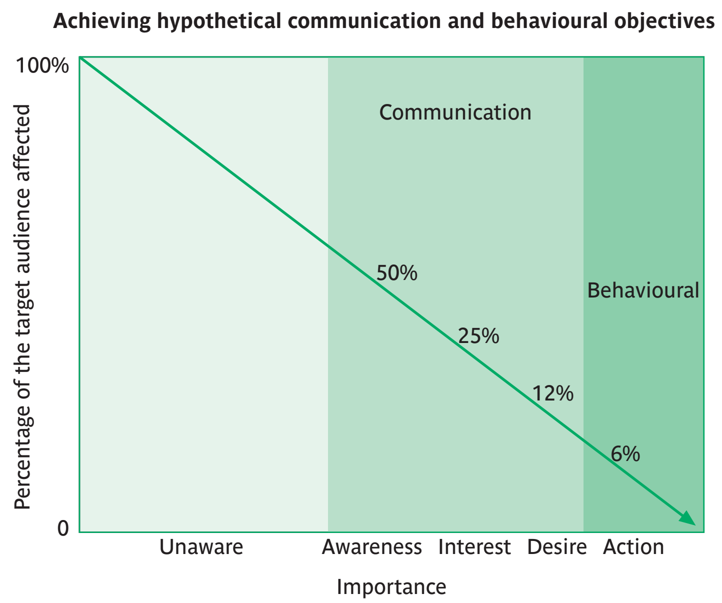

Figure 5-2 Achieving communication objectives is easier than achieving marketing (behavioural) objectives.

MC objectives can also be based on the think/feel/do model (Chapter 4). Once a company decides what a target audience should think and feel about a brand, it can determine a desired percentage for thinking and feeling. Examples of "do" objectives were given earlier. Here are examples of "think" and "feel" communication objectives:

"Think" objectives

- Convince 50 per cent of the target audience that Brand X is the most durable.
- Make 35 per cent of the target audience aware that Brand X has the longest warranty.

"Feel" objectives

- Have 40 per cent of the target audience rate Brand X as the brand "easiest to do business with".
- Convince 55 per cent of the target audience that Brand X is the most prestigious of all brands in its category.

The quantitative aspect of an objective—the percentage or raw number to be achieved—often depends on the brand's past performance and how much MC support is available. The more research that has been done on the results of past MC efforts, the more educated the current estimate can be. For example, if customers' measured interest in the brand is generally half of their measured awareness of the brand, and their action is half of their desire for the brand, it would be realistic to set an awareness objective of 80 per cent, an interest objective of 40 per cent, and a desire objective of 20 per cent in order to justify increasing the action objective to 10 per cent.

MC objectives can also be set for one or more of the eight brand relationship constructs listed earlier in this chapter. Knowing that trust, for example, is the most important relationship component, a brand would be smart to have a trust objective, such as "Determine that at least 85 per cent of current customers *trust* our brand more than any other." Other such communication objectives could include the following:

- "75 per cent say our brand is the most *responsive*."
- "80 per cent say our brand is the most *consistent* in its dealings with customers."
- "90 per cent say our company is more *accessible* than any other competing company."

Some marketers do not focus too much on attitudinal objectives because, they argue, there is no absolute link between achieving them and achieving behavioural objectives. Although it is true that increases in awareness, trust, and other pure communication measures do not guarantee increases in sales, common sense says that if no one is aware of a brand, or if those who are aware of a brand do not trust it, the chances of its selling well are small. The exact relationship between attitudes and behaviour differs by brand and over time as marketplace conditions change, but there is always some level of relationship. This is why it is imperative that brands conduct ongoing evaluations of customer perceptions and behaviour.

Once the objectives have been written in terms of leveraging or addressing the key SWOTs, the next step in zero-based planning is figuring out how to achieve the objectives.

Step 4: developing strategies and tactics

Every objective should be supported by one or more strategies. **Strategies** are *ideas about how to accomplish objectives.* [Refer to opening case] To accomplish this, various tactics are used.

Tactics are *specific actions to be taken to execute a strategy*. They are the executional details that bring a strategic idea to life. [here again reference to the opening case is required]

The MC agencies are generally responsible for tactics as well as strategies. Artists, writers, producers, and creative directors make the strategic ideas come to life in the form of commercials, brochures, and merchandising kits. Chapter 6 discusses message strategies in more detail; Chapter 7 covers tactics. Here these topics are covered on a more general level for understanding their role in the IMC planning process.

Phases of strategy development

The strategic development of an MC plan generally goes through two phases. The first is determining *which* MC functions and which media to use. This is generally obvious from the SWOT findings, as previously explained. The second phase is the more creatively challenging and is the reason why companies hire MC agencies. In this phase, ideas must be created for *how* each MC function and medium will be used.

