

# **Integrated Marketing Communications**

## **Block**

# **2**

## **MARKETING COMMUNICATIONS STRATEGY AND PLANNING**

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Prof. R. Prasad IFHE (Deemed-to-be-University), Hyderabad	Dr. Gaurav Bhatt IFHE (Deemed-to-be-University), Hyderabad
Dr. G Vijayudu IFHE (Deemed-to-be-University), Hyderabad	Prof. Madhavi Garikaparthi IFHE (Deemed-to-be-University), Hyderabad

---

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Our E-mail id: [cwfeedback@icfaiuniversity.in](mailto:cwfeedback@icfaiuniversity.in)

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**The ICFAI Foundation for Higher Education**  
(Deemed-to-be-University Under Section 3 of UGC Act, 1956)  
Donthanapally, Shankarapalli Road, Hyderabad- 501203

## BLOCK 2: MARKETING COMMUNICATIONS STRATEGY AND PLANNING

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Unit 4: Marketing Communications Planning Process, introduces the five stages of marketing communications planning process. The unit discusses marketing communications context analysis, how to establish marketing communications objectives, how to decide the budget for marketing communications, how to develop marketing communication program and evaluation and control of marketing communications program.

Unit 5: Marketing Communications Research, introduces the basic model of marketing research process. The unit understands the importance of marketing communications research in the development of marketing communications programs. It also discusses the relevance of research for various elements of communications mix. The unit examines the importance of media research for the success of communications mix programs.

Unit 6: Advertising Objectives and Planning, examines the importance of advertising plan and its various elements as 5M's of advertising. The unit discusses how to set advertising objectives and the approach of DAGMAR model in setting advertising objectives. It also discusses setting advertising budget, determining creative strategy, selecting advertising media and measuring and evaluating advertising effectiveness. It introduces advertising agency, production process and compensation.

Unit 7: Budgeting for Marketing Communications, examines the relationship between marketing communications budget and sales. The unit introduces various marketing communications budgeting methods. It also discusses various factors that influence budget allocation to various communication mix elements. It concludes with the four step marketing communications budgeting process.

## Unit 4

# Marketing Communications Planning Process

### Structure

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- 4.1 Introduction
- 4.2 Objectives
- 4.3 Marketing Plan vs. Marketing Communications Plan
- 4.4 Marketing Planning Process
- 4.5 Marketing Communications Planning Process
- 4.6 Marketing Communications Context Analysis
- 4.7 Marketing Communications Objectives
- 4.8 Marketing Communications Budget Planning
- 4.9 Developing Marketing Communications Program
- 4.10 Evaluation and control of Marketing Communications Program
- 4.11 Summary
- 4.12 Glossary
- 4.13 Self-Assessment Exercise
- 4.14 Suggested Reading/Reference Material
- 4.15 Answer to Check Your Progress Questions

*“Master the topic, the message, and the delivery.”*

- Steve Jobs, Co-Founder, Apple

### 4.1 Introduction

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As Steve Jobs rightly said, mastering the message and delivery are the most important objectives of marketing communications planning.

Planning is necessary for the success of marketing communications campaigns. Planning is crucial for a company's success. Planning is essential for consistent brand message. The marketing communications plan looks into all these issues, plans ahead to avoid experimentation and ensures realization of marketing communications objectives. The marketing communications planning does the following:

- Establish clear and precise marketing communications objectives such as to inform, to persuade or to remind customers. For example, a car company focuses on informing customers about the features of its new car, the car company focuses on persuading customers to buy its premium car with its

## **Block-2: Marketing Communications Strategy and Planning**

new promotional offer and it focuses on reminding customers about its updated versions of vehicles.

- Develop an effective marketing communications campaign
- Determine the strategic role of marketing communications mix for the campaign
- Integrate marketing communications mix for consistent brand message
- Allocate marketing communications budget for media
- Ensure the development of creative message
- Evaluate and control marketing communications campaign

### **4.2 Objectives**

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After going through this unit, you will be able to:

- Understand the difference between marketing plan and marketing communications plan
- Discuss various stages of marketing communications planning process
- Understand the role of communications objectives in the marketing communications planning process
- Discuss SMART framework while setting communications objectives
- Introduce budgeting methods, design of creative message and evaluation of marketing communications program

### **4.3 Marketing Plan vs. Marketing Communications Plan**

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Marketing and marketing communications objectives are interdependent but are not the same. Some objectives are broad which may take years to achieve. For example, brand building focuses on long-term changes in customer attitude towards a brand. Other objectives may be very specific and short-term oriented such as informing certain number of customers, reminding users, persuading non users to switch from competitor brands to ours.

Marketing plan is a blue print that describes marketing efforts for the coming year(s) to achieve marketing objectives. Marketing objectives are stated in the marketing plan, which are to be accomplished by the overall marketing program within a specific time period. Marketing objectives are defined in measurable outcomes such as sales volume, market share, profits, or return on investment. The achievement of marketing objectives will depend upon the proper coordination and execution of all the marketing mix elements, not just promotion.

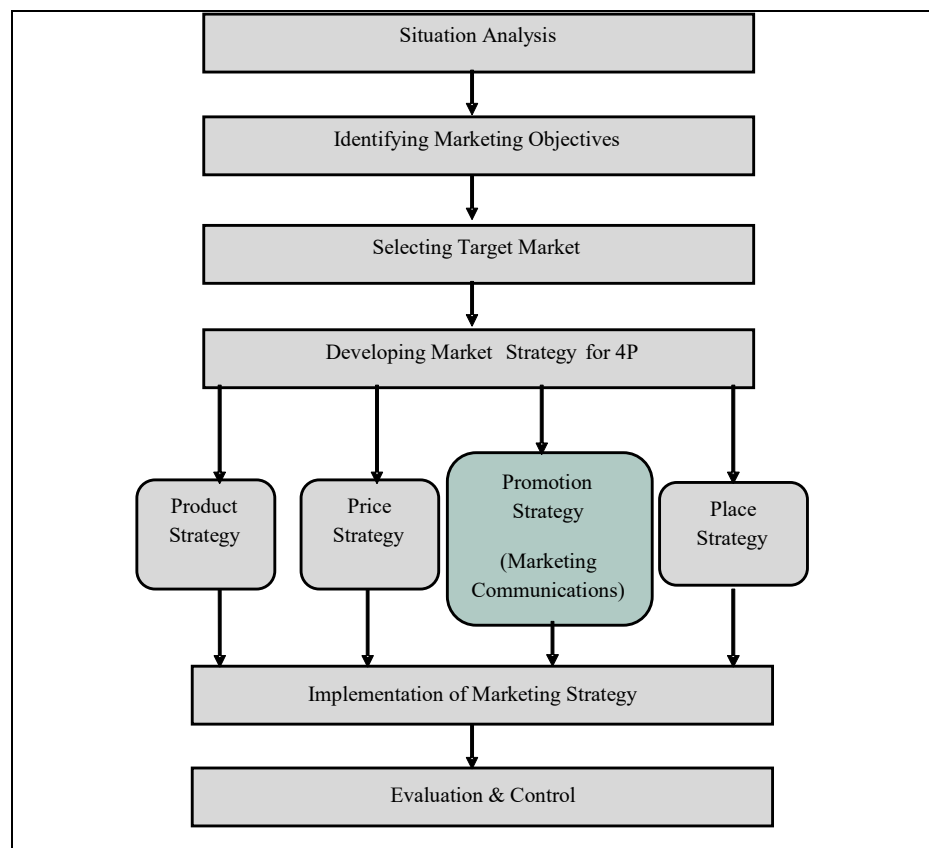
Marketing communications plan is a subset of marketing plan. It is very difficult to design a marketing communications plan in isolation from marketing plan. A marketing communications plan is a written document that lays out promotional and communications plans and identify objectives and the program that are needed to meet objectives within a specified budget, over a period of time say one year.

The marketing plan and the marketing communications plan are developed through various stages of marketing planning process and marketing communications planning process.

### 4.4 Marketing Planning Process

Marketing has a range of activities like market analysis, pricing strategies, business planning, segmentation, etc. and activities related to communication like ads, media and some companies have now something called marketing communications where in the main job is to communicate to the public, employees and shareholders about the companies achievements and activities. Marketing plan is a document that describes the overall marketing strategy and programs developed for a company, product or brand. The marketing planning process is shown in the following Figure 4.1.

**Figure 4.1: Marketing Planning Process**



Source: ICFAI Research Center

## **Block-2: Marketing Communications Strategy and Planning**

### **4.4.1 Situation Analysis**

The SWOT analysis of the company is relevant to monitor the company's marketing situation. Company's internal situation is understood with the analysis of strengths and weaknesses. Company's external situation is monitored with the analysis of threats and opportunities.

### **4.4.2 Identifying Marketing Objectives**

Based on the situation analysis a company can decide marketing objectives within the light of organizational objectives. The important marketing objectives of B2C might be increasing lead conversion rate, increasing website traffic, increasing marketing ROI, etc. The most important marketing objectives of B2B might be increasing quality of sales leads, increasing quantity of sales leads, increasing lead conversion rate, etc.

### **4.4.3 Selecting Target Market**

The identification of target customers involves segmenting the market and selecting the appropriate target customer group. Right targeting is crucial for marketing success which is based on various parameters such as demographic, geographic, psychographic and behavioral segmentation.

### **4.4.4 Developing Marketing Strategy for Marketing Mix**

Marketing strategy is to develop strategies for each element of marketing mix such as product, price, place, and promotion. The marketing mix (4Ps) has to be fine-tuned for attracting more customers.

### **4.4.5 Implementing Marketing Strategy**

Marketing strategy implementation is to draw up action plans to materialize marketing strategy. The tactical steps help the marketers to realize their objectives in a step by step manner.

### **4.4.6 Evaluating and Controlling Performance**

Company monitors the marketing outcomes to evaluate performance in terms of achieving the marketing objectives. Evaluation helps the company to take corrective action to keep marketing strategy on track.

## **4.5 Marketing Communications Planning Process**

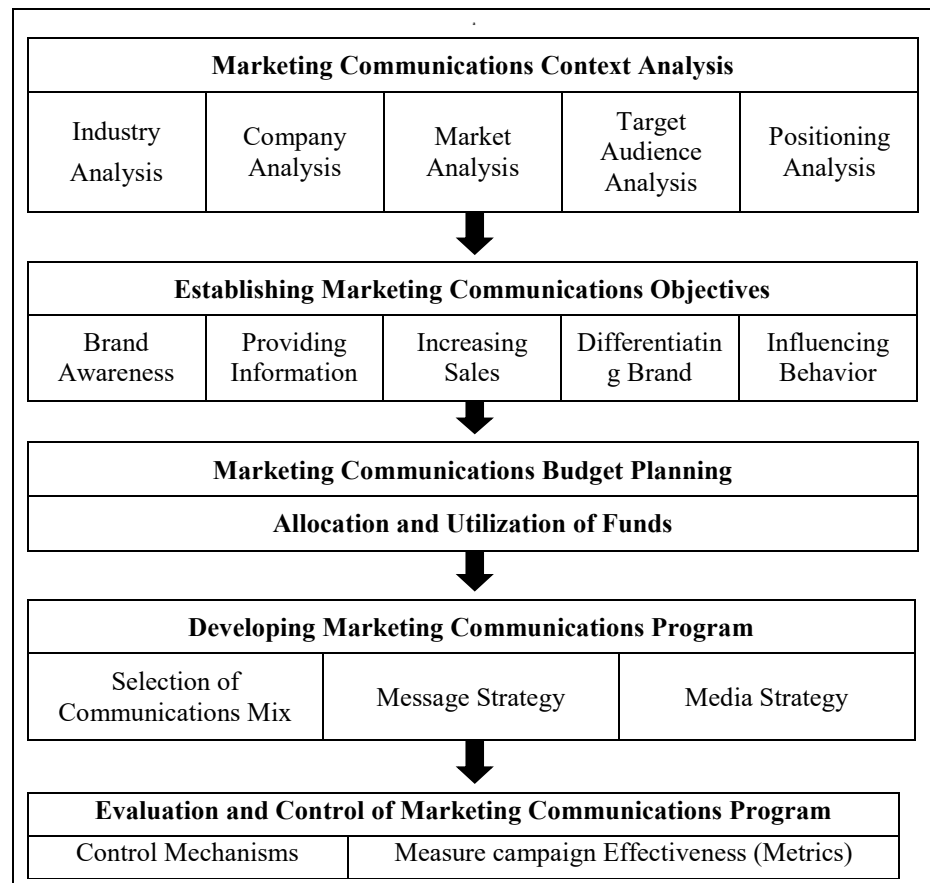
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The marketing communications plan (promotional plan) is a sub set of marketing plan. The company has to take into consideration marketing objectives and strategies while designing marketing communications plan. A good marketing communications plan requires substantial research. Marketers need to have an in-depth understanding of target audiences and their buying behavior. The marketing communications primary goals are to build awareness, create interest, develop desire, and persuade for action. The marketing communications plan should outline the communications process step by step. Usually, a marketing communications planning process involves five steps as shown in Figure 4.2. The steps include:

- Marketing communications context analysis

- Establishing marketing communications objectives
- Budget planning of marketing communications
- Developing marketing communications programs
- Evaluation and control of the marketing communications program

**Figure 4.2: Marketing Communications Planning Process**



Source: ICFAI Research Center

#### 4.6 Marketing Communications Context Analysis

The marketing communications plan is to analyze the context of the company from the marketing communications perspective. External environment analysis understands threats and opportunities such as competitors' communication strategies, customers' response, and the dynamics of market place. Internal context analysis is aimed at understanding the company's strengths and weaknesses. There are five key elements which a company has to analyze to understand the marketing communications context.

- Industry analysis
- Company analysis
- Market analysis
- Target audience analysis
- Positioning analysis



## Block-2: Marketing Communications Strategy and Planning

### 4.6.1 Industry Analysis

The industry in which a company operates has a major influence on its marketing communications plan. First, a company should analyze the Industry environment based on PEST factors to monitor threats and opportunities.

- Political factors such as government policies, laws, etc.
- Economic factors such as inflation, interest rates, maturity of financial institutions etc.
- Social factors such as customer lifestyle, and culture.
- Technological factors such as new innovations, technology transfer etc.

Companies can obtain information about industry trends or entry of new players by scanning trade publications, industry surveys and government publications. Automobile industry is now focusing on technologically advanced eco-friendly vehicles to win customer choice.

The Automotive Infotainment Market: Global Industry Analysis Report 2022-2030 explains the drivers of the market, the opportunities and restraints of the market. Industry analysis reports set the stage for marketing communication plan.

#### **Example: Automotive Infotainment Market: Global Industry Analysis 2022-2030**

As per Automotive Infotainment Market Global Opportunity Analysis and Industry Forecast, 2022–2030, due to technological advancements in infotainment systems the global automotive infotainment market is predicted to grow at a stable CAGR of 8.32% during 2022-2030. As per the report, this market will reap business of \$20,720 million by 2030.

#### **Dynamics of the Market:**

The market sees different drivers, opportunities and restraints. Predictive navigations, parking recommendations and cloud enabled syncing are the outcomes of the technological advancements in automotive infotainment, and these developments accelerated the growth of these markets very rapidly. Partnerships between key market players are expected to create enormous opportunities for the market. The highly upgraded infotainment system poses a threat to the full paced growth of this market.

Understanding these global trends enable companies to design appropriate marketing strategies and thus ensure considerable market share and success.

*Source: Global Automotive Infotainment Market Expected to Garner \$20,720 Million in the 2022 to 2030, Retrieved from <https://www.prnewswire.com/news-releases/global-automotive-infotainment-market-expected-to-garner-20-720-million-in-the-2022-to-2030-timeframe-growing-at-8-32-cagr-250-pages--published-by-research-dive-301613635.html> Accessed on August 29, 2022*

#### **4.6.2 Company Analysis**

The company should analyze its internal environment so that it can understand its strengths and weaknesses in terms of marketing communications.

- It should evaluate whether it has the requisite marketing communications resources
- Whether its communications strategies are reaching the right target audience
- What are the shortcomings that reduce the effectiveness of the communications campaigns.

A retailer in order to implement the loyalty card program effectively, should have necessary IT and administrative resources. A financial service company should decide what marketing communication function needs to be performed in-house and what needs to be outsourced. For example, a direct marketing company may outsource telemarketing activities, thereby reducing costs as well as increasing effectiveness of the communication campaigns.

Along with the evaluation of marketing communication resources, the company should also evaluate the strengths and weaknesses of its brands from the marketing communication perspective.

- The company has to analyze the perception and attitude of consumers towards these brands.
- It helps the company to design communication campaigns to develop favorable attitudes among customers towards the brand or reinforce the existing attitude towards it.

#### **4.6.3 Market Analysis**

Another major element of context analysis is analyzing the marketing environment. This provides information regarding the opportunities that exist in the marketing communication front.

Market analysis helps the company in fine tuning its communication strategy in keeping with the changes that are taking place in the market. Competitor communication strategy should also be analyzed in depth to understand the strength of their message.

The smartphone market in India faces severe competition from many competitors. For example, Apple, Samsung, Xiaomi, Poco, Vivo, Oppo, Realme are the major players.

Customers are exposed to various marketing communications based on which they develop a certain attitude towards each marketer or brand. Therefore, understanding the competitors' communications' strategy and the consumer's attitude towards competitors will enable the company to design a communication campaign that draws the customers' attention towards its brand. Companies can use various primary and secondary sources for gathering information.

