



CK's Epiphanies

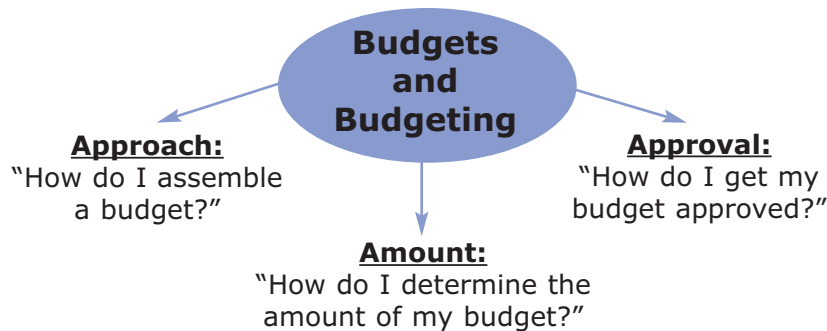
Inspirations & revelations from the mind of a marketer.



budgeting: Is Your Marketing Budget Puzzling You?

(Part 1 of a 2-Part Series)

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



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

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

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

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

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

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The Budget Puzzle



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

There are 4 pieces to budget puzzles:

 Objectives & Goals

Market Factors 

 Product Attributes

Plan Components 

Approach:

Pieces of the (budget) puzzle.



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

The analogy uncovers an epiphany:

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

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

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

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

I've formatted the budget puzzle into 4 pieces:

Establishing Objectives & Goals



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

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

Ask and answer:

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

Assessing Market Factors



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

Marketers must assess:

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

Ask and answer:

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

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

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

Ask and answer:

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

Industry Category: Examine the characteristics of the industry category.

Ask and answer:

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

Trends: Identify trends emanating through the industry.

Ask and answer:

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

Competitive Threats: Pinpoint current and emerging competitors.

Ask and answer:

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

Evaluating Product Attributes

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

Marketers should evaluate:

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

Ask and answer:

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

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

Ask and answer:

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

Determining Plan Components

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

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

Marketers must determine:

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

Ask and answer:

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

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

Ask and answer:

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

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

Ask and answer:

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

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

Unveiling the epiphany:

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

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

who is CK?

CK is Christina Kerley.

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

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

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



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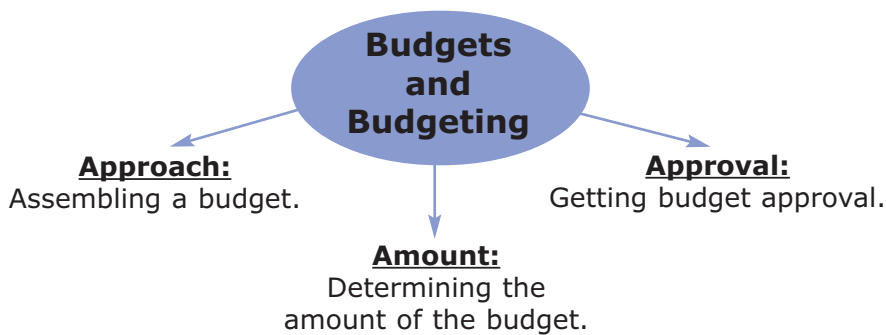
Inspirations & revelations from the mind of a marketer.



budgeting: Is Your Marketing Budget Puzzling You?

(Part 2 of a 2-Part Series)

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



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

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

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

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

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

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

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

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Getting the Green Light (and the Greenbacks)

Surefire Tips & Tactics

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

More is MORE

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

Boast Benefits

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

Puzzle 'em

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

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Amount:

Connecting the pieces of the (budget) puzzle.



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

Unveiling the epiphany:

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

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

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

Establishing Objectives & Goals



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

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

Assessing Market Factors



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

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

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

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Formalize to Realize

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

Reap RETURNS

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

Chat the Competition

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

Investment vs. Expense

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

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

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

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

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

Evaluating Product Attributes



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

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

Determining Plan Components



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

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

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

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Don't cut back... cut AHEAD

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

Foresight can be 20/20

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

Last year is the PAST

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

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

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

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

Uncovering the epiphany:

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

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

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