Phase 1: Selecting the marketing communication and media mixes Most marketing communication plans use a mix of MC functions because there are always several SWOT-identified areas that need to be addressed or leveraged. A **marketing communication mix** is *the selection of MC functions used at a given time as part of a marketing programme*. Deciding which MC functions can most efficiently and effectively help achieve the MC objectives is not too - difficult if marketers stop and think about what each MC function does best. For example, to help achieve the objective "Increase belief of brand claims by 15 per cent", publicity would be used because it has relatively high credibility. If the objective is "Increase trial by 25 per cent", then sales promotion may be the best MC tool because sales promotion adds tangible value to a brand offering. The larger the MC budget is, the deeper a company can go in addressing and leveraging SWOTs; often the result is the use of several of the major MC functions.

The challenge of determining an MC mix is not only deciding which functions to use but how much of each. One MC function may take the lead while one or more of the others are used for support. Many sponsorships are followed up by direct marketing campaigns, explicitly referring to the sponsorship. In such cases the sponsorship creates awareness and an entry point for the direct marketer and, most important, some familiarity with the brand is evoked.

Selecting the right media mix is just as important as selecting the right MC mix. A **media mix** is *a selection of media channels used to deliver brand messages*. Media mix strategies and creative message strategies are interdependent and ideally are developed in parallel. For each target audience, a strategic media mix is determined. In any given campaign, different types of media can be used at different times and to different extents to deliver specific types of messages to specific audiences (media mix is discussed in detail in Chapters 8 to 10). As you can see in Table 5-3, most media are used by most of the MC functions but to varying degrees. For example, sales-promotion offers are most often delivered by mail, magazines, and newspapers, and very seldom by radio and TV (infomercials and home shopping channels are direct-marketing activities). This is why the MC mix and the media mix must be integrated.

Phase 2: Selecting the creative idea Inexperienced marketers often mistakenly think that selecting a particular MC function or medium constitutes a strategy. The big creative idea however, is a crucial part of a strategy. The big creative idea is an almost enchanting phenomenon in IMC, the element which elevates IMC above a straightforward management task, or an

MC functions	TV	Radio	Newspaper	Magazine	Mail	Internet	Outdoor
Advertising	XXX	XXX	XXX	XXX	X	XXX	XXX
Publicity	XXX	XXX	XXX	XXX		XXX	
Sales promotion	X	X	XXX	XXX	XX	XX	
Events			X	X	X	X	XX
Direct response	XX	X	X	XX	XXX	XXX	
Sponsorships	XXX	XX		XX		XX	X
Personal selling					XX	XX	

Table 5-3 Extent of media usage by each major MC function

Note: The number of X's represents to what extent each MC function makes use of each medium: XXX = frequently used; XX = occasionally used; X = rarely used.

object of study. Thinking of, talking of and analysing creative ideas is the most appealing aspect of studying IMC to many, but, please note, it is nevertheless only a part, and in all honesty, just a relatively small part, of the entire IMC planning process.

Developing a creative idea and MC and media planning interact. In some instances the creative idea determines which MC functions and media are most useful. In other instances, however, decisions on MC functions and media follow from the SWOT analysis—e.g. the selected target group has an outspoken media profile—so that the creative idea is subject to fitting within these decisions on media usage. Creative strategies and how to execute them are discussed in detail in Chapters 6 and 7. Here, two examples are given.

Assume that a company decides that, given the SWOT analysis, sales promotion will work best to communicate the benefits of an innovative cold-curing medicine. A weak, incomplete strategy would be: "Use sales promotion" because it doesn't contain an *idea* about how to use the MC tool. "Use a team of doctors to conduct a media tour explaining the breakthrough qualities of the brand in curing the common cold": this is a much better strategy. Tactical decisions would involve selecting the towns, such as the top 10 markets, for the media tour. This strategy not only implies a MC function—publicity—but states an idea for *getting* publicity.

Another example is the strategy used by Michelin, manufacturer of premium-priced automobile tyres. One of Michelin's communication objectives is to convince car owners that Michelin tyres are the most durable and safest on the market. A weak strategy to accomplish this objective would have been "Use television advertising." Instead, Michelin devised a strong, creative strategy: "Associate the Michelin brand name with protecting families by showing babies sitting on or in Michelin tyres." This strategy links Michelin tyres to babies (who, everyone knows, are precious and have to be protected); the message is "Michelin is a safe tyre—it protects." Advertising now seems the most appropriate MC function and the use of pictures is essential. This naturally leads to television advertising, print. But another elaboration of this creative idea could have been to sponsor children's playing areas that often use old tyres.

Strategy involves timing and scheduling

An important aspect of MC strategy is timing and scheduling—determining which media placements, promotional programmes, and other MC activities should happen first or last or in between. For example, most brands have seasonal buying patterns—sales are higher during some months and lower during others. Most swimsuits, for example, are sold in late spring and early summer. Strategic planners must decide how far in advance of the buying season to start sending out brand messages and how late into the buying season to maintain marketing communication support.

There is no magic formula for timing promotional programmes. Normally each product category has its own seasonal pattern. Companies can apply some logic, however. Most promotional support for swimsuits, for example, begins in late winter and early spring. This is when people begin to tire of cold weather and begin thinking about the pleasures of summer. During this time, people are most receptive to swimsuit brand messages. Another factor is when retail stores begin displaying the suits. When stores set out new merchandise, they expect manufacturers to have marketing communication programmes running that will help generate sales.