## **Block-2: Marketing Communications Strategy and Planning**

- Examine the competitor's advertising campaign in the print and broadcast media to understand competitor's objectives, strategies, and the tactics
- Examine other marketing communication elements, such as sales promotion offers, direct marketing activities, and public relation programs used by competitors.
- Examine competitors' publications, such as annual reports, press releases, and websites. This will give a fair idea about the competitors' long term strategies, marketing plans and new product launch plans.
- The company can conduct qualitative consumer research using various methods like focus groups, consumer surveys, and recall tests.
- Retailers can adopt ghost shopping techniques wherein company personnel pose as buyers and understand competitor strategies such as sales promotions, in-store advertising and point-of-purchase displays.
- The company can obtain information about competitors from its own sales personnel and channel intermediaries like vendors and distributors.

### **4.6.4 Target Audience Analysis**

The company should understand the target market profile well to fine tune marketing communications campaign. The target group has already been selected in the marketing plan, but, from the marketing communications perspective, the target audience for communications might not only be the consumers who actually purchase the product but also opinion leaders, reference groups, and non users of products along with influencers. The analysis of target audience behavior is critical for marketing communications decisions such as what to say, when, where and to whom.

- By identifying the target audience and understanding their behavior, the company can better understand the customer's attitude towards its products and communication campaigns.
- The company can also understand how customers perceive the message of the campaign.
- Target audience analysis helps the company to take decisions on issues like message to be communicated, the way to communicate them, the timing of the campaign, etc.

Byju's campaign reveals the significance of understanding your target audience, to create an effective promotional campaign.

**Example: Byju's Transforming Parents to Partners**

In 2021 Byju's, India's largest edtech company, launched an ad campaign that showcases how parents can become learning partners, when their children love what they learn. The campaign advocates that children will learn on their own, with little guidance from parents and help from technology. The campaign emphasizes the significance of conceptual understanding, and how it boosts confidence of children. One film appeals through humor, where a father and daughter have witty exchange about learning, and the other film focuses on evolving relationship between mother and son. The film shows that parents stopped worrying about academics of children, and started treating their children as friends, because they acquired better conceptual knowledge.

*Source: Transforming parents to partners Retrieved from <https://byjus.com/press/transforming-parents-to-partners/> Accessed on August 28, 2022*

**4.6.5 Positioning Analysis**

Positioning is the crux of marketing communications. Positioning is defined as 'the process by which marketers try to create an Image or 'Project Identity' in the minds of their target market for its product, brand, or organization'. The marketing communications strategy revolves around the positioning that the company has adopted.

"Companies adopt various positioning strategies based on product attributes and benefits, price/quality, usage pattern, user patterns, product category and competitors." The purpose of positioning is,

- To differentiate their products from those of the competition
- To draw the consumer's attention towards a product/company.

Positioning has to be analyzed as to whether consumer's perceptions about the product is similar to the position intended by the company. If there is a mismatch, then the communication campaigns will not yield the desired results. Thus, the company has to analyze whether the present positioning is working or repositioning is required. Re-positioning involves changing the identity of a product, relative to the identity of competing products.

In volatile markets, it can be necessary - even urgent - to reposition an entire company, rather than just a product line or brand.

**Example: Kia Rebrands its App from UVO to Kia Connect**

UVO was Kia's advanced and innovative connected car solution. In October 2021 Kia rebranded its in-car app from UVO to Kia Connect. The company decided to give access to Kia Connect, to one or more configurations of each

*Contd. ....*

## Block-2: Marketing Communications Strategy and Planning

Kia vehicle from 2022. Jason Jeong, President at Kia Europe and Kia Connect, commented: “By re-naming our on-board and app-based telematics system to Kia Connect, we are making it clear to customers that its features are there to provide a seamless connection between owner, vehicle and environment.” With a bunch of new features designed to enhance vehicle connectivity, Kia connect gives intuitive user experience. In other words, along with the new name Kia Connect, it fully rebranded with Kia Access App on Apple and Android devices.

*Source: Newly rebranded Kia Connect suite builds on success of Uvo in car connectivity. Retrieved from <https://www.prnewswire.com/news-releases/newly-rebranded-kia-connect-suite-builds-on-success-of-uvo-in-car-connectivity-873799327.html>, October 27, 2021, accessed on 29/8/22*

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### **Check Your Progress - 1**

1. Marketing communications plan is a subset of marketing plan. Yes or no?
2. What is the correct sequence of the steps in the marketing plan?
  - i. Situation analysis
  - ii. Identifying marketing objectives
  - iii. Selecting target market
  - iv. Developing market strategy
  - v. Implementation of marketing strategy
  - vi. Evaluation & Control
  - a. i, ii, iii, iv, v, vi
  - b. ii, i, iv, iii, v, vi
  - c. iii, v, vi, I, ii, iv
  - d. vi, v, iv, iii, ii, i
3. What is the correct order of steps in the marketing communications planning process?
  - a. Context analysis-Budget planning-Establishing objectives-Developing program-Evaluation
  - b. Context analysis-Establishing objectives-Budget planning-Developing program-Evaluation
  - c. Context analysis-Budget planning-Developing program-Evaluation-Establishing objectives
  - d. Context analysis-Establishing objectives-Developing program-Evaluation- Budget planning
4. Which of the following is not a marketing communications objective?
  - a. Brand awareness

- b. Influencing behavior
  - c. Increasing sales
  - d. Market analysis
5. Developing marketing communications program includes which of the following decisions?
- a. Selection of communications mix
  - b. Creative message
  - c. Media mix decisions
  - d. All the above

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#### **4.7 Marketing Communications Objectives**

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Based on the context analysis, a company should develop relevant marketing communications objectives. Marketing communications objectives not only guide the communication campaign process but also act as a performance measure, based on which the company can analyze its campaign outcomes.

There are five key communications objectives that a company plans to accomplish through its communication campaign. These are:

- Creating brand awareness
- Providing information
- Increasing sales
- Differentiating the brand
- Influencing consumer behavior

##### **4.7.1 Creating Brand Awareness**

Advertisements that help to create brand awareness or improve brand salience will help the company achieve higher brand recall among customers. This also helps in repeat purchases and leads to brand loyalty. Brand loyalty enhances brand equity in the market. Moreover, by building brand equity, a company can even gain competitive advantage. The brand awareness has to be created both at the introductory and growth phase of its new form of product.

##### **4.7.2 Providing Information**

Companies have to provide new product information while launching in the market. The objective that a company plans to achieve through the communication campaign is to give information to the customer regarding product attributes. This is necessary more for,

- New products
- Product development
- Products which have complex operations
- B2B marketing.

## Block-2: Marketing Communications Strategy and Planning

Marketing communications has to provide product information in a manner to create interest among customers about the product.

### **Example: The All-In-One QR code of Paytm**

In an attempt to inform the ease of Paytm to its 10 million plus merchants, Paytm, launched an advertisement with its vice president, Abhinav Kumar in January 2020. The campaign focuses on informing merchants about the convenience of using company's "All in one QR" code. The company resorted to a humor appeal to reach its target audience. Mr. Abhinav Kumar explains in the ad, how merchants can accept unlimited payments through the new "All-in-One QR" code.

The campaign is aimed at persuading the dissatisfied merchants with multiple displays and QR codes to accept payments via Paytm Wallet, RuPay cards or through United Payments Interface-enabled apps.

*Source: Paytm unveils new digital campaign, 'Business ke liye'. Retrieved from <https://www.exchange4media.com/advertising-news/paytm-unveils-new-digital-campaign-business-ke-liye-paytm-karo-102355.html> January 29, 2020, accessed on August 27, 2022*

### **4.7.3 Increasing Sales**

Increasing sales is another common objective that companies set while designing their marketing communication campaigns. This is used more for products that are in the maturity stage of the product life cycle. Sales promotion activities like discounts, coupons and contests are the tools commonly used to increase sales and these have to be announced to the target group.

### **4.7.4 Differentiating the Brand**

Companies use marketing communications to bring the element of building preference through differentiation for their brands in the market. The differentiation can be either on specific attribute/s of a brand or positioning a company based on a certain benefit.

### **4.7.5 Influencing Consumer Behavior**

Companies use marketing communication activities to influence consumer attitudes and behavior. Through transformational advertising, companies try to change negative attitudes about their products, reinforce present attitudes or build a positive attitude towards the brand. Transformational ads change beliefs, create new meanings, change feelings about the product or service and transform their interpretation of the usage experience. cult.fit, India's largest health and fitness platform, through its Bollywood-inspired 'Fitness is not an option' campaign, tries to change consumer attitude towards fitness.

**Example: cult.fit says, Fitness is a Necessity, Not an Option**

cult.fit, India's largest health and fitness platform, launched a hilarious campaign in December 2021. The company wanted to change the way consumers looked at fitness. It came up with a slogan, 'fitness is not an option' to persuade people, to make them think that fitness is a necessity. Keeping the success of its first round of campaign that was launched in August 2021, cult.fit designed another communication campaign based on humor and pop-culture. The ads were based on two Bollywood films 'Om Shanti Om' and 'Karan Arjun'. cult.fit emphasized its widespread message that fitness is not an option, but a necessity. The ad shows how heroes of the movie escaped rebirth due to their fitness levels compared to the original protagonist's role of the film. Through recreating the iconic scenes of the movie, in a humorous manner cult.fit attempted to change the attitude of people towards fitness.

*Source: cult.fit gives a hilarious twist to the famous dialogue "mere karan arjun aayega". Retrieved from <https://www.businessinsider.in/advertising/brands/news/cult-fit-gives-a-hilarious-twist-to-the-famous-dialogue-mere-karan-arjun-aayenge/articleshow/88252326.cms>, December 13, 2021, accessed on August 27, 2022.*

**4.7.6 Marketing Communications Objectives: SMART Framework**

Designing the marketing communications objectives based on the overall marketing objectives set by the company will help increase overall organizational performance. While designing marketing communications objectives they should follow SMART: specific, measurable, achievable, relevant, time-bound framework for effective results as follows.

- **Specific:** The marketing communications objectives need to be specified clearly, sans any ambiguity. For example, increase in awareness creation of a new product by 20%
- **Measurable:** The objectives need to be in a measurable term which will help the company to evaluate and control the marketing communications process. If campaign deviates from the communications objectives, then corrective action can be taken to put it back on track.
- **Achievable:** Companies should set achievable objectives based on strengths and weaknesses. In other words, goals should be created based on its marketing communications resources.
- **Relevant:** Companies should also ensure that the objectives set are relevant. Marketing communications objectives are different from marketing objectives. For example, for new products awareness creation is more relevant than sales generation
- **Time-bound:** Companies should set a time limit within which goals are to be achieved. This helps in measuring the performance of the campaign. For example, achieving increased awareness creation of a new product by 20%



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within the year. This way companies can analyze performance after one year and decide whether the campaign has been successful.

### Did You Know? SMARTER Objectives

SMARTER is a mnemonic, giving criteria to guide in the setting of objectives, the letters conform to the words specific, measurable, attainable, relevant, time-bound, evaluate and re-evaluate.

Apart from these guidelines, companies should also ensure that all personnel involved in the marketing communications process are aware of and agree with the objectives. By this, all those involved strive to attain the objectives, thereby increasing organizational effectiveness. Unit 6 discusses how to set marketing communications objectives and DAGMAR approach of setting advertising goals etc. in detail.

## 4.8 Marketing Communications Budget Planning

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Budgeting is an important step in the marketing communications planning process. Majority of the companies have to deal with limited financial resources. Thus, a company has to decide upon optimal allocation and utilization of funds that will help in achieving the communications objectives it has set in the earlier stage.

- More than adequate budget is needed for launching new products to create awareness in the market
- Company can allocate lesser funds, if the company has set an objective of reinforcing brand image, because the brand is already established in the market
- Companies follow various budgeting methods to optimize the budget allocation.

### Budgeting Methods:

Companies follow various budgeting methods to allocate funds needed for realizing marketing communications objectives:

1. **Arbitrary method:** The budget is determined by management solely on the basis of what is felt to be necessary.
2. **Affordability method:** Marketers allocate what's left to communications after spending on other functional areas, considering this to be the amount it can afford.
3. **Percentage of sales method:** The communications budget setting is based on actual sales of the product.
4. **Competitive parity method:** Company matches its communications budget with that of competitors.
5. **Objective and task method:** Company decides the budget based on communications objectives, tasks to be done, and cost of each task to accomplish objectives.

6. **Payout planning method:** Marketers develop a payout plan to determine investment value of the advertising and promotion appropriation. The basic idea is to project the revenues the product will generate, as well as the costs it will incur over a period of time.

#### 4.9 Developing Marketing Communications Program

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Developing an appropriate communications program helps in achieving marketing communications objectives. At this stage, a company has to decide three aspects.

- What marketing communications elements should be selected (Communications mix)
- What type of message should be developed (Creative strategy)
- What type of media should be used (Media mix)

The three aspects listed above can be decided based on the type of marketing communications strategy a company wants to adopt. Usually companies follow three key communication strategies—push, pull and hybrid strategies.

- **Push strategy:** Persuading channel members such as distributors, wholesalers and retailers to use trade promotions, personal selling, and/or public relations to achieve communications objectives.
- **Pull strategy:** Company directly communicates with end consumers through mass media, consumer promotions, direct marketing etc.
- **Hybrid strategy:** Marketers use both push and pull strategies together to achieve marketing communications objectives.

##### 4.9.1 Selection of Marketing Communications Mix

The company has to select various marketing communications elements or communications mix based on the communications strategy it has adopted. The communication mix is,

- Advertising
- Sales promotion
- Public relations
- Direct marketing
- Personal selling
- Digital marketing

The company has to determine the role of each element in the communication mix and the strategy to be adopted in each element. The company has to select objectives for each, and the strategies to achieve them.

- Company can select advertising as an element to launch new product into the market. The company adopts a pull strategy to bring about brand awareness to rely more on mass advertising campaigns

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- Company can adopt push strategy to select sales promotion as an element to increase sales in the short-run. The company has to decide sales promotion objectives, budget, tools, etc. to run the program
- Integrated marketing communications of a company can adopt hybrid strategy to ensure that all elements reinforce each other in the realization of communications objectives.

### 4.9.2 Message Strategy

The heart of marketing communications process is the development of message strategy. The message strategy involves designing the message to be communicated to customers. The top management has to provide a creative brief to the people involved in the message strategy before developing the message.

The creative brief should set forth the expected outcomes from marketing communication campaigns. Usually, companies entrust the job of developing and implementing the creative strategy to specialists such as advertising agencies, and public relation agencies. There are three key decisions that creative people have to take while designing the message.

- Message content
- Message structure
- Message format

**Message content:** Message content refers to the theme or the appeal that the communication campaign should adopt. There are three major appeals such as rational, emotional and moral which companies use in their communication campaigns.

- **Rational appeal:** It is incorporated into the communication campaign based on the assumption that the consumer makes a purchase decision based on rational or logical decisions. In this campaign, product attributes are given more emphasis to persuade him to purchase the product. For example, Dell Computers sells its laptops based on product attributes.
- **Emotional appeal:** It is incorporated in communication campaigns to arouse consumer emotions. It creates a positive attitude or changes the negative attitude of the consumer towards the product. Examples of such appeals include love, humor, pride, fear, and guilt appeals. For e.g. Virgin group uses variety of emotional appeals in their ads.
- **Moral appeal:** It allows the consumer to judge which is wrong and which is right. This is used mainly to highlight the social issues. For e.g. PETA India uses moral appeal to educate public about animal rights. They say that animals are not ours to eat, wear, experiment on or use for entertainment.

**Message Structure:** Message structure has three aspects – the conclusion, the argument type and the order of the argument

- **Conclusion:** The message can project a definite conclusion or leave the consumer to draw his own conclusion. Messages with a definite conclusion are used to strengthen a particular image of the product. Inconclusive messages are used more in teaser advertisements to generate awareness about the launch of new products.
- **Argument:** The company can use a one-sided argument or a two-sided one. One-sided argument campaigns focus on describing the positive aspects of the product. Two-sided argument provides a balanced view, with both negative and positive aspects of the product being brought out. Usually, one-sided arguments are used to highlight positive aspects of the product.
- **Order of argument:** One way to structure the order is to put stronger points first and weaker ones at the end of the campaign. Another way is to offer stronger points last and weaker ones first, as consumers remember messages to which they have been recently exposed.

**Message Format:** Companies have to decide upon the message format which includes,

- Placement of headlines, illustrations, the storyline, etc.
- Size of the advertisement, layout, the music, the color format, visual imagery, taglines, etc.

#### Creative Message Testing

Creative message so designed has to be tested to ensure that it meets the requirements specified in the creative brief. The testing should evaluate

- Whether the messages are in tune with the marketing communications strategy.
- Whether the message matches the target customer group and its characteristics.
- Whether the messages are consistent with the brand image.

More aspects related to creative strategy are discussed in detail in Unit 8.

#### 4.9.3 Media Strategy

The creative messages have to be delivered through the media. The media should reach maximum number of target audience. The decisions involve deciding on aspects like what percentage of the target customers should be reached, how many times the message should be exposed to the target group and which media channels need to be used. The three important media strategy decisions are,

- **Selection of media channels:** Prominent media channels a company can decide are – newspapers, magazines, radio, television, billboards, direct mail, and the internet.
- **Selection within media channel:** Selection within media channels such as the specific newspaper in the print media, specific TV channel in the television medium etc.