Timing is also important when publicity is part of an MC campaign. Where the publicity angle has news value (for example, a new product or a significant improvement to an old product), it is better to do the brand publicity before advertising. This way, the information is still news and editors will be more likely to run the stories.

A challenge often faced by both B2C and B2B companies is co-ordinating the timing between marketing, production, and sales. Each of these areas needs lead times of several months (sometimes even more). Once a new product has been given the go-ahead for production, three to six months may elapse before the first product is actually manufactured. At the same time, the sales department is making calls and presenting the new product so that when production starts, finished goods will not have to sit in a warehouse for long. To support the sales effort, marketing communication materials—ads, direct-mail pieces, special events, tradeshow exhibits—need to be produced, which can take several months. In the case of some consumer products, media time and space need to be bought three to six months ahead to guarantee the best rates and placement.

Timing and co-ordination go together. They are both critical elements of integration. The best way to ensure right timing is to discuss individual department plans in cross-functional meetings, letting everyone know what everyone else is planning to do and when they are planning to do it.

Step 5: setting the budget

Marketing and marketing communication departments (and their campaigns) are allocated *a fixed amount of money for a fixed period of time*—in other words, a **budget**. Marketing competes with all other corporate departments (such as finance, production, and human resources) for its share of the total corporate budget. Each department brings in a budget along with a projection of what the spending will do to contribute to the company's profits. Management then allocates a portion of the overall corporate budget to each department based on what management feels is the best combination of spending to maximize profits.

In a perfect world these allocations would be done objectively and rationally. Based on a marginal analysis it would be determined which euros would lead to the same amount of euros in return, and those would be the last euros to be allocated to the marketing department. For example, when increasing the budget from 45 000 to 46 000 euros would lead to 1000 additional euros in revenues, the optimal budget would be 46 000. When the additional revenues would be less than 1000, the optimal budget would be below 46 000. But when the revenues would increase by more than 1000 euros, the optimal budget would be above 46 000. But that is the theoretical world of economics and textbook analysis. And although it is important to understand this fundamental concept of marginal analysis, actual budget allocation approaches are much more down to earth,

In fact, the reality is that allocating corporate funds is all too often a highly political process. The more political power certain managers or departments have, the more likely they are to receive more than their objective share. That is why cross-functional management is important. The more others in the company, especially top management, know what the marketing department does and accomplishes, the more political support it is likely to have.

Once marketing receives its budget, it then needs to allocate the money to the various MC functional areas, which, like the departments, compete among themselves for what they feel is necessary to run their programmes. A universal curse of planning is that no one ever has a large enough budget to do everything that needs to be done. This means adjustments need to be made in plans. In the case of marketing communications planning, this adjustment can be made fairly easily if the plan is based on prioritized SWOTs. Managers simply go back to the plan and take out the lowest-priority objective or two—whatever it takes to stay in budget. The remaining objectives and supporting strategies then determine how much money will be allocated to each MC function and to major types of media.

Cost or investment?

From an accounting perspective, MC spending is an expense—one of the many costs necessary to run a business. Most marketers, however, prefer to think of MC spending as an investment. The difference in these two philosophical perspectives is that "costs" are necessary evils but "investments" provide a *return on investment (ROI)*. The better the investment is—the smarter marketers and their agencies are about how MC euros are spent—the greater is the return on the MC investment.

The problem with considering MC spending as an investment is that so many other things besides ads and promotions affect sales. Some of these other variables are support received from channel members, what competitors do regarding making product improvements or changing prices, new government regulations that affect producing or selling the company's product, and social and economic trends that affect how consumers spend their money. Even weather can affect sales: too little snowfall in the winter can have devastating impacts for ski resorts, or a cold spring can reduce swimsuit sales. Consequently, although marketers promise that they can create a certain level of sales, top management knows that these promises are subject to many unknown and uncontrollable factors.

One of the problems with this approach is that a link is sought between MC activities and sales. Recently discussions have started on the possibility of capitalizing MC spending on the financial account under the heading of intangible assets. In particular the question is whether Brand Equity should be accepted as the result of branding activities, including MC. This would definitely do more justice to the principles behind MC, in particular as advocated in this book. It must be acknowledged, however, that other measurement issues have to be solved in order to make this a realistic approach.

When a company's top executives consider MC a cost rather than an investment (as most of them do), they are much more likely to cut MC spending when business becomes weak. They argue that by cutting costs, they can maintain profits (profits are what is left after costs are subtracted from total sales revenue). Marketers argue back that reducing MC spending will result in sales being reduced even more. The problem with both arguments is that they can be proved only after the fact—after costs have been cut or after a plan is allowed to run without being cut.

IMC in Action

Balancing brands

Marketers love to say that expenses for brand building like advertising have to be seen as an investment rather than a cost, building the asset brand equity. But do they realize the impact of this statement? Assets are subject to accounting principles and rules: marketers don't live in an isolated paradise but have to recognize the rules of the game. Accountants, strictly monitored by governments or other public bodies, set these rules. What are these rules for intangible assets in general, and brand equity in particular? For years there has been a battle between brand managers and accountants about this very question.

It was in the late 1980s that brand acquisitions (e.g. Grand Metropolitan buying Pillsbury) were popular and that the debate about brand valuation raised awareness. During this time it also became clear that companies were acquired more for their intangible assets and less for their tangible ones. This resulted in high levels of the account "goodwill" on the balance sheet. Shareholders became concerned about this and required reassurance about the real value of this goodwill, needing to distinguish the brand from goodwill in order to know what was really going on. The International Accounting Standards (IAS) tell us that an intangible asset must be identifiable (i.e. must becapable of being separated from the company) when treating it differently from goodwill. Obviously, companies will have no problem when they have to capitalize the cost of a brand purchased in isolation. However, what should they do when brands and goodwill are combined in a business acquisition? And to make the problem even more difficult: how are internally generated brands valued?

Continuing with the rules concerning the accountability of a brand, consider a basic accounting principle like amortization. When buying a car, it is clear how to deal with this principle. However, it becomes again a grey area in the case of intangible assets and, in particular, brands since we cannot know its useful life. And this useful life is in turn needed to estimate the amortization. The IAS say that the useful life of an intangible asset can be short, but it can be very long or even indefinite. Furthermore, "uncertainty justifies estimating the useful life . . . on a prudent basis, but is does not justify choosing a life that is unrealistically short". Moreover, economic and legal factors can influence what is "useful life". Economic factors shape the period over which future economic benefits will be received by the company. Legal factors can restrict the period over which the company controls access to these benefits. Overall, the lack of clarity here leaves some space for a debate. . . .

Fortunately, despite the confusion over the rules, there is no confusion about international differences in accounting practices for intangible assets. There are only a few countries with clearly defined rules for recognition and amortization. Countries such as Australia, New Zealand, Sweden, South Africa, Singapore and Hongkong have simply to match their own national standards with those of the IAS. For example, in the USA and Canada the amortization period of brands is, at most, 40 years while in New Zealand it is, at most, 20 years. Finally, in European countries, the rules vary between countries and even between different types of intangibles.

Think about it

Is amortization the only problem of having brands on the balance sheet? How does this story relate to the practice of Interbrand publishing a top 100 of the most valuable brands?

Sources:
Interbrand internal document on the valuation of brands.

International Financial Reporting Standards

http://www.emeraldinsight.com/Insight/ViewContentServlet?Filename=Published/EmeraldFullTextArticle/Articles/0560181006.html

Determining how much to spend on MC

Many factors, both internal and external, affect how customers respond to MC. Nevertheless, most marketers agree that when all other factors are held constant, the relationship between MC spending and MC impact roughly follows an S curve, as shown in Figure 5-3. The relationship between spending and effect is not linear—that is, increases in euros spent do not generate a constant increase in effect. For the sake of the argument, let us assume the effect is in terms of sales (but in the following sales can be easily replaced by "top-of-mind awareness", or "consumers trusting the brand", etc.). The S curve shows that when a company underspends (situation A), the brand's advertising and promotion are not enough to have a presence and therefore have little impact. Like a choir with too few members, too little spending can hardly be heard. The middle part of the S curve (situation B) is the ideal spending range: incremental spending produces incremental sales. At the top of the S curve (situation C), the return from additional spending has a decreasing affect on increasing sales. Situation C often indicates that the market has been saturated. Everyone who is likely to respond to brand messages has been reached and persuaded to buy. Those who are still not customers would require so much persuading that it would not be cost-effective to do so. The ideal situation would be where the marginal euro spent on MC leads to one more euro of sales: the criterion already introduced as marginal analysis.

Determining the spending level that will correspond with situation B, in which the company gets the best return on the MC euros spent, is challenging, because the "right amount" of spending varies by product category and even by brand. In practice companies use several

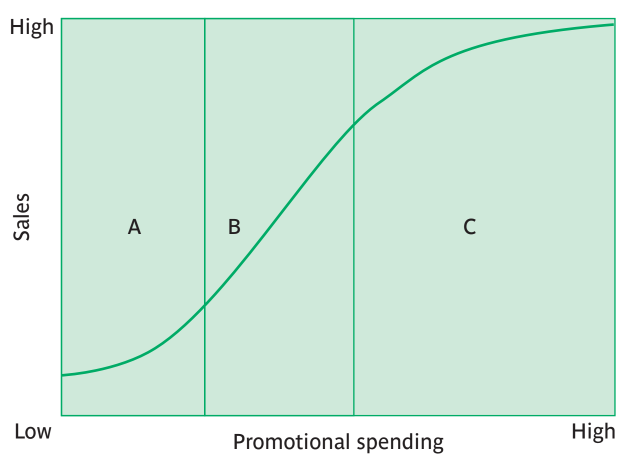

Figure 5-3 Why is Situation B the ideal spending range?

different budgeting methods to determine how much money to allocate to MC, essentially unrelated to the marginal analysis. Recognizing the difficulty of predicting sales results, most companies use a combination of four types of budgeting: per cent-of-sales, return-on-investment, objective-and-task, and share-of-voice.