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- **Media scheduling:** The timing and frequency of the campaign to be aired in the selected media vehicles. The specific program in the specific channel in the TV media.

The various aspects of media decisions are discussed in detail in unit 9.

### 4.10 Evaluation and Control of Marketing Communications Programs

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The final stage in the marketing communications process is evaluation of marketing communications program after the implementation. The evaluation can be done using the marketing communications audit. Marketing communications audit will answer issues like what programs are being carried out, how they are being carried out, and how effective these programs are. The audit also helps the company to design future communications program more effectively.

The communications audit can be done on an individual activity basis and a complete analysis of the communication program. The audit consists of three key steps:

- **Framework design:** The framework is planned and designed for conducting the audit to evaluate marketing communications program. The framework includes the goals of the audit, scope of the audit, the timeframe within which the audit needs to be completed etc.
- **Outcome measurement:** The communications program is evaluated based on outcome measures. The effectiveness of the program is known through the comparison of actual and outcomes. The outcomes include sales volumes, attitudes or perceptions about the product, level of brand awareness, customer satisfaction levels and the sales enquires received.

Companies can use sales information, direct mail response, sales enquiries and number of press reports to analyze the effectiveness of marketing communications programs. Companies can also use qualitative methods such as focus group studies and quantitative techniques such as sample surveys to gather information for measuring outcomes.

- **Analysis and reporting:** Companies have to analyze how far the communications programs have fulfilled the set objectives. The changes in variables such as sales volumes, attitudes and perceptions, sales inquiries and brand awareness levels before and after communications programs will provide information as to how effective the programs were in achieving objectives. This helps companies to take corrective action so as to increase the effectiveness of the programs. Such an analysis also provides valuable inputs for designing future communications programs

Unit 7 discusses various aspects of evaluation and control of the marketing communications programs in a greater detail.

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**Check Your Progress - 2**

6. Which of the following are the three important decisions of creative strategy?
    - i. Message content
    - ii. Message structure
    - iii. Message format
    - iv. Selection of media
    - v. Media scheduling
    - a. i, ii, iii
    - b. i, ii, iv
    - c. ii, iv, v
    - d. iii, iv, v
  7. In which of the following budgeting methods, does a company matches its communications budget with that of competitors?
    - a. Arbitrary
    - b. Affordability
    - c. Competitive parity
    - d. Payout planning
  8. Companies follow SMART framework while designing marketing communications objectives. What does 'A' represent in SMART?
    - a. Achievable
    - b. Accessible
    - c. Answerable
    - d. Advertising
  9. Marketing communications audit can be done at what stage of the Marketing communications process?
    - a. Marketing communications context analysis
    - b. Establishing marketing communications objectives
    - c. Budget planning
    - d. Evaluation and control of marketing communications program
  10. PETA India uses which type of appeal to educate public about animal rights?
    - a. Rational
    - b. Emotional
    - c. Moral
    - d. None
-

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### 4.11 Summary

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- This unit discusses marketing communications planning process with a greater emphasis on various elements of it.
- Marketing communications plan is necessary to implement marketing communications program effectively.
- Marketing communications plan is a subset of marketing plan which involves five steps such as situational analysis, identifying marketing objectives, creating a marketing strategy, implementing a marketing strategy, evaluation and control.
- Marketing communications planning process has to be designed based on marketing plan.
- Marketing communications planning process consists of five stages.
- The first stage is marketing communications context analysis in which five variables are evaluated. The variables are industry analysis, company analysis, market analysis, customer analysis, and positioning analysis.
- The second stage is establishing marketing communications objectives based on context analysis. Companies usually establish five types of objectives such as building awareness, providing product information, increasing sales, differentiating brand, and influencing customer behavior.
- In the third stage based on the objective, companies have to decide the budgeting allocation for marketing communications activities. Companies generally follow budgeting methods to allocate budget such as arbitrary method, affordability method, percentage of sales method, competitive parity method, objective and task method and payout planning method.
- The fourth stage is the development of marketing communications program which consists of three important decisions: selection of communications mix, developing a creative strategy and media decisions.
- The final stage is the evaluation and control of marketing communications program, which is done through the communications audit.

### 4.12 Glossary

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**Communications audit:** Communications audit is a periodic review of communications tools and assessment of their effectiveness in the realization of its objectives.

**Context analysis:** Context analysis is a method of looking at the internal and external marketing environment as it relates to a specific company or department, say marketing.

**Marketing communications plan:** Marketing communications plan is a five stage process. These stages are marketing communications context analysis, establishing marketing communications objectives, budget planning for marketing communications, developing a marketing communications program, evaluation and control of the marketing communications program.

**Marketing plan:** Marketing plan is a blue print that summarizes what the marketer has learned about the marketing situation, indicates how the company plans to reach its marketing objectives, and helps direct and coordinate the marketing effort.

**Situation analysis:** Situation analysis is the SWOT analysis of a company's internal and external marketing environment to understand the company's capabilities, customers, and marketing environment.

**Positioning analysis:** Positioning analysis is a process of analyzing how a company's current brand is perceived by the audience.

**SMART:** Company goal setting process becomes more effective if it follows SMART framework. The goals should be Specific, Measurable, Attainable, Realistic and Time-bound.

**Payout planning:** Payout planning involves fixing of the communications budget on the basis of the expected revenues that it will obtain in future. This approach considers communications spending as an investment rather than an expense. Under this method a company allocates a higher budget for launching new products and reduces the spending as the product moves into its maturity and decline stages.

**Emotional appeal:** Emotional appeal uses human feelings such as warmth, affection, humor, fear, sex, to evoke a favorable response among audience

**Repositioning:** Repositioning is change in a brand's status in comparison to that of competing brands among the audience.

### 4.13 Self-Assessment Exercises

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1. Define marketing communications plan. How is it different from market plan?
2. Discuss marketing plan with suitable examples.
3. Explain marketing communications planning process.
4. What is marketing communications context analysis?
5. What are marketing communications objectives? How do you set them?
6. How do you develop marketing communications program?

### 4.14 Suggested Reading / Reference Material

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1. George E. Belch, Michael A. Belch, Keyoor Purani, Advertising and Promotion: An Integrated Marketing Communications Perspective, 12th Edition, McGraw Hill, 2021
2. Michael Branding, Social Media Marketing, Notion Press, 2021.



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3. William D. Wells, Sandra Moriarty, Nancy Mitchell, Advertising and IMC: Principles and Practice, 11<sup>th</sup> Edition, Pearson Education, 2021
4. Ritu Narang, Advertising, Selling & Promotion, First Edition, Pearson Education, 2020
5. Manendra Mohan, Advertising Management – Concept and Cases, McGraw Hill Education, 1st edition, 2017

### **4.15 Answers to Check Your Progress Questions**

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1. **(Yes)**

Marketing communications plan is a subset of marketing plan

2. **(a) i, ii, iii, iv, v, vi**

The correct sequence of the steps in the marketing plan are situation analysis, identifying marketing objectives, selecting target market, developing market strategy, implementation of marketing strategy, evaluation & control

3. **(b) Context Analysis-Establishing objectives-Budget planning-Developing program-Evaluation**

The correct order of the steps in the marketing communications planning process are marketing communications context analysis, establishing marketing communications objectives, budget planning for marketing communications, developing marketing communications program, Evaluation and control of marketing communications program.

4. **(d) Market analysis**

Marketing communications objectives are brand awareness, providing information, increasing sales, differentiating brand and influencing behavior

5. **(d) All the above**

Developing marketing communications program decisions include selection of communications mix, creative message, and media mix decisions

6. **(a) i, ii, iii**

The three important decisions of creative strategy are message content, message structure and message format

7. **(c) Competitive parity method**

In competitive parity budgeting method, company matches its communications budget with that of competitors.

**8. (a) Achievable**

Companies follow SMART framework while designing marketing communications objectives. 'A' represents 'Achievable' in SMART.

**9. (d) Evaluation and control of marketing communications program**

Marketing communications audit can be done at 'evaluation and control of marketing communications program' stage of the marketing communications process.

**10. (d) Moral**

PETA India uses moral type of appeal to educate public about animal rights. PETA stands for People for the Ethical Treatment of Animals which is the largest animal rights organization in the world. PETA India is very active in the animal rights movement in India.

## Unit 5

# Marketing Communications Research

### Structure

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- 5.1 Introduction
- 5.2 Objectives
- 5.3 Marketing Research Process
- 5.4 Marketing Communications Research
- 5.5 Advertising Research
- 5.6 Sales Promotion Research
- 5.7 Direct Marketing Research
- 5.8 Public Relations Research
- 5.9 Media Research
- 5.10 Summary
- 5.11 Glossary
- 5.12 Self-Assessment Test
- 5.13 References/Suggested Readings
- 5.14 Answer to Check Your Progress Questions

*“Advertising people who ignore research are as dangerous as generals who ignore decodes of enemy signals”*

– David Ogilvy

### 5.1 Introduction

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In the present networking era, marketing communications has become the essence of marketing. What to tell, to whom and how often have become the winning steps for effective marketing communications. Marketing communications is a whole system consisting of advertising, promotions, loyalty programs, sponsoring, PR, direct marketing, trade exhibitions etc. Marketing communications needs an effective and coherent strategy to influence customers. Customers are bombarded with hundreds of marketing messages every moment. Surprisingly, many communications campaigns are based on little more than hunches, but successful brands are responding differently. Reputed companies viz. LG, P&G, Sony, HUL etc. are taking time to research customer needs, message crafting and message testing to create compelling messages to influence customers for action. Marketers cannot be successful if their communication strategies are not based on market research.

Marketing communications research involves collection and evaluation of information related to various marketing communications mix elements like advertising, sales promotion, direct marketing, public relations etc. The research activities help a marketer to:

- Identify the audience who are more responsive to a company's communication
- Understand which message works and why that motivates customers to take action
- Develop integrated marketing communications by combining individual messages to support overall positioning
- Decide upon the media options to be used to carry the company's message in an effective way
- Develop metrics and evaluation of each marketing communication campaign in achieving the company objectives
- Anticipate the market's reaction to the campaign before it's launched

### 5.2 Objectives

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After going through this unit, you will be able to:

- Introduce the basic model of marketing research process
- Understand the importance of marketing communications research in the development of marketing communications programs
- Discuss marketing communications research for various elements of communications mix
- Examine the importance of media research for the success of communications mix programs

### 5.3 Marketing Research Process

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Marketing research process consists of several stages while these stages are presented in order, one can be creative and adapt the stages to meet marketing needs. Some stages can be completed simultaneously to accelerate the research as it progresses.

- **Stage 1, Formulating Research Problem:** Formulating a problem is the first step in the research process. A marketing problem has to be converted into a research problem. For example, "sales are declining" is a marketing problem. Research problem could be either "sales promotion may be ineffective in increasing sales" or "advertising may be ineffective in influencing customers to buy products". Research problem provides proper direction to the market research process.
- **Stage 2, Developing Hypothesis:** Hypothesis is a tentative observation which can be tested by empirical research. For example, 'declining sales is due to ineffective advertising' or 'declining sales are due to improper sales promotion method'. These tentative observations are hypotheses of the

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research problems, which can be either accepted or rejected based on further research.

- **Stage 3, Determining Research Approach:** Two approaches can be used: causal research and descriptive research. Causal research performs experimentation to understand the cause and the effect relationship. For example, two sales promotion methods are actually tested to find out which is more effective. In descriptive research, the indirect observations are made based on opinions of others or experts.
- **Stage 4, Determining Research Method:** Three types of research methods: experimental, survey, and observational are generally used by researchers. If the research approach is 'causal', researchers can conduct 'experimental research' directly on customers under a controlled environment. If the research approach is 'descriptive', researchers can prefer survey research through a questionnaire or observational research.
- **Stage 5, Data Sources:** Primary data is collected through direct interviews based on questions and responses. Interviews can be conducted face-to-face, by mail, by telephone, by email, or over the Internet. Secondary sources refer to data collected by third party such as marketing research agencies, government agencies, or others reports done for a different purpose. Primary data is very precious but incurs more costs.
- **Stage 6, Sample Plan:** Sample represents the population which involves three decisions such as population base, sampling method and sample size. Once selection of the population base is over one can use either probability or non-probability method to identify samples. The quality of research can be increased with more sample size.
- **Stage 7, Data Collection:** Companies can use various methods to collect primary data such as face-to-face interview, telephone interview, mail questionnaire, internet survey, etc. Based the budget, time, and personal one can use one or more methods. Company can use internal and external sources to collect secondary data.
- **Stage 8, Analysis and Interpretation:** Data collection should be put into a meaningful format for analysis and interpretation. Statistical packages find various relationships among the data if interpreted properly. Researchers interpret the data to derive findings from the study.
- **Stage 9, Research Report:** The findings are put in a research report. The report will include all findings, suggestions, results, conclusions, and recommended courses of action. The report should provide all the information the marketer needs to understand the project. It should be written in simple language for easy grasp and ready for quick reference.

## 5.4 Marketing Communications Research

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Marketing communications has to be integrated with the marketing plan of the company. The marketing communications mix elements such as advertising, sales promotion, direct marketing, personal selling, PR, etc. cannot be aligned properly without marketing communications research to achieve marketing communications objectives. Marketing communications research has three important components:

- Marketing communications audit
- Competitor communications research
- Communications content research

### 5.4.1 Marketing Communications Audit

Marketing communications audit is a comprehensive review of how well a company communicates with its audiences. Because it is an integrated approach, all marketing communications mix elements are evaluated from holistic perspective. The audit includes the following aspects.

- Evaluate the relationship between the marketing plan and marketing communications plan
- Review of consistency in the communications strategy among communications mix
- Examine the message strategies -whether they are realizing communications objectives
- Evaluate the budget and how far communications programs are cost-effective
- Examine internal communication efforts
- Evaluate the efficacy of communications efforts such as advertising, sales promotion, direct marketing, digital marketing etc.
- Evaluate the return on investment of communications strategies

Marketing communications audit also provides recommendations for designing future communications strategy by evaluating communications objectives, current communication programs, and communication programs etc.

‘Dove’s My Beauty, My Say’ campaign explains how the company integrates research inputs into its marketing communications.

#### **Example: The Chinese Beauty Paradox – and Dove’s Solution**

Studies revealed that, across China, a little more than 3/4th of women in China use filters before posting their selfies on social media, as they believe posting a flawless image of themselves is the right thing to do. This attitude of young

Contd. ....

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adults certainly impacts the confidence of theirs adversely. Knowing this fact Dove has initiated conversations around this topic, to advocate the necessity of breaking this syndrome. We can see this as an extension of their “Real beauty campaign”.

*Source: “My beauty, my say” how Dove tackling digital distortion in China. Retrieved from, <https://www.thedrum.com/news/2022/03/08/my-beauty-my-say-how-dove-tackling-digital-distortion-china>, accessed on August 28, 2022, accessed on September 05, 2022*

### 5.4.2 Competitor Communications Research

Competitive communications research audits competitors’ communications strategy. Competitor communications research evaluates rivals communications budget, target market, marketing strategy, weightage given to communications mix etc. It evaluates current and potential competitors’ marketing communications decisions such as differentiation, positioning, creative strategy etc. The research focuses on the following areas.

- Evaluate competitors strengths/weaknesses
- Creative messages of competitors
- Media selection and scheduling
- Target market profile
- Competitor brand perception
- Identifying potential competitors

The research helps the company to evaluate competitors’ communications activities. Company can fine tune communications strategy to match competitor moves.

### 5.4.3 Communications Content Research

Creative strategy is the heart of marketing communications. Creative strategy is developed based on the contents. Marketing communications content captures customer attention and drives them for action. The content may pertain to various elements of communications mix such as sales promotion, publicity, advertising styles, taglines, creative elements of ad copy, appeal, or the images. These ideas need to be analyzed thoroughly and tested.

The contents of integrated marketing communications have to send the same brand message. Company can invite a select group of customers and request them to rate various ideas and their performance. Today’s digital world creates a tremendous demand for fresh content. Content research is necessary to influence audience and occupy mind share of the customers.

## 5.5 Advertising Research

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Advertising research is an important component of marketing communications research. It is conducted to improve the effectiveness of advertising. Advertising research derives its importance from the fact that today a huge amount of marketing expenditure is spent on advertising. A good advertisement can do

wonders to an organization's top line; a bad one can tarnish its image for several years to come. Advertisers have to understand consumers buying behavior before developing ads for effective influence and advertising success.

For today's advertisers, building strong brands and developing global communications strategies are critical. Advertising research encompasses multiple activities such as strategy definition, content development, ad testing and campaign design to campaign evaluation, optimization and brand equity. They help them communicate the right messages across the right touch points to the right people at just the right time...to drive the right results.

An advertising campaign has three key stages:

- Advertising strategy research
- Advertising copy development
- Evaluation of the advertising campaign

### 5.5.1 Advertising Strategy Research

Advertising strategy involves various decisions related to the product concept, target audience, communication objectives, media decisions, and creative message strategy. The advertising strategy research guides the company in developing an effective advertising campaign. It also helps the company understand consumer motives and attitudes towards a particular brand, define the communication objectives, identify the appropriate communication media to be selected, and the message elements to be incorporated. Motivational research, in-depth interviews, and focus group interviews are the key qualitative methods used at this stage.

The below example reveals, how data gathered on football viewers can help marketers and brands in creating their communication strategies.