Per cent-of-sales budgeting This method is based on the sales forecast for the coming year and the costs of making and selling the product. This percentage is found in a brand's financial **pro forma**, which is *a breakdown of forecasted sales on a per unit basis*, as shown in Table 5-4 for a fictitious cartridges manufacturer.

To budget for MC, a marketer looks at all the costs involved in making and selling a product, as well as a desired (and realistic) profit. Each area (production, MC, distribution, and so on) estimates how much money it will need to do its job. These amounts are added up, and a total cost per unit is determined. The company then estimates (by looking at competition and examining its own competitive advantages) what it believes is a reasonable selling price per unit. It then subtracts all the costs from this selling price to determine whether enough profit is left to meet desired profit objectives. If there is not, then all the various areas must see where they can reduce costs. Also, the selling price may have to be adjusted as well as the desired profit objectives. Cross-functional management can be helpful in this process.

Variations of this approach exist. Instead of asking the departments what they think they need to achieve their goals, company's management may set a percentage of the sales price as a fixed parameter. Another variation is that instead of looking at expected sales, the total budget is determined as a percentage of last year's sales. Finally, the affordable method works much like illustrated in Table 5-4, with the important difference that the MC budget is not included in the calculations beforehand, but rather follows from subtracting all estimated costs from the expected revenues: what remains can be spent on MC. In other words the MC budget is determined by what the company can afford to spend on MC. What all variations have in common is that they are based on a breakdown of sales figures, leading to a percentage of the sales prices (or revenues at large) to be budgeted for MC.

In most companies, the percentage of sales spent on marketing communication is similar from year to year. Many companies that use this budgeting method also keep their MC and

Forecast number of cases that will be sold next year	1 000 000
Sales price per case	$25
Forecasted sales revenue	$25 000 000

	Dollar allocation per case	Percentage of sales
Cost of goods (materials)	10.00	40
Labour	2.50	10
Warehousing and distribution	1.25	5
Sales commission	2.50	10
Marketing communication	**2.50**	**10**
Administration and overhead	3.75	15
Profit before taxes	2.50	10
Total	25.00	100

Table 5-4 Pro forma for cartridge manufacturer

media allocations nearly the same from year to year. For example, if 50 per cent of the MC budget was spent on TV and magazine advertising last year, that is the percentage of the MC budget that will be allocated to TV and magazine advertising this year. As you might imagine, merely repeating the previous year's spending mix, regardless of changes in the marketplace, is the easiest but not always the smartest way to budget. What is smart is to analyse what last year's budget was able to produce, and to determine which MC functions and media provided the greatest return. These findings, along with an analysis of what it will cost to accomplish specific objectives, should determine how much to spend on MC.

Another drawback to the per cent-of-sales method is that it assumes that the creative strategy and execution, as well as the MC functions used, are the same from year to year. The reality is, if a company and its MC agencies are able to come up with a creative idea that is very attention getting, memorable, and persuasive, the company may actually be able to cut back on spending because the brand messages are working harder than normal. (Some would argue that when such a successful campaign is developed, spending should be increased in order to fully leverage its impact. This is an especially strong argument for a brand that has a relatively small share of market and thus a lot of opportunity for growth.)

A more fundamental drawback of per cent-of-sales method is that it does not recognize the relationship between MC and a company's performance. Per cent-of-sales typically results from seeing MC as a cost. With per cent-of-sales the question is: "what does MC cost us", instead of: "what can MC give us". Further, per cent-of-sales tends to be pro-cyclical: when a brand or product is doing badly, automatically the budget for MC is cut, whereas a rise in the budget may be required to recover sales. When indeed the MC budget is reduced, this will do the brand no good, leading to even lower sales which leads again to lower budgets, etc. Breaking this negative spiral is impossible when a company relies on per cent-of-sales budgeting.

ROI budgeting return-on-investment (ROI) *This is a ratio of income to spending.* Top management likes this method because it comes closest to telling to what extent the company will profit from the euros allocated. There's an old saying: "You have to spend money to make money." To be profitable, however, a company must make *more* money than it spends. If it spends 100 euro, it had better make back more than 100 euro. When it does, it has a positive ROI. One of top management's major responsibilities is to *maximize* the return on the monies the company spends.

Related to ROI budgeting is **break-even analysis**, which is *a formula for determining the point at which the cost of selling equals the revenue.* Suppose the cartridges company, introduced in Table 5-4 has an opportunity to sponsor 10 major festivals in England which will cost 200 000 euros, in addition to its regular activities on which the calculations in Table 5-4 are based. Money for this sponsorship was not included in the budget, so the sponsorships must produce sales in addition to the 1 million cases already budgeted for. The question that marketing must answer is: how many additional cases must be sold to pay for this sponsorship—that is, to make it worth doing? In other words: how many cases must be sold additionally to make the sponsorship break even.

The answer to this question is found by applying the break-even formula, which reads: promotion cost divided by the dollars per case available. We know that the promotion cost is 200 000 euros. But what are the "euros per case available" to pay for this? To find this, we go back to the company's pro forma (Table 5-4). At first glance, we might say the euros available are 2.50, which is the amount per case allocated to MC. But there is actually more money available. We can add to the MC 2.50 euros the monies allocated to "administration and overhead"

(3.75) and the "profit before taxes" (2.50), because "administration and overhead" is a fixed cost and the 2.50 per case for profit was to generate 2.5 million euro, which is all the company is expecting in profit. Fixed costs, such as electricity, heating, and employee salaries, are those that do not change with slight sales variations.

Euros Available per *Extra* Case Sold	
Regular MC allocation	2.50
Administration and overhead	3.75
Profit before taxes	2.50
Total per extra case	8.75

We can now determine how many extra cases must be sold as a direct result of the festival sponsorship. We divide _200 000 by 8.75, which equals 22 857 cases, which is the minimum number of cases needed to be sold to break even on an investment of 200 000

Once the company's marketing and sales force know how many extra cases have to be sold, a judgment call must be made. If they feel confident that the festivals will be able to generate that amount or, better still, *more* than that amount, then the sponsorship would be considered a good investment.

The ROI approach is a straightforward means of comparing alternative budgets. Effectively an ROI analysis asks what the ratio of return to spending is. The key of ROI is that it compares different plans on a common basis. This is definitely a key strength of ROI-type approaches. But there are also at least two important drawbacks to ROI analysis. The first is that the approach depends heavily on the ability to translate all outcomes in common terms (most often in dollars or actual sales). As was discussed before, MC goals are not always stated in terms of sales figures. That is an important distinction between marketing objectives and MC objectives. A second drawback is that ROI analysis typically relies on ratios and loses sight of absolute numbers. Sometimes, the absolute numbers are important, however. For example, in an awareness campaign one plan may lead to a 2 per cent increase in awareness for 100 000 euros, while another campaign leads to a 10 per cent increase in awareness for 600 000 euros. According to ROI the first plan is better, but is it also better when looking at the absolute impact of the two alternatives?

Objective-and-task budgeting This method starts with zero-based planning which determines the marketing communication objectives and the "tasks" that need to be done to accomplish each objective. An **objective-and-task budget** is *an estimate of the cost of each MC task identified by zero-based planning.* Suppose one objective is "To increase customer retention 10 per cent", and it is decided that the most cost-effective way to do this is to send each customer a New Year's thank you basket of fruit and candy. This cost can be easily estimated. If this or a similar programme has been used before, *and* if the company kept a record of these programmes and their results, the costs and results can be more accurately predicted.

MC agencies often have useful information about the cost needed to achieve certain objectives, particularly if they used similar programmes to other clients and know the costs and results. (Of course, it must be borne in mind that agencies are eager to sell their programmes and thus will sometimes select the most positive results to share with clients.)

The limitation of objective-and-task budgeting is the difficulty of predicting accurately how much spending is needed to accomplish each objective. What worked last year may not work this year.

Share-of-voice budgeting **Share-of-voice spending** is *a brand's portion of total media spending in that brand's product category*. The starting point in share-of-voice spending is that this share is compared to a brand's share of market. Thus, if total media spending in the small-battery category is 400 million euros a year, and Duracell is spending 100 million, then Duracell's share-of-voice spending is 25 per cent. If Duracell's share of market is 35 per cent, the brand is underspending. If Duracell's market share is less than 25 per cent, the brand is overspending.

Although this approach to budgeting is almost too simple to be true, thinking in terms of share-of-voice can be very useful. For example, in situations of overspending, the brand should consider the effectiveness of the MC instruments it employs. After all, other brands are more effective in their MC expenditures, at least when it comes to market shares. Or: when a brands wants to grow it can consider whether increasing its share-of-voice spending is the way to achieve this.

Like other methods, share-of-voice spending has its shortcomings. Like per cent-of-sales budgeting, it fails to take into consideration the quality of the creative messages. Share-of-voice spending also fails to allow for reactions to changes in the marketplace other than competitors' increases or decreases in their MC spending. For example, if a major competitor gets into profit trouble and greatly reduces its MC spending, share-of-voice budgeting would have all the other brands also reducing their spending levels, when in fact this may be the best time to increase spending and take advantage of a major competitor's weakness.

MC budget allocations

Once the marketing department is told by top management how much the marketing budget will be, marketing must decide how this money will be spent. The first allocation decision is by target market. How will money be divided between efforts to acquire targeted customers and efforts to retain current customers and win a larger share of their category spending? This decision is based on return on spending—in other words, the sales revenue that will result from spending 100 euros to get new customers versus the amount that will result from spending the same amount to retain current customers.

The second allocation is based on geography. Because most companies have different levels of distribution and different shares of market from city to city, the amount of advertising and promotion effort often differs from market to market. Here is an example of a strategy that can be used for geographical budget allocations.