#### **Example: Fans that Watch Football like to Multitask**

As per Nielsen World Football Report 2022 there is a great possibility of fans multitasking on their devices while watching a football match. To reach the right audience it is essential for the marketers to understand the behavioral difference between fans and non-fans. The report says, more than two thirds of football fans are likely to order food while watching the match. A little more than half the fans will indulge in online gaming, and little less than 50% will do live-betting. Knowing these facts and figures will help marketers create appropriate communication strategies. Intelligent broadcasters, brands and platforms will capitalize by providing content in all the places fans want to consume it.

*Source: Discover what World Cup fans really want, <https://www.nielsen.com/insights/2022/discover-what-world-cup-fans-really-want/> accessed on August 28, 2022, accessed on September 03, 2022*



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### 5.5.2 Ad Copy Research (Pre-testing)

Ad copy research or pre-testing determines an ad's effectiveness based on consumer response, feedback and behavior. Ad copy research measures the impact of ad copy on customer responses in terms of awareness, recall, and overall impression. Ad copy research tests copy appeal, size, color, illustration and the realization of advertising objectives. Ad copy research (pre-testing) attempts to measure the communication effect of an advertisement before it is released in the media. Marketers use various tests as part of ad copy research as follows.

- **Consumer-jury tests:** It is a technique of testing advertisements which involves asking select group of consumers to compare, rank, and otherwise evaluate ads. This test can be used to obtain respondent's views about various elements of the advertisements like the appeal and content of the copy.
- **Portfolio tests:** Portfolio test is a method in which a number of dummy ads are put in a folio along with the ad to be tested. The folio is given to the consumers and they are asked to see each ad in the folio. After closing the folio the consumer is asked to play back what he has seen about each ad. The ad with the maximum contents is regarded as the best. These tests are aimed at recall value of the advertisement.
- **Laboratory tests:** These tests use equipment to measure physiological reactions such as heartbeat, blood pressure, Galvanic Skin Response (GSR), pupil dilation, voice stress analysis to evaluate an ad. Consumers may be asked to turn a knob to indicate their moment to moment liking interest while viewing sequenced material.

Critiques argue that pre-testing tools stifle creativity because the test used in research can only help identify the best advertisement among given alternatives, but may not help the company to create the best advertisement. There are many instances where the advertisements, which are rated well in pre-testing, failed in the market place. In contrast, certain advertisements that fared poorly in pre-testing received consumer appreciation. Therefore, pre-testing should be used as a development tool that provides the inputs to improve an advertisement rather than a decision making tool which decides whether the company should continue with the advertisement campaign or drop the campaign.

### Positioning Advertising Copy Testing Principles

PACT states a good copy testing system must meet the following nine criteria:

1. Provides measurements which are relevant to the objectives of the advertising.
2. Requires agreement about how the results will be used in advance of each specific test.
3. Provides multiple measurements, because single measurements are generally inadequate to assess the performance of an advertisement.

4. Based on a model of human response to communications – the reception of a stimulus, the comprehension of the stimulus, and the response to the stimulus.
5. Allows for consideration of whether the advertising stimulus should be exposed more than once.
6. Recognizes that the more finished a piece of copy is, the more soundly it can be evaluated and requires, as a minimum, that alternative executions be tested in the same degree of finish.
7. Provides controls to avoid the biasing effects of the exposure context.
8. Takes into account basic considerations of sample definition.
9. Demonstrates reliability and validity.

### 5.5.3 Ad Campaign Evaluation Research (Post-testing)

Research is also necessary to evaluate the effectiveness of the advertising campaign that is already aired. Research aimed at evaluating the effectiveness of ad campaign uses various post-testing techniques. Post-testing techniques help a company to evaluate in terms of objectives set for the campaign. These tools are used to analyze the impact of advertising on the consumers and product sales. There are various tests that measure the recall value of the advertisement.

- **Unaided recall test:** In this test customers are requested to recall advertisement that appeared in a recent magazine issue or a television program
- **Aided recall test:** In these tests customers are requested to recall the advertisements in a particular category (like which television advertisement can be recalled in the recent issue of a magazine).

However, these tests only help in recalling the advertisement, but not the brand. Therefore, companies use brand recall tests and top-of-mind awareness (TOMA) tests to evaluate the brand awareness generated by the advertisement.

- **Brand recall test:** In brand recall tests companies question customers about what they know about a particular brand. This helps a company understand whether advertising has helped to increase brand awareness or not.
- **Top-of-Mind-Awareness (TOMA) test:**

TOMA is "the percent of respondents who, without prompting, name a specific brand or product first when asked to list all the advertisements they recall seeing in a general product category over the past 30 days".

- **Tracking tools:** Tracking studies are performed on a regular basis to evaluate the communication effects of an advertising campaign. In these studies companies administer a standard questionnaire on the samples of consumers periodically. Through this method a company can evaluate the position of the

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brand in the market place, impact of the advertising campaign on the product, and the position of the brand in the market place.

### 5.6 Sales Promotion Research

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Sales promotion includes several communications activities that attempt to provide added value or incentives to consumers, wholesalers, retailers, or other organizational customers to stimulate immediate sales. These efforts can attempt to:

- Stimulate product interest
- Trial
- Purchase

The various tools used in sales promotion are coupons, samples, premiums, point-of-purchase (POP) displays, contests, rebates, and sweepstakes. Marketers are curious to study the impact of sales promotion on brand loyalty, product purchase, and brand switching.

Sales promotion can encourage customers to switch brands or stores, increase purchase quantity or advance purchase decisions, and increase store traffic.

Marketers need to be wary of the consequences of sales promotional tools they choose. Researching the market trends in sales promotion and understanding the impact of environmental forces on the tools they choose is an essential way to a marketer's success.

#### **Example: Impact of Sales Promotion on Medical Practitioners**

The Federation of Medical and Sales Representatives Association of India (FMRAI), complaining to the Supreme Court, complaining that as per a study the top seven pharmaceutical companies of India together spent Rs. 34,186.95 crores in marketing in eight years, making drugs expensive. "Sales promotion expenses constitute 20 per cent of the cost of drugs, thereby taking them further away from the reach of the common man," said the FMRAI. It opined that implementation Uniform Code of Pharmaceutical Marketing Practices (UCPMP) would be a right solution for this problem.

*Source: A bitter pill: The corrupt business of prescription*

<https://www.deccanherald.com/specials/insight/a-bitter-pill-the-corrupt-business-of-prescription-1142019.html>, September 04, 2022, accessed on September 05, 2022

#### **5.6.1 Evaluation of Sales Promotion Effectiveness**

The company may evaluate its sales promotional strategies to ensure that it is applying the right promotional strategy. The evaluation may compare past strategies against current or assess the effectiveness before, during, or after the promotion. Evaluation of sales promotion can be done in three ways:

- Pre-testing
- Concurrent-testing
- Post-testing

### **5.6.2 Pre-testing**

Pre-testing can be done in two ways such as test markets and simulation tests.

- Test markets are used by companies to analyze consumer response to a sales promotion campaign, which is conducted on a small scale, before rolling out the national campaign. This is a cost effective way to increase the effectiveness sales promotion campaign. If the results from the sales promotion campaign have not produced the desired responses, the company can either make changes in the sales campaign or drop the campaign altogether.
- Simulation tests are conducted in controlled environment. In these tests a select group of customers are exposed to certain promotional offers and the resulting responses are analyzed to measure the effectiveness of the program. Companies also conduct in-store promotional tests. In these tests the store panels at select outlets, which contain promotional offers, are exposed to the customers. Then the sales response for these panels is analyzed. Simulation tests are more cost effective than test markets.

### **5.6.3 Concurrent Testing**

- Concurrent testing of a promotional technique is applied while a sales promotion is in progress, allowing the sales manager to modify the technique as needed.
- The assessment is based on weekly or monthly sales data. For example, if a promotion is a consumer contest, the number of entries received evaluates the success of the promotion.
- If the number of entries does not hit the desired target, the promotion is not working effectively and the company may need to consider revising its promotional strategy and extending the contest deadline.

### **5.6.4 Post-testing**

- Post testing of sales promotion offers a company opportunity to analyze the effectiveness of the campaigns. This helps the company obtain valuable inputs, which can be incorporated in future campaigns.
- Post testing can be done in various ways. One way is to analyze the redemption rates of the promotional offers like coupons, contests, and sweepstakes. The success rate can be measured by comparing the number of coupons, which are redeemed against the number of coupons distributed.

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### Example: Post-testing of Sales Promotion by Meesho

In September 2022, Meesho launched 5-days festive season sale where it offered huge discounts. On day 1 of the sale, it recorded around 80% jump in its business where nearly 87.6 lakh orders were received. Customers from Tier 2, 3 and 4 areas accounted for 85% of orders. The information shows post-testing of sales promotion.

Source: PTI (24/09/2022). "Meesho records 80 pc jump in sale with 88 lakh orders on day 1 of festive season sale". <https://www.financialexpress.com/industry/sme/meesho-records-80-pc-jump-in-sale-with-88-lakh-orders-on-day-1-of-festive-season-sale/2689543/> Accessed on 12/10/2022

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### Check Your Progress - 1

1. Marketing research process has nine stages. What is stage 1?
  - a. Developing hypothesis
  - b. Data collection
  - c. Research report
  - d. Formulating research problem
2. Which of the following does marketing communications research have?
  - a. Marketing communications audit
  - b. Communications content research
  - c. Competitor communications research
  - d. a, b and c
3. Advertising copy research is done by which of the following tests?
  - a. Consumer-jury tests
  - b. Portfolio tests
  - c. Laboratory tests
  - d. a, b, and c
4. Test marketing is done to evaluate which of the following stages of sales promotion?
  - a. Pre-testing
  - b. Concurrent-testing
  - c. Post-testing
  - d. Parallel-testing

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## 5.7 Direct Marketing Research

Direct marketing is a channel-agnostic form of advertising that allows businesses and non-profit organizations to communicate straight to the customer, with advertising techniques that can include cell phone text messaging, email,

interactive consumer websites, online display ads, fliers, catalog distribution, promotional letters, and outdoor advertising.

The customer response can take the form of,

- an order (direct order)
- a request for additional information (lead generation)
- a visit to a retail store (store traffic)
- a visit to any distributor with an intention to purchase a particular product/service (traffic generation)

The effectiveness of direct marketing activities depends on how well the direct communications of a company succeed in generating orders, inquiries, and store traffic. The proliferation of direct marketing options has made it difficult for the marketers to evaluate the effectiveness of all their direct marketing activities. Increasing competition and changing consumer purchase behavior have made it necessary for marketers to study consumer's needs and preferences for designing effective direct marketing programs and to build long-term relationships with the customers. Such a need is responsible for the increased interest in direct marketing research. The direct marketing trends have to be understood for effective communication with the customers.

Marketers have to undertake research to find out answers to two questions before formulating a direct marketing program. They are:

- Whom to direct market?
- How to direct market?

### 5.7.1 Whom to Direct Market?

Selection of the right target segment is essential for the success of a direct marketing program. The response to the direct marketing campaign will depend on the target segment the company has chosen. The company needs to decide whether to target existing customers or new customers. If the company objective is lead generation, the company can approach new customers. If the objective is to improve relationships with the existing customers then it can target the existing customers. Quantitative research methods are widely used to select target customer segments. Two key quantitative research methods are used in target market selection.

- Segmentation techniques
- Response modelling

**Segmentation techniques:** Segmentation techniques help a company segregate customers with similar characteristics, into various groups. Prominent segmentation techniques include List segmentation, Automatic Interaction Detection (AID) tests, Chi-Square Automatic Interaction Detection (CHAID), and Classification and Regression Trees.

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List segmentation is the process of dividing prospect/customer list (or database) into distinct groups of buyers as follows.

- Demographics: Gender, age, occupations, etc.
- Geography: City, state, zip code
- Buying Behavior: Product usage, attitudes, responses
- Psychographics: Lifestyle, values, personality
- Corpographics/Firmographics: A company's annual revenue, number of locations, employees, SIC code, etc.

**Response Modeling Techniques:** Response modeling techniques predict customer response to a particular direct marketing offer. In these tests a scoring equation is developed on the basis of the purchase behavior variables of the customers. Usually, the recency (time) of the last purchase, purchase frequency, and, monetary value of the purchase, collectively known as the RFM variable is used in these tests. Using this scoring equation individual response is predicted and customers who have higher probability of responding to the offer are selected. Some prominent response modeling techniques include multiple regression, multiple discriminant analysis, artificial neural networks and probit models and tobit models.

### 5.7.2 How to Direct Market?

Media options that are widely used in direct marketing are direct mail, door-to-door selling, telemarketing, catalogs, radio, television, mobiles, and the internet. Selection of the media vehicles will depend on various factors like target audience of the campaign, objectives of the campaign, and costs involved. Companies also have to protect target audience privacy that is defined in the rules and regulations of a particular country.

#### **Example: Flamingo used TV Media to Promote Directly to Target Consumers**

In 2021, Flamingo launched three television advertisements. Each TV commercial had actor Hrithik Roshan utilizing a Flamingo product, such as a kneecap, heat belt and Lumbar Sacro belt (L.S. Belt). The information shows how Flamingo used television as its media option for direct marketing.

*Source: ETBrandEquity (26/11/2021). "Hrithik Roshan highlights Flamingo's products through a new campaign". <https://brandequity.economictimes.indiatimes.com/news/advertising/hrithik-roshan-highlights-flamingos-products-through-a-new-campaign/87926892> Accessed on 12/10/2022*

Companies use various methods to identify the right media vehicles. Quantitative methods like the response rate for the past campaign, readership surveys, television ratings and traffic at the website are used to determine the appropriate

media vehicles. Qualitative methods like attentiveness studies and recall studies are used to gauge customers' interest towards a particular media vehicle.

Evaluation of the rolled out campaign is another important component of direct marketing research. There are two elements in the post evaluation of a direct marketing campaign. One aspect is to measure the costs incurred in the campaign and the response achieved. Measures for ascertaining costs include cost per thousand mailings, cost per order fulfilment, and cost per response.

Measuring profitability is another measure of the campaign evaluation. The profitability is in terms of sales achieved, profit margins, and actual profits. During the evaluation, the company ascertains various issues like: quality of the response, how many of the responses constitute mere inquires, and how many are purchase orders, sales orders generated by the campaign, and the nature of the buyers. The company compares these results with the objectives set by it.

### **5.8 Public Relations Research**

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Public relations research has largely been given lesser importance in the marketing communications mix. This is because of the fact that the effects of public relations cannot be measured easily unlike advertising and sales promotions. However, in the recent past the role of public relations has increased in the marketing communications mix due to increased focus on non-traditional communications techniques and also advancement in public relation measurements. The key functions of public relation research are as follows:

- To provide relevant data about the perceptions and behavior of various target customer segments
- To evaluate the effectiveness of the public relation campaigns and fine tune the public relations strategy to match the market conditions
- To keep track of the company's ongoing public relation activities
- To provide the company the relevant framework that can help in managing crisis and emergency situations effectively.

Public relations personnel are interested in conducting research on three aspects of public relation activities.

- To understand the attitudes, beliefs, and opinions of the target customers. This helps the company in designing the optimal communication message based on the opinions and attitudes of the customers.
- The evaluation of the effectiveness of communication channels through which public relations campaign can be conducted. By this, the company can select an appropriate media vehicle, which helps in maximizing the effectiveness of the public relations campaign.



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- The measurement of the level of importance and credibility of the public relations campaign among the target customers.

PR efforts are seen generally from short-term perspective but it actually creates a long-term value. The short-term benefits include the amount of press coverage received or exposure gained by a specific message. Most of the public relations research concentrates on the measurement and evaluation of public relations results like outputs, outtakes, and outcomes.

- Outputs of a PR program can be measured using tools like media content analysis, cyber space analysis, trade show and event measurement, and public opinion polls.
- PR outtakes relate to the information that public gather or take from a particular PR effort. They are measured in terms of awareness, comprehension, recall, and retention.
- PR outcomes are usually long term in nature and have an impact on the entire organization. They are measured in terms of awareness and attitude levels, and changes in behavior patterns.

As a PR initiative, companies can use cause branding for long-term competitiveness.

### **Example: Heinz Launches Clothes for a Good Cause**

Heinz is known for its sauces all over the world. Recently it teamed up with used clothes retailers and launched 'Heinz Vintage Drip collection. This collection consisted of 157 pieces of second hand streetwear, which are pre-stained with ketchup. The company has decided to donate the sale proceeds to global food charity, "Rise Against Hunger ThredUp." Gen Z and millennials are showing increasing concern over the environment, and are showing willingness to buy used branded clothes. This kind of cause branding gives good mileage to companies and helps in establishing good public relations.

*Source: Leading Ketchup making company launches clothes featuring real ketchup stains for a good cause <https://www.timesnownews.com/viral/leading-ketchup-making-company-launches-clothes-featuring-real-ketchup-stains-its-for-a-good-cause-article-93981799>, September 04, 2022, accessed on September 04, 2022*

## **5.9 Media Research**

Without research, we cannot know the trigger points of target audience. Advertising media research has become very important due to increase in media options, increase in media clutter, fragmentation of target customers, and evolutions of new technologies in media. Media research includes the media vehicle exposure issues, characteristics of target audience and media vehicles, and effect of media environment on consumers. Three aspects of media research are discussed as follows.

- Functions of media research
- Framework for media decisions
- Challenges in media research.

### 5.9.1 Functions of Media Research

The main objectives of media research are to bring clarity to the rapid changes taking place in the media environment, to enable a media planner to take effective media planning decisions. The following are few functions.

**Study the audience characteristics of a medium:** Media like newspapers or television channels do not just depend on subscription or circulation revenue, but also depend on advertising revenue to stay profitable in the market. Media focuses on determining the size of the target audience and its characteristics. This helps a media channel to present the data related to its target audience, as marketable information to advertisers.

- The advertisers try to select a medium that provides the best coverage of the target customers at a lower cost. Therefore, the research from the advertiser perspective focuses on locating the target customer segment and the medium (media) that covers this customer segment effectively.
- The study of the size, distribution, and characteristics of the target audience is one of the key functions of media research.
- The data about the target audience is provided by third party entities. Nielsen media research is a leading organization that provides the audience data of the broadcast medium.
- TAM (Television Audience Measurement) is the specialized branch of media research, dedicated to quantifying (size) and qualifying (characteristics) detailed television audience information.
- National readership survey provides detailed information about readership figures and reader characteristics of print media.

**Identifying the media trends:** Researchers should monitor media elements like the changing prime time, average advertising spot duration, cost of media spots across media and regulatory environment such as TRAI regulations in India. For example, on the media front, average advertising spot duration is on decline due to increasing demand for prime time spots and spiralling advertising costs.

Tracking the changes that are taking place in the media environment may provide valuable insights to the advertisers for fine-tuning their marketing communications plans.

Usage of social media to promote companies and brands has been increasing enormously. The landscape of social media is ever changing and understanding the same is very essential to marketers. The following example explains the changing social media preferences of teens.

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### Example: Changing Social Media Preferences Among Teens

According to a study TikTok is a top social media platform for teens. The study also revealed that the dominant social media platform Facebook among teens has plummeted from 71% in 2014-15 to 32% today. YouTube is the leader in the online landscape with 95% of the market share of teens. 67% of teens use TikTok, followed by Instagram and Snapchat whereas Facebook has only 32% of the teens using it, and even a smaller percentage of respondents use Twitter, Twitch, WhatsApp, Reddit and Tumblr. Understanding teens preferences for these various social media platforms help marketers to plan their media strategy appropriately.

*Source: Teens, Social media and technology <https://www.pewresearch.org/internet/2022/08/10/teens-social-media-and-technology-2022/>, August 10, 2022, accessed on September 03, 2022*

A media researcher should also scan external environments that may influence viewer behavior and media environment. For example, changing socio-economic conditions in the country may give birth to different media channels providing content on business, news, sports, history, religion, and geography.

- The rise in rural incomes and declining television set prices has lead to the proliferation of television in rural areas, increasing the reach of the television medium. Today, companies are spending more for TV media compared to other media

**Analyzing media schedules:** Media scheduling has become a complicated task due to availability of more media options, increased advertising clutter, media fragmentation, and complexity of media space pricing. The research has to focus on:

- The optimal combination of media
- Frequency of the advertising campaign
- Timing and placement of the advertising campaign.

In India the airtime on weekdays are more affordable than weekends, while, the prime time slots are more expensive than late night slots. For that matter, the airtime becomes more expensive during seasonal periods like Christmas, Holi, Diwali, New Year, etc.

**Tracking competitive advertising:** Companies usually track competitor moves to determine their advertising strategy. Tracking competitor advertising strategy and spending can help a company refine its own advertising strategy to match the pace of the competitor. It also helps the company to benchmark its performance against the best in the industry.

- Nielson media research provides competitive advertising intelligence information through the Nielson Monitor-Plus service, which operates in 30 major international advertising markets.

- TNS media intelligence/CMR is another service provider which provides marketing intelligence information.
- Companies can set dedicated teams of employees to scan various media such as Internet, television, press, and gather relevant information about market places.

### 5.9.2 Framework for Media Decisions

The Advertising Research Foundation developed a framework in 1961 that helps marketers to take better media decisions. The model gives eight levels at which media performance can be measured. The first three levels relate to advertising stimulus and the next five are the consumers' response. This model helps marketers to plan their advertising campaigns in a scientific manner.

#### ARF Model for Media Decisions

### 5.9.3 Challenges in Media Research

Media researchers have the following challenges in spite of progress made in understanding consumer behavior.

- Customer profile
- Qualitative aspects of media research

**Customer profile:** Research has to focus on understanding customer profile, media profile and the level of impact etc. for deeper insights.

- Viewership ratings estimate how many people are watching the program, but marketers need to know the exact composition of the people.
- Viewership ratings or circulation figures may be an indication of the popularity of a medium but they may not be pure measure of the exposure attained by an advertisement
- There are no studies that give insights into the characteristics of less popular media and smaller publications.
- Lack of uniformity in the availability of data related to various media. For example, Nielsen, Advertising research foundation, Advertising age, NRS provide detailed information related to TV, radio, and print media. Various surveys conducted by these agencies give detailed information including audience size, their characteristics, audience accumulation, TV program ratings and magazine readership. Though these details come handy in making marketing communications decisions, they fail to give deeper insights.
- Advertisers spend huge money on ads during highly rated programs with the premise that higher rating implies higher involvement of the customers but the rating may not be true.

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- The effectiveness of outdoor advertising is measured on the basis of the number of people who passed by a hoarding. It may not estimate how many people actually viewed the advertisement.

**Qualitative research:** Quantitative dimensions like readership or statistics of various media are necessary but not yield desired results. A media researcher should consider the qualitative dimensions also to have a considerable impact on the media planning process.

- The type of magazine, editorial content, customer involvement in the ad, credibility of the magazine etc. are qualitative dimensions which influence customer more than the quantitative circulation figures.

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### **Check Your Progress - 2**

5. Where is RFM (Recency, Frequency, Monetary value of the purchase) analysis done to understand purchase behavior?
  - a. Advertising research
  - b. Direct marketing research
  - c. Public relations research
  - d. Sales promotion research
6. Cause branding is an accepted marketing strategy in India.
  - a. Yes
  - b. No
  - c. Can't say
  - d. None
7. Which of the following media attracts more ad pie?
  - a. Newspaper
  - b. TV
  - c. Digital
  - d. Radio
8. What is the first and last stage of ARF model for media decisions?
  - a. Vehicle distribution & advertising response
  - b. Vehicle exposure & sales response
  - c. Advertising exposure & advertising persuasion
  - d. Vehicle distribution & sales response

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### **5.10 Summary**

- Marketing communications research is necessary for crafting an effective marketing communications strategy.
- Marketing communications research takes its origin in marketing research.

- Marketing research process is discussed in nine stages: formulating research problem, developing hypothesis, determining research approach, determining research method, data sources, sample plan, data collection, analysis and interpretation and research report.
- Marketing communications research is necessary to enhance the effectiveness of each element of the marketing communications mix.
- Marketing communications research has three components such as marketing communications audit, competitor communications research and communications content research.
- Marketing communications research of each element is examined such as advertising, sales promotion, direct selling and public relations research.
- Advertising research focuses on advertising strategy research, advertising copy research and ad campaign evaluation research.
- Sales promotion research discusses pre-testing, concurrent-testing and post-testing to evaluate sales promotion programs.
- Direct marketing research focuses on queries such as whom to direct market and how to direct market.
- Public relations research discusses effectiveness of various PR programs including cause branding for long-term value.
- Finally media research is discussed on three aspects such as functions of media research, framework for media decisions and media challenges.

### 5.11 Glossary

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**Advertising research:** It is one of the components of marketing communications research, which involves gathering, evaluating and analyzing information pertaining to advertising decisions of a company.

**Consumer-jury test:** It is one of the pre-testing techniques, in which a select group of customers are exposed to various advertisements and asked to rate those advertisements on various parameters like likeability, memorability, attentiveness, and believability.

**Laboratory test:** Tests conducted in a controlled environment are called laboratory tests. Ad copy testing uses this test.

**Observational research:** In this method a researcher observes consumer behavior to understand a particular issue. Tracking the scanner data at retail stores and observing TV viewing habits of customers are some of the ways of conducting observational research.

**Portfolio-test:** In a portfolio-test, the respondents are shown an advertisement portfolio (in the form of a book) consisting of number of controlled ads and test ads in a laboratory setting, then they are asked to recall the viewed advertisements.

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**Post-test:** Tests conducted to find out whether promotional campaigns have met the desired objectives or not and after the campaigns have been released in the market are called post-tests.

**Pre-test:** The evaluation of a promotional campaign before it is executed in the market is called as pre-test

**Portfolio-tests:** It is a pre-testing technique in which the ads to be tested is inserted between various advertisements (including the competitor ads) and shown to a panel of customers. Later, their feedback is solicited to evaluate the recall value of the advertisement.

**Vehicle exposure:** Vehicle exposure refers to the viewership or the readership enjoyed by a media, which advertiser intends to use.

### **5.12 Self-Assessment Exercise**

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1. Discuss marketing research process in detail.
2. Explain the various components of marketing communications research.
3. How do you conduct ad campaign evaluation research?
4. How do you evaluate sales promotion effectiveness? Discuss with any Indian example.
5. What is public relations research? Give any example of Indian PR program.
6. Discuss the framework of Advertising Research Foundation (ARF) for media decisions.

### **5.13 Suggested Reading / Reference Material**

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1. George E. Belch, Michael A. Belch, Keyoor Purani, Advertising and Promotion: An Integrated Marketing Communications Perspective, 12th Edition, McGraw Hill, 2021
2. Michael Branding, Social Media Marketing, Notion Press, 2021.
3. William D. Wells, Sandra Moriarty, Nancy Mitchell, Advertising and IMC: Principles and Practice, 11th Edition, Pearson Education, 2021
4. Ritu Narang, Advertising, Selling & Promotion, First Edition, Pearson Education, 2020
5. Manendra Mohan, Advertising Management – Concept and Cases, McGraw Hill Education, 1st edition, 2017

### **5.14 Answers to Check Your Progress Questions**

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#### **1. (d) Formulating research problem**

Marketing research process has nine stages: Formulating research problem, developing hypothesis, determining research approach,

determining research method, data sources, sample plan, data collection, analysis & interpretation and research report

**2. (d) a, b and c**

Marketing communications research has three components such as marketing communications audit, competitor communications research and communications content research

**3. (d) a, b and c**

Advertising copy research is done by the three tests such as consumer-jury tests, portfolio-tests and laboratory tests.

**4. (a) Pre-testing**

Test marketing is done to evaluate pre-testing stage of sales promotion before rolling out at the national level campaign to avoid expenditure.

**5. (a) Direct marketing research**

RFM analysis is done to understand purchase behavior of consumer through the following variables.

- Recency (time) of the last purchase
- Frequency of the purchase
- Monetary value of the purchase

**6. (a) Yes**

56% customers, 56% investors, 77% employees would like to patronage a company which associates with a cause. Cause branding is hence an accepted marketing strategy in India

**7. (b) TV**

Television attracts 42% of ad pie at global level, followed by newspaper, outdoor, digital, radio, magazine and cinema in that order.

**8. (d) Vehicle distribution & Sales response**

ARF Model for Media Decisions has eight levels such as vehicle distribution, vehicle exposure, advertising exposure, advertising attentiveness, advertising communication, advertising persuasion, advertising response and sales response.



## Unit 6

# Advertising Objectives and Planning

### Structure

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- 6.1 Introduction
- 6.2 Objectives
- 6.3 Advertising Plan
- 6.4 Mission: Setting Advertising Objectives
- 6.5 DAGMAR: An Approach to set Advertising Objectives
- 6.6 Money: Setting Advertising Budget
- 6.7 Message: Determining Creative Strategy
- 6.8 Media: Selecting Advertising Media
- 6.9 Measurement: Measuring and Evaluating Advertising Effectiveness
- 6.10 Advertising Agency and Creative Brief
- 6.11 Summary
- 6.12 Glossary
- 6.13 Self-Assessment Test
- 6.14 References/Suggested Readings
- 6.15 Answer to Check Your Progress Questions

*"If you don't know where you are going, you will probably end up somewhere else."*

- Lawrence J. Peter

### 6.1 Introduction

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Highly successful organizations have an extremely clear vision of what they want to accomplish, and they always lay down clear marketing and advertising plans.

An advertising plan should always be in line with marketing plan. It helps the company to establish advertising objectives as a part of overall marketing strategy. Advertising objectives can be as basic as creating awareness, or more complex, such as influencing attitudes, preferences, and buying behavior of target customers. Going astray in advertising is all too easy. The most creative advertising in the world is worthless if it misses the target audience. Effective advertising comes from good planning, good budgeting, a long-term commitment, and evaluation of ad campaign. Marketers need great ads to get the desired results. Marketers have to keep the ads in front of customers for the long term to realize the desired objectives.

## 6.2 Objectives

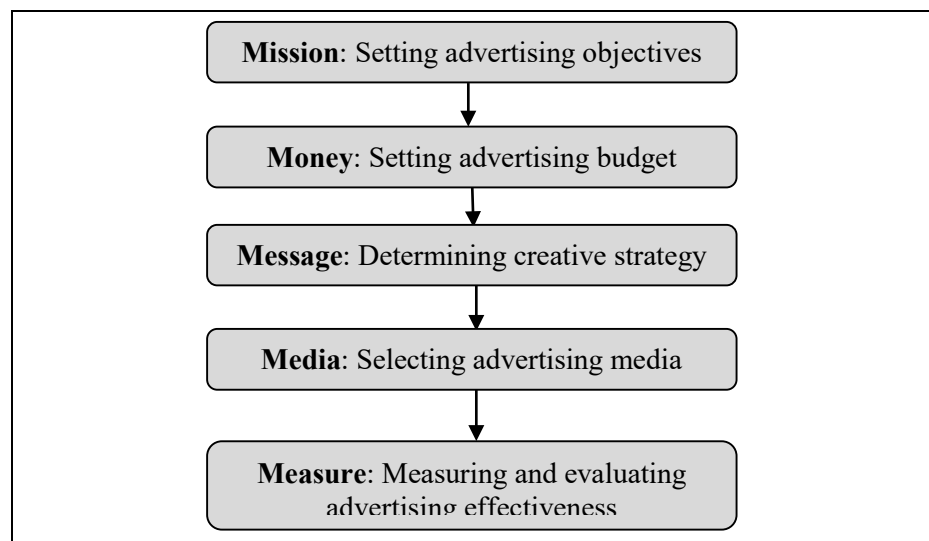
After going through this unit, you will be able to:

- Examine the importance of advertising plan and its various elements
- Understand the importance of setting specific advertising objectives
- Introduce the DAGMAR approach for setting advertising objectives
- Appreciate the significance of budgeting in advertising plan
- Understand the importance of message in the advertising campaign
- Know the role of advertising agencies in the message development

## 6.3 Advertising Plan

Advertising plan provides the plan of action for ad campaign. It outlines the objectives of advertising campaign, the message to be created and the media to be used for influencing target audience. Advertising plan begins with identifying target market and their motives. Advertising plan tells the marketers how they are going to get there. A well formulated advertising plan follows five important steps (known as 5M's of Advertising) as shown in the figure 6.1.

**Figure 6.1: Advertising Plan**



*Source: ICFAI Research Center*

## 6.4 Mission: Setting Advertising Objectives

Advertising objectives should always be in line with marketing objectives, as well as the business strategy or mission of the organization. Advertising objectives broadly fall into the following two categories:

- i. Communication-oriented objectives
  - To inform

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- To persuade
  - To remind
  - To modify
- ii. Sales-oriented objectives
- To increase sales
  - To enhance market share

### 6.4.1 Informative Advertising

Informative advertising is often used when launching a new product, or for an updated or re-launched product. The objective is to develop initial demand for a good, service, organization, or cause. It is used when a new product is put on the market or when an old product has been re-launched or updated.

Informative advertising will tell the consumer and marketplace about the product, explain how it works, provide pricing and product information, and should build awareness for the product as well as the company. The image of the product and the company should be compatible and complementary. There should be enough information to motivate the consumer to take some sort of action.

### 6.4.2 Persuasive Advertising

Marketers use persuasive advertising to increase the demand for an existing good, service, or organization. The idea is to persuade a target audience to change brands, buy their product, and develop customer loyalty. After the purchase, the quality of the product will dictate whether or not the customer will remain loyal or return to the previous brand.

Persuasive advertising is highly competitive when there are similar products in the marketplace, and products are competing for their share of the market. In this situation, the winning product will differentiate itself from the competition and possess benefits that are superior to, or compete strongly with, the competition. Comparative approaches are common place, either directly or indirectly.

The following example explains how Aisle, a dating app from India, is trying to persuade its customers to opt for its app over the casual dating apps. Its promotional campaign highlights the inherently problematic and awkward situations singles face on casual dating apps.

#### **Example: Aisle's 'Dating Horrors' Campaign**

Aisle, a dating website launched a campaign called "Dating Horrors" which explains viewers the horrors that may come with casual dating, in a hilarious yet informative manner. Each ad film explains the bitter reality of casual dating experiences - from ghosting, to uncalled for pictures to misleading profiles and persistent messaging. Able Joseph, Founder and CEO, Aisle said that he

*Contd. ....*

wanted to use humor appeals to explain how Aisle helps people in finding meaningful and lasting relationships, and throw light on the negative side of the casual dating apps. With its 'Let's Get Real' tagline, Aisle aims to persuade users to accept that casual dating is a blunder that can cost their peace. Aisle encourages honest conversations by adopting an intentional approach to online dating instead.