Suppose a brand operates on three geographically distinct markets, one mature, one introductory, and one in its growth stage. As a result of discussions with the company's MC agency it was decided to use the mature market allocation as a benchmark. Introductory markets would be allocated only 50 per cent of what the mature markets were allocated, and growth markets would be allocated 150 per cent. Now, when the total budget is 600.000 euros the result of this approach would be that the mature market would be given a budget is 200 000, the growth market 300 000, and the introductory market 100 000 euros. Note that the point of this last example is not the sophistication of the method, but that it shows how thinking in separate markets may work out.

Step 6: evaluating effectiveness

Sometimes marketing communication is great: you remember the ad and the brand, the promotion draws people into the store, and the store display motivates people to try the product. At other times marketing communication does not work: the ad is forgettable or the point is unclear, no one remembers the promotion, and the direct-mail piece gets thrown away without being opened. Rance Crain, editor in chief of *Advertising Age*, wonders why it comes as a shock to companies when their advertising doesn't work. After mentioning a couple of examples of ads and promotional pieces that failed to work, he observed that "Companies don't realize the implications of their ads because the managers all think the same." He concludes that "They need to spend more time with ordinary people."[6] In other words, marketing and agency people need to do a better job of research on the effectiveness of their creative ideas as they are developing them.

Market testing

Because the marketplace changes constantly, the only way to know whether something will work is to try it. Good annual plans have some type of testing built in. Procter & Gamble, for example, is always testing new advertising approaches. For most of its major brands, it has three different creative campaigns in the works. One is the national campaign. The second is a campaign that has beaten the national campaign in a laboratory test and is now running in a few test markets to determine whether it does, in fact, produce better results than the national campaign in the "real world". The third campaign is the one being developed to beat the campaign that is in test market.

Another important planning element marketers should test constantly is the level of media spending. How much media spending is too much? How much is too little? Many brands select two or three markets and increase media spending (and other marketing communication support) to see whether sales increase enough to pay for the extra spending and earn the company extra profits. At the same time, companies are always trying to determine the minimal level of spending necessary to maintain their brands' market share.

When a company is considering major changes in marketing communication strategies—such as repositioning, changing the brand name, changing an advertising theme that has been successful for several years—a market test can help determine whether these major changes can be cost-justified.

The downside of test marketing is that it is time-consuming and costly. A test market requires customizing the changes to be tested and then isolating and monitoring these markets to ensure the test is conducted without bias. Most market tests must last at least six months before results are valid. Finally, by the time a test market is conducted, the results analysed and changes suggested by the findings are incorporated into the whole marketing process, from one to two years have gone by. Because the marketplace is constantly changing, the findings and implied changes may no longer be as relevant as they would have been two years before. Chapter 18 goes into greater depth about the various test methods that companies and agencies use to help prevent costly mistakes as well as provide ideas for improving MC efforts.

Campaign effectiveness

The effectiveness of a campaign is evaluated according to how well the effort meets its objectives. This is why a company should define its objectives clearly in measurable terms and specify a time frame within which each objective is to be achieved.

Companies can obtain information regarding the effectiveness of their MC campaigns from corporate and industry reports, as well as by conducting primary research. Evaluation of MC spending must also include measures of relationship strengths in addition to the usual sales, share, and awareness measures. Sales and share are historical measures, but relationship strengths are predictors of future sales. Chapter 18 discusses evaluation in detail and presents some methods for evaluating the effectiveness of marketing communication in brand-relationship building.

The role of feedback

One aspect of IMC that is different from traditional marketing communication is the emphasis on continuous feedback. Current, shared information is critical for decision making by the cross-functional teams. That means companies must have ways of listening to customers wherever contacts with customers occur—particularly contacts with front-line employees. The overnight delivery company Federal Express, for example, tracks performance measures that are distributed daily. In addition, it tracks monthly indicators for all areas, including public relations, and conducts an online employee survey every three months. Managers use the results for discussions with employees and act on the survey information immediately wherever change is needed. Senior managers are required to spend a few days every year in a given sales district to get close to both customers and the front line of the sales and marketing efforts.[7] Continuous feedback programmes help the company become a *learning organization*. The IMC in Action box gives another illustration of the role employees have in designing MC plans.

A final note: playing from the same score

An IMC campaign plan defines the way a company does business by creating a customer focus rather than department-focused programmes that can work at cross-purposes and send mixed messages. The more focused a company is on transactions rather than on building long-term relationships, the weaker its relationships with customers will be. In order to create this customer focus throughout the company, it is necessary that everyone play from the same score: an integration-driven marketing communication plan. This plan also demands internal marketing (see Chapter 1) in order to deliver messages with consistency from everyone who has contact with a customer. The less inconsistent the messages are at these brand–customer touch points, the less integrated the brand positioning will be in the minds of customers and other stakeholders.