*Source: Aisle takes on the horrors of casual dating with its hilarious ad campaign. Retrieved from <https://www.afaqs.com/news/advertising/aisle-takes-on-the-horrors-of-casual-dating-with-its-hilarious-ad-campaign>, Published and accessed on September 07, 2022*

#### **6.4.3 Reminder Advertising**

Reminder advertising reinforces previous promotional information. The name of the product, testimonials of past customers, public response, and sales techniques are repeated in the hopes of reminding past customers and garnering new ones. It is used to keep the public interested in, and aware of, a well-established product that is most likely at the end of the product life cycle.

#### **6.4.4 Attitude changing Advertising**

If company has developed a bad image or reputation for the product or company, then it needs to urgently modify this, by changing the attitude towards the product. This is a herculean task, but it can be accomplished with the help of advertising.

#### **6.4.5 Increasing sales and market share advertising**

Sales-oriented objectives are not appropriate if the sale of a product is affected by factors other than advertising. These include price, distribution, packaging, product features, competition, consumer tastes etc. It is also tough to establish an immediate link between the advertisement and sales, as there might be a time lag from the time a customer is exposed to an advertisement and the actual purchase. Therefore, sales objectives cannot provide complete guidelines for planning, developing and executing the advertising program. They can be set for advertising in case of direct response advertising and retail advertising and are well-suited in following conditions.

- When marketers have little or no control on marketing variables such as price, product and competition, which affect sales.
- When advertising is the most important element in the marketing mix and other methods like personal selling and direct marketing play an insignificant role
- When advertising is designed to obtain a quick response either through promotion or easy access.

#### **6.4.6 Communications effects pyramid**

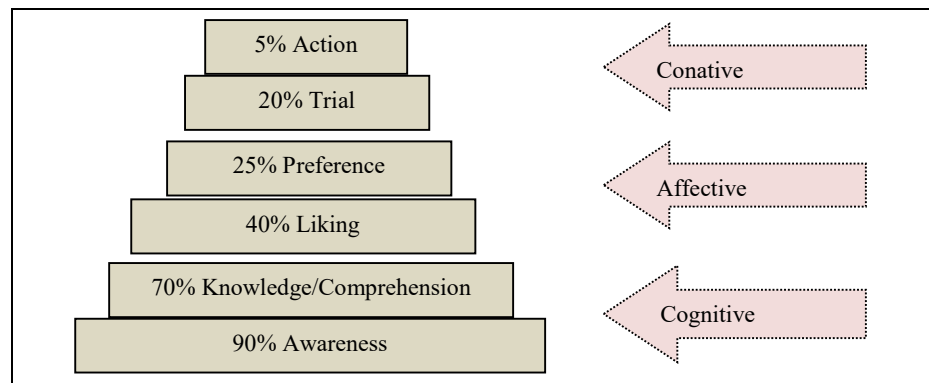
Marketers find it difficult to express their sales objectives in terms of communication objectives. The problem is that marketers do not know when the

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customer should be triggered to move from one stage to the other. There is no mechanism to determine that once the viewer has attained a certain percentage of awareness he or she is ready to purchase a product. Communication objectives play an important role in filling this gap, by providing operational guidelines for planning, execution and evaluation of the promotional campaign. The marketer should be very clear about the kind of action or behavior he wants from the target customers after watching the commercial.

The communication effects pyramid (Figure 6.2) based on 'Lavidge and Steiner' hierarchy of effects model (refer unit 2) throws some light on customer movement through various stages from awareness, comprehension, liking, preference, trial to use i.e. action. Customer also passes through three psychological states such as cognitive, affective and conative in parallel. Researchers says only 5% customers purchase a product out of 90% customers who are aware of the product.

**Figure 6.2: Communications Effects Pyramid based on Lavidge and Steiner Model**



Source: ICFAI Research Center

Marketers have to set advertising objectives based on Communications Effects Pyramid.

### 6.5 DAGMAR: An Approach to Set Advertising Objectives

In 1961, Russell Colley prepared a document titled Defining Advertising Goals for Measured Advertising Results (DAGMAR), where he developed a model for setting advertising objectives and measuring the results of an ad campaign. The major idea behind DAGMAR model is that communications effects are the logical basis for advertising goals and objectives against which success or failure should be measured. Colley's rationale for communications-based objectives was as follows:

"Advertising's job, purely and simply, is to communicate to defined audience information and a frame of mind that stimulates action. Advertising succeeds or fails depending on how well it communicates the desired information and attitudes to the right people at the right time and the right cost."

In DAGMAR approach, an advertising goal involves a communications task that is specific and measurable. A communications task, as opposed to a marketing task, can be performed by, and attributed to, advertising rather than to a combination of several marketing factors. Colley proposed that the communications task be based on a hierarchical model of the communications process with four stages.

- **Awareness:** Creating awareness among consumers about the existence of the new brand or company.
- **Comprehension:** Developing comprehension of what the product is and what it will do for the consumer.
- **Conviction:** Creating a mental impression among the target audience that the product delivers what they desire.

### Example: Mountain Dew's New Campaign for Youth

Mountain Dew launched a new campaign in 2021 to encourage young people to face their anxieties. The campaign's slogan, "Darr Haisiyat Nahi, Himmat Dekhta hai," exhorted today's youth to defy societal restraints and face their anxieties in order to achieve extraordinary success. The information shows that the brand is creating a mental impression among the target audience.

Source: ETBrandEquity (13/04/2021). "Mountain Dew inspires youth to overcome their fears in new campaign". <https://brandequity.economictimes.indiatimes.com/news/advertising/mountain-dew-inspires-youth-to-overcome-their-fears-in-new-campaign/82047048> Accessed on 12/10/2022

- **Action:** Influencing the consumers for action to purchase the product immediately.

Colley developed a checklist of 52 advertising tasks to characterize the contribution of advertising and serve as a starting point for establishing objectives. Coley also evaluated other hierarchy-of-effects models while developing DAGMAR model.

### 6.5.1 Characteristics of Good Objectives

DAGMAR's contribution to the advertising planning process was its definition of what constitutes a good objective. Russell Coley said good objectives should justify the following five characteristics.

- **Clear, Measurable Tasks:** Advertisers generally use a copy platform to describe their basic message. The objective or a copy platform statement should be specific and clear enough to guide the creative specialists who develop the advertising message. The objectives must also be measurable.
- **Target Customers:** Target customers should be clearly defined which may be based on variables such as geography, demographics, psychographic and behavioral.

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- **Demarcate Present Status and Benchmark the needed Change:** Demarcate clearly the target audience's present status concerning response hierarchy variables such as awareness, comprehension/knowledge, liking, preference, trial, and action then determine the degree to which consumers must be changed by the advertising campaign with the help of quantitative benchmarks. Marketing research can be conducted to know the present status. For new products no initial research is needed since there is no awareness level at all.

Advertising objectives provide the standard against which the success or failure of a campaign is measured. An ad campaign that results in a 90 percent awareness level for a brand among its target audience cannot really be judged effective unless one knows what percentage of the consumers were aware of the brand before the campaign began.

- **Clearly specify the Time Period:** Clearly specify the time period required for accomplishing objectives. The time periods usually depends on the situation and the level of hierarchy-of-effects. For example, awareness levels for a brand can be created very quickly through an intensive ad campaign with repetitive advertising to the target audience. Repositioning of a brand takes longer time. The repositioning of Marlboro cigarettes from a feminine brand to masculine image took several years.
- **Written Goal:** Lastly, the objectives should be written on paper. When the objectives are clearly written, basic shortcomings get exposed and it becomes easy to determine whether the objectives contain the crucial aspects of the DAGMAR approach.

### 6.5.2 Evaluation of DAGMAR

The DAGMAR approach had a great influence on advertising planning process and on setting advertising objectives. DAGMAR clearly advised advertisers to focus on communications-based rather than sales-based objectives to measure advertising effectiveness. DAGMAR had become an objective tool to minimize subjectivity which facilitated for better communication and relationships between marketers and ad agencies.

**Limitations of DAGMAR:** In spite of DAGMAR's significant contribution in setting objectives and evaluating impact, many researchers have questioned its value as a planning model.

- **Sequence of response hierarchy:** Consumers may not always go through the sequence of communications 'effects' before making a purchase. Researchers have developed alternative response models.
- **Lack of sales orientation:** DAGMAR doesn't consider sales as the objectives of advertising. The ultimate value of an ad is to influence customer for action not information. Companies hesitate to spend money for just advertising objectives.
- **Impractical and incurs huge expenditure:** Research is needed to establish benchmarks and to measure changes in the response hierarchy. Researchers disagree over methodology of setting benchmarks and measuring customer

movement over response hierarchy. Research can be done by large companies with huge advertising budgets.

- Innovation gets discouraged: Quantitative benchmarks may stifle innovation. DAGMAR discourages people while developing creative message because creativity and quantitative measurement ill go together.

In spite of DAGMAR model providing guidelines for advertising plan and advertising objectives, many marketers fail to follow these guidelines. Companies fail to set advertising objectives because top management is ignorant about the true functioning of marketing communications.

There are few companies which set objectives based on the criteria set forth in DAGMAR. Marketers should set objectives that are specific and measurable and go beyond basic sales goals. Even though communications objectives are not always measured, meeting the other criteria will sharpen the focus and improve the quality of the IMC planning process.

### 6.5.3 IMC Perspective for Setting Objectives

The DAGMAR approach and other hierarchical response models consider how marketers design and disseminate advertising messages to move consumers on the path of hierarchy-of-effects. This approach is what Prof. Don Schultz calls inside-out planning and suggests in its place an outside-in planning process. Prof. Tom Duncan also suggests zero-based communications planning as an alternative to DAGMAR.

- **Company-oriented perspective:** Prof. Schulz says, DAGMAR focuses on what the marketer wants to say, about the things the marketer believes are important about his or her brand and the media the marketers wants to use. This is actually inside-out planning from company-oriented perspective
- **Customer-oriented:** Prof. Schultz advocates that “IMC starts with the customer and builds backwards to the brand. This means that promotional planners study the various media customers and prospects use, when the marketer’s messages might be most relevant to customers, and when they are likely to be most receptive to the message”. This is actually outside-in planning process from customer-oriented perspective.
- **Zero-based communications planning:** Prof. Duncan suggests zero-based communications for IMC that involves determining what tasks need to be done and which marketing communications functions should be used and to what extent. Duncan suggests that an effective IMC program should lead with the marketing communications function that most effectively addresses the company’s main problem or opportunity and should use a promotional mix that draws on the strengths of whichever communications functions relate best to the particular situation.

The objectives of marketing communications mix influence each other in the IMC program. The marketer should understand all objectives and how they play in the overall marketing program for the success of IMC campaign.



**Check Your Progress - 1**

1. Which of the following is not one among the 5Ms of advertising?
    - a. Money
    - b. Mission
    - c. Measure
    - d. Men
  2. Which of the following is not a communication-oriented objective?
    - a. Informing customers
    - b. Persuading customers
    - c. Reminding customers
    - d. Enhancing competitors
  3. What are the four stages of DAGMAR model to set advertising objectives?
    - a. Awareness, competition, conviction, action
    - b. Awareness, comprehension, conviction, action
    - c. Awareness, competition, comprehension, attack
    - d. Awareness, comprehension, competition, attack
  4. Which of the following does not represent the communications effects pyramid?
    - a. Awareness –90%
    - b. Liking – 40%
    - c. Action –5%
    - d. Knowledge –80%
  5. Which of the following is correctly matched?
    - a. Awareness: ThumsUp Ad
    - b. Comprehension: Zoomer Pup Ad
    - c. Conviction: Fortune Oil Ad
    - d. Action: Nokia Lumia Ad
  6. Which of the following are the limitations of DAGMAR planning model?
    - a. Sequence of response hierarchy
    - b. Lack of sales orientation
    - c. Discourages innovation
    - d. All the above
-

## 6.6 Money: Setting Advertising Budget

After finalizing advertising objectives marketers have to allocate sufficient budget to support advertising activities. There is no proven model that decides on 'what should be the right size of the budget'. One reason why setting an advertising budget is so difficult is because one cannot establish returns on investment over a short period. Some popular budgeting methods are the affordability method, percentage-of-sales method, competitive parity method, payout planning method, objectives and task method, and arbitrary methods. These budgeting methods are discussed in detail in Unit 8. Here few of the factors that influence advertising budget are discussed as follows.

- **Product life cycle:** There is heavy advertising and promotional expenses required during products launch stage to create awareness. It is during the growth phase that product reaches usefulness but attracts competitors hence benefits over other brands must be established. Most advertising for the product occurs during this stage. The maturity stage attempts to retain patronage merely on the strength of reputation. Little, or reminder, advertising is used. Many products stay in this stage for many years which attracts less money.
- **Competition:** Companies may have many competitors and plenty of advertisements targeted at the same audience which creates clutter. If the competitors are spending more, then the marketer needs to think of a big advertisement budget to make his product visible.
- **Product Differentiation:** To have better image for your product in comparison to competitors, the company should have a better product in terms of quality, uniqueness, demand and catchy advertisements to create dominant position among the customers. All this attracts more advertisement budget.
- **Market share:** The brand with larger market share allocates relatively smaller percentage of revenue as budget as compared to the brand with smaller market share. Companies however, have to spend more on advertising to strengthen its position.

The following example explains how companies adjust their advertising budgets based on the demand for their products.

### Example: The ad Spends by Car Makers Dropped in 2020-21

As per a report, car manufacturers slashed down their advertising spends during 2020-21 to a huge extent. The sole reason for cutting down media spends was reduced demand for cars amidst uncertainties due to Covid-19 pandemic. The annual reports of 11 major car manufacturers, including Maruti Suzuki, Hyundai Motors, Tata Motors, Mahindra and others revealed that these companies have cut down their ad spends by a little more than 25% in FY2021.

*Contd. ....*

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Mahindra reduced its ad budgets by 59%, followed by Tata Motors by 43%, Hyundai by 37% and Maruti Suzuki by 16.5%. Not just car manufacturers many other companies too followed suit, during Covid-19. Determining ad spends based on percentage of sales method is one of the most common practices followed by companies.

The ad spends dropped in 2020-21 as there was no new product launch and sustenance campaigns were also at low level due to weak demands in the pandemic. Shashank Srivastava, Executive director, Marketing & Sales, Maruti Suzuki told e4m.

*Source: Leading car manufacturers spent over Rs.3400 crore on advertising. Retrieved from <https://www.exchange4media.com/advertising-news/leading-car-manufacturers-spent-over-rs-3400-crore-on-advertising-in-fy21-117516.html>, December 24, 2021. Accessed on September 07, 2022*

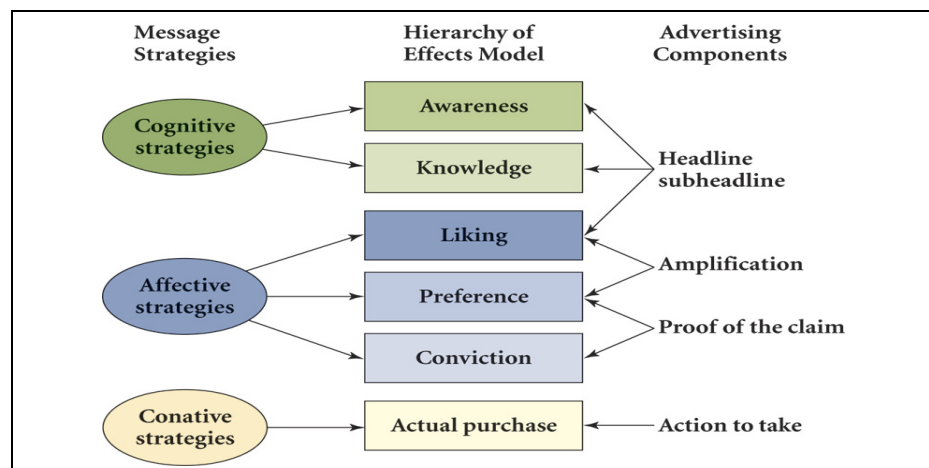
### 6.7 Message: Determining Creative Strategy

Two advertisers invest the same amount of money to the same target audience but one fails miserably and the others not, why? The answer is found in the creative message. Ads that touch the heart and find a chord influence the customer more towards a product. Only few people know how to develop a creative ad. Once the marketer has finalized advertising objectives he should then decide on what he would like to communicate (message) to the target audience to achieve these objectives.

What type of message strategy is used in advertisement depends on the objectives set in advertising planning. The nature of the message is decided by many factors like characteristics of the target audience, advertising objectives and the type of media. Advertisers use various appeals (refer Unit 8) in their ad messages to get the interest of target customers and motivate them to purchase the advertised product.

Three types of creative (message) strategies (Figure 6.3) are developed based on communications objectives and target audience's psychological states such as cognitive, affective and conative.

**Figure 6.3: 3-Types of Creative (message) Strategies**



Source: ICAI Research Center

**Cognitive strategies:** Cognitive message strategies provide rational arguments or pieces of information to consumers.

- **Generic strategy:** The advertising message speaks about product or the benefit derived from the product. These claims can be made by any other brand in the same category too. There is no attempt at asserting superiority. The emphasis is rather on promoting the product category and increasing the market for it. Companies can use this strategy when a new product category is introduced in the market. Here, the company can enjoy a monopoly for some time.
- **Preemptive strategy:** Marketers project a common characteristic or unique feature of the product. By being the first to advertise the unique feature, it is hoped that competitor will be caught off guard and will be forced to respond, by using a 'me too' advertisement. A pre-emptive advertising strategy enables a marketer to unsettle the competition and gain the advantage in a commodity market.
- **Unique selling proposition (USP) strategy:** In USP strategy, the advertising message describes a meaningful and distinct consumer benefit. The USP can either be a functional benefit or a difference in the product's physical appearance. This strategy is recommended for high technology products, where the distinct physical appearance cannot be copied easily by competitors. Other competitors in the market are compelled to match the original product, requiring a high investment in technology.
- **Hyperbole strategy:** Hyperbole strategy is used to differentiate a product from other products based on an attribute that is external to the product. Generally, claims made in the message are more related to the brand rather than product. The advertising message aims at building a psychological differentiation rather than physical differentiation. Creating an image using advertising gives the brand a distinct identity or personality, which is particularly important for brands that compete in product categories that have little or no physical differences. This strategy is well suited for low technology goods with little physical differences, like cigarettes, liquor, and clothing. The disadvantage of this strategy is that as the claim is based on psychological differences, the competitors can easily replicate the claim.
- **Positioning strategy:** Comparative ad strategy is used to position a product in the consumer's mind to enjoy a superior image compared to the competitor's product. The message conveys to consumers where the marketer's product stands in comparison to competitor's offerings. This strategy is well suited for highly developed markets with experienced advertisers, new brands in the product category and brands with a relatively small market share, challenging the market leader. If an advertiser wishes to use the positioning strategy, he has to develop brands continuously and

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position them in gaps existing in the market. The strategy is well suited for products like soap and toothpaste.

### 6.7.1 Affective strategies:

These types of strategies invoke feelings or emotions and match those feelings with the product/service/company.

- **Resonance advertising strategy:** It connects a product with a consumer's experience in order to develop stronger ties between the product and the consumer. In this strategy, the advertising message does not talk about the product features or benefits. Instead, the ad focuses on current situations or likely emotions of the target audience. It is assumed that when the target audience experiences the situations shown in the advertisement, they will think of the product. The resonance strategy works well in a competitive market, where there is not much difference in the products. The strategy is best suited for socially visible goods and the message uses the theme of experience of using product.
- **Emotional advertising strategy:** Emotional advertising shows the target audience the benefits of the product or service through drama and relies on them being so involved with the characters and finding the story so relevant that it will hit an emotional chord. Emotional advertising is much more indirect in its persuasion. Examples of emotional appeals in advertising include: fear, hope, anxiety, love, surprise, guilt, shame, distress, interest, excitement, joy, anger, disgust, sadness, happiness, amusement and peacefulness. Emotional appeal means product advertising that appeals to emotional desires rather than economy, logic or utility. Further, Indian natya shastra talks about the importance of emotions to connect with the audience. It identifies nine emotions that can actually move audiences and has always been integral to storytelling in our culture.

The following example explains the significance of emotional communication as described by Shivam Puri, CEO of Cipla Health Ltd.

#### **Example: Emotional Communications Create Wonders for Brands**

Emotional communications do wonders for brands. The Indian Marketing Awards (IMA) 2022 hosted by the exchange4media group highlighted the fact. Shivam Puri, CEO-Cipla Health Ltd., opined that brands can thrive successfully, enjoy brand equity and survive in the market for the long run through emotional appeals. Referring to a survey, Puri said that compared to functional advertising, companies can reap more benefits through emotional advertising. He also stated that the success stories of two leading consumer

*Contd. ....*

brands, The Surf Excel 'Daag acche hain' ad and the ad of Nicotex prove this point. The emotional communication gave a distinct image to these brands in the minds of consumers.

*Source: Emotional advertising is two times more effective than functional advertising. Retrieved from <https://www.exchange4media.com/marketing-news/emotional-advertising-is-two-times-more-effective-than-functional-advertising-shivam-puri-119062.html>, March 15, 2022, Accessed on September 07, 2022*

### 6.7.2 Conative strategies

These strategies are designed to lead directly to some type of consumer response immediately.

- **Action-inducing strategy:** It may not always follow the hierarchy-of-affects stages. Action is induced in situations where cognitive knowledge of the product or affective liking of the product may come later or during product usage.

## 6.8 Media: Selecting Advertising Media

"OK, let's assume we've found a message that works. Now which medium is going to give us the most for our money?" The one that's right for us depends entirely on our business. A sports magazine might be effective in reaching people interested in sports. Media strategy refers to the action plan for delivering message to the target audience effectively.

The following example explains how food lovers tend to get influenced by watching social media.

### **Example: Impact of Social Media on Demand for Fast Food Consumption**

Studies revealed that food-related content on social media impacts minds of people. Social media algorithms are meant to identify and promote content that users consume more. Internet users tend to receive more unhealthy food ads or feeds on their social media when they view more of that content on social media. A marketing professor from Canadian university, Prof. Ethan Pancer opined that more and more exposure to unhealthy foods, will impact consumers to perceive them as less unhealthy., According to a study children and young adults are exposed to food related marketing content 30 to 189 times per week on social media. It is clear from this fact that it is very easy to influence food habits of people through online content.

*Source: Does seeing food on social media make us eat more? Retrieved from <https://www.bbc.com/future/article/20211206-does-seeing-food-on-social-media-make-us-eat-more>, December 07, 2021. Accessed on September 07, 2022*

Media strategy can be said to consist of four main steps.

- Determining the target audience and the decision maker

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- Media selection
- Media scheduling
- Media buying

Marketers select media based on various parameters like frequency, reach, and impact. Various aspects of media strategy are discussed in detail in unit 9.

### 6.9 Measure: Measuring and Evaluating Advertising Effectiveness

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The final step in an advertisement plan is to decide the measures to evaluate the effectiveness of advertising. Marketers have come up with various measures to determine the effect of advertising. From the communication angle, the effect can be measured by gauging the level of change brought about in the consumer's awareness, knowledge and preference regarding the marketer or his product.

The sales effect of an advertisement can be determined by undertaking a sales-effect research. The impact of advertising on sales is an important measure to understand whether the advertising expenditure is generating proportional sales or not.

### 6.10 Advertising Agency and Creative Brief

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The task of managing an advertising campaign of a company is usually handled by a third party, an advertising agency. The criteria used for selection of an advertising agency are very important for both marketers and ad agencies. Marketers and ad agency differ on the criteria to be considered while selecting an ad agency.

#### 6.10.1 Creative Brief

The agency needs a lot of information for successful execution of the campaign. So, the common industry process is to have a briefing session involving the company and the advertising agency before the latter starts working on the project. During this briefing process, the marketer interacts with the advertising agency and gives the guidelines for the advertising campaign.

A basic creative brief always includes,

- **The purpose of the ad:** It refers to the desired reaction of the target audience, including how should the ad make them feel or what should the ad make them do.
- **The profile of the target audience:** Detailed profile of target audience such as age, sex, attitude, behavior etc.

Bigger ad agencies have formal forms which provide important information such as the name and signature of the creative director, target audience, USP, client's contact information etc.

### 6.10.2 Advertising Production Process

The advertising production process passes through four important stages. They are:

- **Brief to Research:** Research begins immediately after the brief has been received from the client. Research compares client's product with the competitor, their ranking in the market, consumers' perceptions towards the brands and the advertising of competitors.
- **Research to Plan:** Based on the research, ad agency identifies who the target audience is and the media to be used in the most cost effective way. Ad agencies advice on the markets to be targeted, necessary changes to be made in distribution, media channels to be used etc. to deliver the right message to the right target audience.
- **Plan to Execution:** The creative team converts the advertising communication into symbols and words. The copywriter and the art director together develop the commercial. Ad agency ensures that the commercial is ready on time with all approvals including legal.
- **Execution to Measuring Campaign performance:** Once the commercial has run, the ad agency verifies whether the commercial is performing according to the set objectives.

### 6.10.3 Types of Advertising Agencies

There are basically four types of advertising agencies seen in India. They are:

1. In-house agencies
  2. Creative boutiques
  3. Media buying agencies
  4. Full service agencies
- **In-house agencies:** Large companies have set up their in-house advertising agencies to reduce costs and maintain greater control over its activities. An in-house agency is an ad agency set up, owned and operated by the advertiser. An in-house ad agency can also provide related work such as sales presentations and sales force material, package design, and public relations at a lower cost than the outside agencies.
  - **Creative boutique:** Creative boutique provides only creative services. Some companies want to use only the creative talent of creative boutique while maintaining the other functions internally. The company wants to make use of outside creative talent for developing advertising.
  - **Media buying agencies:** These agencies are specialized in the buying of media, particularly mass media. The task of media buying has become more



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complex hence important for purchasing media time and space. Media buying agencies purchase large amounts of time and space to receive discounts and save client's money. Media buying agencies charge a fee or commission for their work.

- **Full-service agency:** Full-service agencies help companies in their ad campaigns for greater profits in the long run. These agencies offer a full range of services in the area of marketing, communications and promotions such as planning, creating and producing the advertisement, media selection and research. They also provide other marketing services such as package design, sales promotion, event management, trade shows, publicity and public relations.

### 6.10.4 Advertising Agency Compensation

One can't six-sigma the creative process. Creativity is hard to quantify and any good agency compensation agreement will balance marketing cost controls with creative excellence. Companies follow various methods while finalizing compensation. The ad agency compensation should be a win-win for both the company and the ad agency.

There are various models that help companies and agencies while negotiating compensation for the advertising campaign. The compensation should include labor hours used, costs of materials, commissions etc. The various agency compensation models are shown in Table 6.1.

**Table 6.1: Advertising Agency Compensation Models**

	Compensation Method	Description
1	Media Commission	Agency is paid on variable percentage of media billings
2	Fixed Fee	Agency is paid fixed amount for a project or period of time
3	Time & Materials	Agency is paid hourly rate(s) for time spent by individual resources
4	Combination of Fees & Commission	Agency is paid fees and commissions sometimes split by services (fees for creative & commissions for media)
5	Risk-sharing/ Incentive-based	Agency is paid based on achievement of ROI goals and/or other agency performance criteria

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### **Check Your Progress - 2**

8. Which of the following is not correctly matched for message strategies?
  - a. Cognitive strategy ---Awareness, knowledge
  - b. Affective strategy ----Liking, preference, conviction

- c. Conative strategy ---Actual purchase
  - d. None of the above
9. Resonance advertising strategy is which type of message strategy?
- a. Cognitive
  - b. Affective
  - c. Conative
  - d. None of the above
10. What are the various stages of advertising production process?
- a. Brief---research---plan---execution---measure
  - b. Brief---remind---plan---execution---money
  - c. Belief---research---plan---executive---money
  - d. Brief--- research--- publish--- execution--- measure
11. What is the most important criteria marketers rank while selecting advertising agency?
- a. Strategic insights
  - b. Creative ideas
  - c. Chemistry
  - d. Cost
12. Which of the following is not a cognitive message strategy?
- a. Unique Selling Proposition (USP) strategy
  - b. Hyperbole strategy
  - c. Action-inducing strategy
  - d. Generic strategy
13. Which type of the following advertising agency provides only creative services?
- a. In-house agencies
  - b. Creative boutique
  - c. Media buying agencies
  - d. Full-service agency
14. Media strategy depends on which of the following parameters?
- a. Target audience
  - b. Media selection
  - c. Media scheduling
  - d. All the above

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### 6.11 Summary

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- This unit deals with advertising planning and objectives.

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- The five stages of advertising plan are: setting advertising objectives, setting advertising budget, determining creative strategy, selecting advertising media and measuring and evaluating advertising effectiveness.
- Advertising objectives have two categories such as communication-oriented and sales-oriented.
- The communication-oriented objectives are to inform about a new product, persuade audience to buy it, remind them about the product from time to time and modify attitude towards the product.
- DAGMAR approach to set advertising objectives are discussed, which are based on hierarchical model with four stages such as awareness, comprehension, conviction and action.
- The evaluation of DAGMAR model and IMC perspectives are discussed to understand objectives from various angles.
- The various factors that influence advertising budget, three creative message strategies such as cognitive, affective and conative, advertising media selection and evaluation of advertising campaign are discussed to throw light on other stages of advertising plan.
- Marketers take the help of advertising agencies in the development of creative brief.
- A sample of creative brief, advertising production process, various types of advertising agencies and advertising agency compensation model are discussed.

### 6.12 Glossary

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**Advertising plan:** An advertising plan provides a detailed outline of the objectives that an advertising campaign has to achieve, the strategy to accomplish those objectives, and the means to determine the success of the campaign.

**Advertising agency:** An advertising agency is an independent organization of creative people and business people, who specialize in developing and preparing marketing and advertising plans, advertisements, and other promotional tools.

**Art direction:** Art direction for an advertisement consists of making the design, illustration, photos, etc. to be used in the advertisement.

**Agency of Record (AOR):** A third party agency which manages the media buying activities of a client.

**Creative boutique:** A creative boutique is a small advertising agency that takes care of only the creative part involved in the development of an advertisement.

**DAGMAR model:** Defining Advertising Goals for Measured Advertising Results abbreviated to DAGMAR, suggests that achievement of a hierarchy-of-communications objectives leads to actual purchase.

**Full-service agency:** A full-service advertising agency provides its clients all the necessary services required to plan develop, create, and execute an advertisement. It also performs research and selects the appropriate media to communicate the message to the target audience.

**Fixed-fee method:** In the fixed-fee method, a fixed monthly fee is paid to the advertising agency for its services. The media commissions earned are returned to the advertisers or are credited against the fee.

**Fee-commission combination:** In a fee-commission combination, the agency charges a fixed monthly fee for the services it offers to its clients and the media commissions earned are retained by the agency.

**Incentive-based compensation:** In incentive-based compensation, the amount to be paid to the advertising agency is decided based on the effectiveness of the ad campaign.

**In-House agency:** The in-house agency is an internal advertising agency formed, owned and operated by the advertiser.

**Limited service agency:** A limited service advertising agency provides only one or a limited number of services.

**Media buying service agency:** Media buying service agencies handle only media planning, buying and placement of advertising in various media.

**Media commissions:** In media commissions, the agency receives a fixed percentage from the media, whenever it books advertising space in print or a slot in the electronic media on behalf of the client.

**Resonance strategy:** The advertisement using resonance strategy features current situations or likely emotions of the target audience. It assumes that whenever the customer encounters the situation, it will remind him of the product.

### 6.13 Self-Assessment Test

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1. How do you formulate advertising plan with various steps? Discuss.
2. Discuss advertising objectives with suitable examples.
3. What is DAGMAR? How do you set advertising objectives based on DAGMAR model?
4. Explain any two creative message strategies with suitable examples.
5. What is creative brief? Explain various stages of advertising production process.
6. Define advertising agency. Discuss various types of advertising agencies with examples.

### 6.14 References / Suggested Readings

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2. Michael Branding, Social Media Marketing, Notion Press, 2021.
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### **6.15 Answer to Check Your Progress Questions**

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1. **(d) Men**

The 5Ms of advertising are Mission, Money, Message, Media and Measure

2. **(d) Enhancing competitors**

The communication-oriented objective are informing customers, persuading customers, reminding customers and modifying customer behavior. The communication-oriented objectives are not for enhancing competitors

3. **(b) Awareness, comprehension, conviction, action**

The four stages of DAGMAR model to set advertising objectives are awareness, comprehension, conviction and action

4. **(d) Knowledge -70%**

The communications effects pyramid represents as follows:

- Awareness –90%
- Knowledge/comprehension –70%
- Liking – 40%
- Trial –20%
- Action –5%

5. **(d) Action: Nokia Lumia Ad**

The correctly matched advertising objective with the ads are as follows

- Awareness: Zoomer Pup Ad
- Comprehension: Fortune Oil Ad
- Conviction: ThumsUp Ad
- Action: Nokia Lumia Ad

6. **(d) Persuasive ad: Coke's comparative ad (with Pepsi)**

The following ads are correctly matched with the communication objectives

- Informative ad: TVS Jupiter

- Attitude changing ad: KFC's chicken poetry contest on social media
- Reminder ad: Frooti
- Persuasive ad: Coke's comparative ad (with Pepsi)

**7. (d) All the above**

The following are the limitations of DAGMAR planning model

- Sequence of response hierarchy
- Lack of sales orientation
- Discourages innovation
- Impractical and incurs huge expenditure

**8. (d) None of the above**

The correct representation of message strategies is as follows

- Cognitive strategy ---Awareness, knowledge
- Affective strategy ----Liking, preference, conviction
- Conative strategy ---Actual purchase

**9. (b) Affective strategy**

Resonance advertising strategy is an affective type of message strategy.

**10. (a) Brief, research, plan, execution, measure**

The various stages of advertising production process are Brief to Research to Plan to Execution to Measure

**11. (a) Strategic insights**

The most important criteria marketers rank while selecting advertising agency is strategic insights followed by creative ideas, chemistry and cost

**12. (c) Action-inducing strategy**

The cognitive message strategies are Unique Selling Proposition (USP) strategy, Hyperbole strategy, Generic strategy and Preemptive strategy. Action-inducing strategy comes under conative message strategy.

**13. (b) Creative boutique**

Creative boutique type of advertising agency provides only creative services

**14. (d) All the above**

Media strategy depends on many parameters such as target audience, media selection, media scheduling and media buying.