Integration planning and execution are not easy to accomplish. As more stakeholders are taken into consideration, as more functional areas are used, as different media are used, planning and executing in a consistent manner become very complex. The biggest barriers to integration, however, are egos and turf battles.[8] Because the pay of most managers and executives is proportional to the size of their staff and budgets, it is only natural for them to want the largest staff and budgets that they can get. Consequently, the decision to reallocate MC and media monies to where they can do the most good is often hampered by executives who stand to lose out personally. To overcome this barrier, companies and agencies are beginning to design compensation and reward systems in such a way that people are not penalized when their budgets are temporarily reduced. Although integrated planning isn't easy, it is essential for companies that want to compete in the twenty-first century.

Key terms

Advertising property An element in advertising that is uniquely related and attributed to one brand.

baseline A quantifiable measure of the current situation.

benchmark See baselines.

break-even analysis A formula for determining the point at which the cost of selling equals the revenue.

budget A fixed amount of money for a fixed period of time.

campaign A set of MC messages with a common theme that runs for a specified period of time to achieve certain MC objectives.

marketing communication mix The selection of MC functions used at a given time as part of a marketing programme.

media mix A selection of media channels used to deliver brand messages.

objectives What marketers want to accomplish with marketing communication.

objective-and-task budget An estimate of the cost of each MC task identified by zero-based planning.

pro forma A breakdown of forecasted sales on a per unit basis.

return-on-investment A ratio of income to spending.

segmenting Grouping customers or prospects according to common characteristics, needs, wants, or desires.

share-of-voice spending A brand's portion of total media spending in that brand's product category.

strategies Ideas about how to accomplish objectives.

SWOT analysis A structured evaluation of internal strengths and weaknesses and external opportunities and threats that can help or hurt a brand.

tactics Specific actions to be taken to execute a strategy.

targeting Analysing, evaluating, and prioritizing the market segments deemed most profitable to pursue.

zero-based planning Determine objectives and strategies based on current brand and marketplace conditions, which are considered the zero point.

Check the key points

Key point 1: IMC zero-based planning

a What is zero-based planning? What assumption does it challenge?
b How do strategies, objectives, and tactics differ?
c What are objectives and strategies? What does it mean to make integration an attitude?
d How does the IMC planning process relate to company and marketing planning?

Key point 2: the IMC planning process

a Clarify the logic of doing a SWOT analysis after having decided on the targets?
b What internal and external factors are involved in a SWOT analysis?
c What rules should guide the translation of the SWOT analysis results into objectives?
d Explain the four different ways to develop a marketing communication budget.
e How do marketers know whether an IMC campaign is effective?

Chapter Challenge

Writing assignment

Using the six planning steps, create a model that visualizes these steps, showing what other things influence each step. Apply your model to your favourite clothing brand. From information that you find out about the brand from research and from your own personal experience and knowledge of the brand, explain how the brand's marketing communication programme works. Write up your analysis, and use your model to explain your analysis.

Presentation assignment

Research Apple, in particular after it has introduced the i-Pod. What has happened with the brand? What objectives and strategies would you recommend to Apple's current manager to build on the brand's history and the i-Pod's introduction? Using the six-step IMC planning process, develop a marketing communication plan for Apple for next year. Present your plan to the class.

Internet assignment

Consult Nivea's website and check out the historical commercials (www.nivea.com). To demonstrate that the basics have remained the same over decades, find a commercial in the collection that demonstrates any of the following: (1) leveraging an opportunity, (2) addressing a threat, (3) leveraging a strength, or (4) addressing a weakness.

Notes

[1] Tom Duncan and Sandra Moriarty, *Driving Brand Value: Using Integrated Marketing to Manage Profitable Stakeholder Relationships* (New York: McGraw-Hill, 1997), pp. 148–68.

[2] David Soberman, "The complexity of media planning today", *Journal of Brand Management* (2005), 420–30.

[3] For example: David Jobber, *Principles and Practices of Marketi*ng, 4th ed. (Harlow: McGraw-Hill, 2004); Philip Kotler and Kevin Lane Keller, *Marketing Management*, 12/e, (New York: Prentice Hall, 2005).

[4] Allan J. Magrath, *How to Achieve Zero-Defect Marketing* (New York: American Management Association, 1993), p. 14.

[5] This figure is based on the path-breaking analysis by Robert Lavidge and Gary Steiner, "A Model for Predictive Measurements of Advertising Effectiveness", *Journal of Marketing*, 1961, pp. 59–62.

[6] Rance Crain, "No Mystery If the Ad Flops: 'Reality Check' Was Missing", *Advertising Age*, 7 April, 2003, p. 18.

[7] Anders Gronstedt, "Integrated Communications at America's Leading TQM Corporations" (Ph.D. diss., University of Wisconsin–Madison, 1994).

[8] Tom Duncan and Steve Everett, "Client Perceptions of Integrated Marketing Communications", *Journal of Advertising Research*, 33 (1993), pp. 30–39; Clarke Caywood, Don Schultz, and Paul Wang, *A Survey of Consumer Goods Manufacturers* (New York: American Association of Advertising Agencies, 1993).

Further reading

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