## Unit 7

# Budgeting for Marketing Communications

### Structure

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- 7.1 Introduction
- 7.2 Objectives
- 7.3 Marketing Communications Budget vs. Sales
- 7.4 Marketing Communications Budgeting Methods
- 7.5 Factors Affecting Allocation of Communications Budget
- 7.6 Marketing Communications Budgeting Process
- 7.7 Summary
- 7.8 Glossary
- 7.9 Self-Assessment Test
- 7.10 References/Suggested Readings
- 7.11 Answer to Check Your Progress Questions

*“Budgeting has only one rule: Do not go over budget.”*

– Leslie Tayne

### 7.1 Introduction

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Marketing communications budget is very crucial for marketing success of any organization and firms allocate huge budgets for advertising. The managers should ensure that the budgeted amount is mostly met without any over budgets.

### 7.2 Objectives

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After going through this unit, you will be able to:

- Understand the relationship between marketing communications budget and sales
- Analyze various marketing communications budgeting methods
- Understand the various factors on marketing communications budget allocation
- Examine marketing communications budgeting process

### 7.3 Marketing Communications Budget vs. Sales

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Marketers have shifted their cost-oriented approach to investment-oriented approach while spending huge amount of money on marketing communications. In spite of huge investment in marketing communications marketers are not clear about the impact of advertising expenditure on sales. The effect of advertising on sales has been widely researched. Advertising has a carryover effect that lasts beyond the current period. Although advertising is treated as a current expense, part of it is really an investment that builds up an intangible asset called brand equity.

Researchers have developed many models to understand the relationship between promotion expenditure and sales generated. The simple model accepted by many companies is linear model and they think that greater spending on communications will result in higher sales and vice-versa. In so doing, firms ignore the ground reality that marketing communications is not the only factor that influences the sales volume of a company. Other elements of the marketing mix like price, product and place also influence sales. Managers should also understand that increasing sales is not the only objective of advertising. Money spent on advertising can also be seen as an investment in building up the business.

Classic purchase funnel theory tells that in order to ultimately drive sales, marketers must usher consumers through this funnel, using advertising to first create awareness, then shape attitudes, create favorability, foster purchase intent and ultimately build preference for their products over any other. Brand lift quantifies the extent to which advertising has shifted consumer perception and is a precursor to sales lift.

Advertisement can change the attitude of target customers. It can change negative attitude to positive attitude, reinforce positive attitude, and also affect how consumers rank brand attributes.

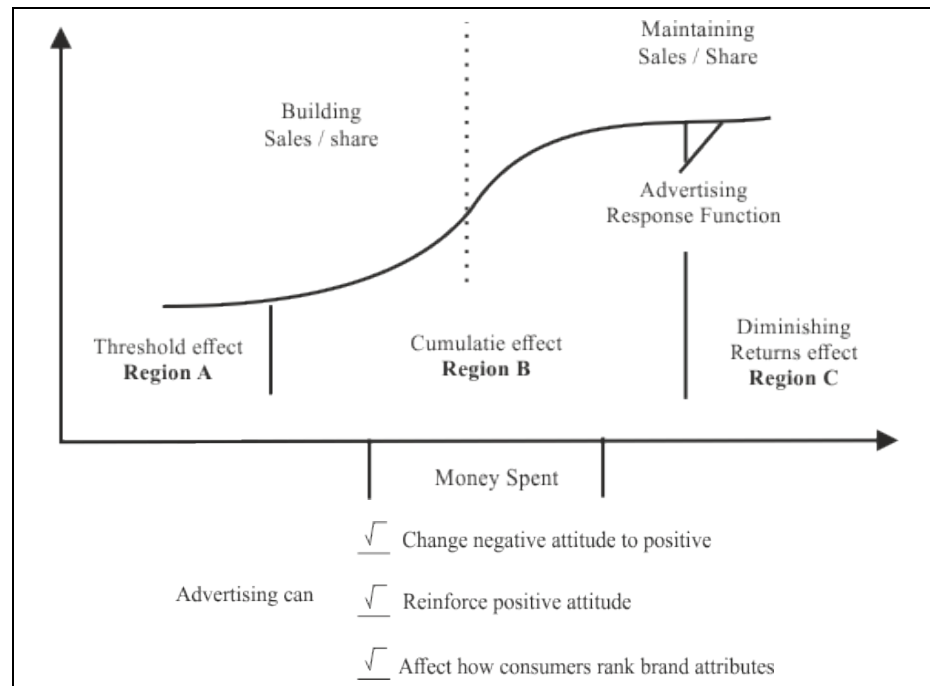
#### 6.3.1 S-Shaped Response Curve Model

Many researchers assume the S-shaped response curve (fig 7.1), which projects an S-shaped relationship between the advertising budget and sales. The response is measured in terms of sales, or return on advertising expense, or market share. Initial outlays of the advertising budget have little impact as shown in the figure 7.1 (flat sales curve in region A). A consumer may develop an interest in the product only after he has been exposed to a certain level of advertising. This effect is called as threshold effect. The region A depicts this effect.

Threshold effect refers to the minimum level of advertising exposure that is required to create a change in the consumer's behavioral response. Thus to make advertising expenditure productive, the advertising effect should overcome the threshold level.



Figure 7.1: Advertising Response Function Curve



Source: ICFAI Research Center

After a certain budget level has been reached (the beginning of range B), advertising and promotional efforts begin to have an effect, as additional increments of expenditures increase sales. This increase in sales effect is termed as cumulative effect. The region B depicts this effect.

Cumulative effect refers to the delayed effect of advertising on sales, that is, the present advertising expenditure will influence sales at later periods. As spending on marketing communications increases, due to the carry over effect of various campaigns, the total effect of advertising on sales will be higher.

Cumulative effect creates higher brand recall among customers. Customers remember the brand and when they think of purchasing the product, the brand will be the first one to be considered. This incremental gain continues only to a point, however, because at the beginning of region C additional expenditures begin to return little or nothing in the way of sales. The relative impact will be lesser compared to region B and is called as 'diminishing returns effect'.

Diminishing returns effect refers to the unproductive advertising expenditure which doesn't show any positive impact on sales and in turn the sales curve takes a downward dip with increasing expenditure

S-shaped model suggests that a small advertising budget is likely to have no impact beyond the sales that may have been generated through other means (for example, word of mouth). At the other extreme, more does not necessarily mean

better: Additional money spent beyond range B have no additional impact on sales and for the most part can be considered wasted.

After a certain level of sales has been achieved, an increase in advertising spending may have a negative impact on sales, known as ‘negative returns effect’.

Negative returns effect may occur because customers grow weary of the company’s marketing communications activities due to overexposure to the company’s promotional efforts.

- This doesn’t imply that the company should cut down on promotional expenditure; instead, it emphasizes the need for innovative marketing communication methods to revive interest in the product among customers.
- Another reason for the negative outcome is that product may be in the decline stage in the product life cycle, since it has been bought by most of the target customers and the product category itself is facing extinction.

Therefore, marketers need to consider various factors while taking marketing communication budgeting decisions.

### **Example: Marketing Communications Budget vs. Sales of De Beers Diamonds**

The De Beers marketing campaign “A diamond is forever” worked extremely well, as you can see in De Beers’ sales between 1939 and 1979, the wholesale diamond sales only in the United States increased from \$23 million to \$2.1 billion. It increased its advertising budget from \$200,000 to \$10 million a year during the given time period. During 2021 also De Beers continued huge advertising budgets for great sales and revenues. It launched a new global campaign known as “I do” campaign. In 2021 its total revenue increased hugely to \$5.6 billion from \$3.4 billion in 2020. Its rough diamond sales increased to \$4.9 billion in 2021 from \$2.8 billion in 2020.

Sources:

i) Israelidiamond (March 2022), “De Beers: Revenue, Sales and Production Jump in 2021” <https://en.israelidiamond.co.il/news/financial-news/de-beers-revenue-2021/#> (accessed on 10/10/22).

ii) De Beers Group (Nov, 2021), “De Beers Announces a New Global Campaign Celebrating Commitment and Purpose”, <https://www.debeersgroup.com/media/company-news/2021/de-beers-announces-a-new-global-campaign-celebrating-commitment-and-purpose> (accessed on 10/10/22).

iii) The Eye of Jewelry, 2020, “De Beers’ most famous ad campaign marked the entire diamond industry”, <https://theeyeofjewelry.com/de-beers/de-beers-jewelry/de-beers-most-famous-ad-campaign-marked-the-entire-diamond-industry> (accessed on 10/10/22).

## **7.4 Marketing Communications Budgeting Methods**

Advertising costs are a completely controllable expenditure. Advertising budgets are the means of determining and controlling expenditure and dividing it wisely among departments, categories, or media channels. There are many methods available for establishing marketing communications budget and many

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companies use more than one method. Budgeting approaches also vary according to the size and sophistication of the firm.

The traditional methods of establishing budget follow two approaches: Top-Down Approach and Build-Up approach.

- **The top-down approach** is established (at an executive level) and then the monies are passed down to the various departments. Top-down methods include the affordable method, arbitrary allocation, percentage of sales, competitive parity, and return on investment.
- **Build-Up approach** is based on objectives and tasks required to achieve the objectives. Build-Up approach includes objective and task method, payout planning and quantitative models.

### **7.4.1 The Affordable Method**

In the affordable method (all-you-can-afford-method), marketers determine the amount to be spent first in various areas such as production and operations. Then it allocates what's left to advertising and promotion, considering this to be the amount it can afford. The task to be performed by the advertising/promotions function is not considered, and the likelihood of under-or-overspending is high, as no guidelines for measuring the effects of various budgets are established. This strategy leads to unpredictable results and is not sustainable.

In terms of the S-shaped sales response model, the firm is operating either in region A or in region C. When the market gets tough and sales and/or profits begin to fall, this method is likely to lead to budget cuts at a time when the budget should be increased.

### **7.4.2 Arbitrary Allocation**

In arbitrary allocation method, the budget is determined by management solely on the basis of what is felt to be necessary. Managers allocate the resources based on their 'psychological profile as they do economic criteria'. There are no pre-defined guidelines and systems for fixing the marketing communications budget, but many times followed on adhoc basis.

### **7.4.3 Percentage-of-Sales Method**

In percentage-of-sale method, the advertising and promotion budget setting is based on sales of the product. Management determines the amount by either (1) taking a percentage of the sales dollars or (2) assigning a fixed amount of the unit product cost to promotion and multiplying this amount by the number of unit sold. A variation on the percentage-of-sales method uses a percentage of projected future sales as a base. This method also uses either a straight percentage of projected sales or a unit cost projection.

In the sales-percentage method, sales are projected for the coming year based on the marketing manager's estimates.

**Advantages:**

- The budget is not based on last year's sales
- The forecasted budget is more likely to reflect current conditions and be more appropriate.
- The base of percentage-of-sales is better than profits as a base. For example, if profits are low, it might not be the fault of sales or advertising hence percentage-of-sales is ideal to get sufficient advertising investment.
- It is very simple, straightforward and easy for implementation

**Disadvantages:**

- It works on the premise that sales dictates the advertising expenditure. This goes against the widely accepted view that advertising causes sales.
- The inverse relationship between promotional budget and sales: In this approach, companies increase the promotional budget when sales increase and decrease the budget when the sales start declining. In fact, companies need to increase their promotional spending on products recording low sales because advertising and promotional activities may help in reviving the sales of the product. Similarly, products which are well established and have high sales require less promotional support.
- Not suitable for fixing communication budgets for new products because these products have no sales history.
- It doesn't address special situations such as sudden change in competitor moves and market conditions.

This method is not flexible enough to help companies adjust their advertising budget to the market conditions. Percentage-of-future sales method may be an alternative, but the problems with forecasting, cyclical growth, and uncontrollable factors limit its effectiveness.

**7.4.4 Competitive Parity Method**

Competitive parity method works on the premise that competitors' spending reflects the collective wisdom of the industry. This method provides the company a better benchmark to base its communications budget. In this method, a company matches its communication budget with that of competitors.

**Assumptions behind this method:**

- The competitor advertising spending is optimal, and can be considered as a benchmark.
- The characteristics of the competitor, such as strengths, resources, processes and objectives are similar to that of the company.
- Promotional spending is the key influencing factor for sales.

**Advantages:**

- Reduces the risk of overspending.

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- Tracking competitors' moves restricts the company from taking major risks, or making unnecessary expenditure.
- By spending on par with its competitors, a company can defend its market share.

### Disadvantages:

- The assumption that competitor spending is based on sound parameters may not be true.
- The spending of the competitor may depend on various factors unique to his company.
- The conditions and relative position of the company will differ from that of the competitor.
- The objectives and operations of the competitors differ.
- The budget is based on past figures, but there is no guarantee that the competitor will continue to follow a similar spending pattern in the future.

The competitive parity method focuses on the amount to be spent rather than on the effectiveness of the spending. This budgeting approach fails to take into account the fact that the sales of the brand will not just depend on the amount of spending, but also on various other factors. These include the image of the competitor's brand, market share of the competitor, creativity in the promotional campaigns and company's product attributes.

For e.g. Cola majors use this promotional spending approach to fight off competition. This cola war has been a live example since 1980s.

### **Example: Competitive Parity Budgeting @ Pepsi did not yield Results**

Coca-Cola for the past seven years (from 2014 to 2020), was allocating huge advertising budgets (an average US \$4 billion per year) worldwide. Thereby it was able to achieve a synergy and deliver superior performance by grabbing leadership in the soft drink beverage market. PepsiCo uses competitive parity method of budgeting and spends almost the same advertising budget (an average US \$4 billion per year) like Coca-Cola. But Coca-Cola is the market leader in US market with 43.7% market share and Pepsi is following Coca-Cola at second position with 24.1% market share.

#### Sources:

- i) The Investopedia Team, (Aug 10, 2021). "A Look at Coca-Cola's Advertising Expenses", <https://www.investopedia.com/articles/markets/081315/look-cocacolas-advertising-expenses.asp#&>
- ii) Statista (2020), "Coca-Cola advertising spending worldwide" <https://www.statista.com/statistics/286526/coca-cola-advertising-spending-worldwide/> (accessed on 10/10/22).

### 7.4.5 Objective and Task Method

Objectives and task method considers three activities while establishing budget.

- Identifying communications objectives to be accomplished
- Determining specific communications tasks for achieving those objectives

- Estimating the cost of each task for accomplishing these tasks.

### Steps for the Implementation of Objective and Task Method

- Specifying objectives: Marketing objectives and communication objectives should be clearly defined. Marketing objectives should be set first and after that communications objectives are derived as SMART: Specific, Measurable, Achievable, Relevant, and Time-bound.
- Designing communication tasks: Company has to design various tasks to realize communications objectives. These tasks include advertising in various media, sale promotion, digital marketing etc. so that all tools together reinforce integrated communication objectives.
- Estimating costs involved in tasks: The company needs to ascertain the costs of each task and total sum of cost of all tasks become the communications budget. There are four key cost components to be focused –production costs, media expenditure, ancillary costs, and integration costs. Production costs include all the expenses incurred in developing the communication campaign. The media expenditure refers to the costs incurred in buying the media space to run the promotion. Ancillary costs refer to the other costs like travel costs or research costs etc. incurred while running these campaigns. Integration costs are involved in orchestrating all the communication mix elements.
- Monitoring the program: The running and performance of each program should be monitored and evaluated in the light of communications objectives, tasks and budget.
- Reevaluating objectives: In the light of monitoring the program, companies can reevaluate the desired level of achievement and stretch the goals further. If one has achieved the level of consumer awareness sought, the budget can be enhanced to stress a higher-order objective such as evaluation or trial.

### Advantages:

- It provides a systematic procedure for establishing the budget.
- Budget allocation can be done more systematically and effectively.

### Disadvantages:

- It is difficult to ascertain costs for tasks that have no measurable parameters.
- For example, if a company sets its objective as building brand awareness about its products, ascertaining costs for sales promotion activities aimed at building brand awareness for the products will be difficult.

### 7.4.6 Payout planning

The advertising expenditure is heavier at the time of product introduction because more awareness is to be created. To determine how much to spend, marketers often develop a payout plan to determine investment value of the advertising and promotion appropriation. The basic idea is to project the revenues the product will generate, as well as the costs it will incur, over two to three years. Based on an expected rate of return, the payout plan will assist in determining how much advertising and promotions expenditure will be necessary when the return might be expected.

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- Normally advertising and promotion figures are highest in year 1 and decline in years 2 and 3.
- The average share of advertising to sales ratio necessary to launch a new product successfully is approximately 1.5:2.0.

The budget also reflects the firm's guidelines for new product expenditures, since companies generally have established deadlines by which the product must begin to show profit.

While the payout plan is not always perfect, it does guide the manager in establishing the budget. When used in conjunction with the objective and task method, it provides a much more logical approach to budget setting than the top-down approach.

For example, advertising budget gets decreased from 16 to 12 to 5 to 2 crores in the year 2, 3 and 4 for the following product according to payout planning as in table 7.1. There is a cumulative loss of 8 crores and 2 crores in the year 1 & 2 and 25.50 and 73.50 cumulative profit in the year 3 & 4.

**Table 7.1: Advertising Budget based on Payout Planning Method**

Product	Year 1	Year 2	Year 3	Year 4
Sales (Crores)	16.00	36.00	65.00	100.00
Profit contribution (0.5% on unit sale)	8.00	18.00	32.50	50.00
Advertising expenditure	16.00	12.00	5.00	2.00
Profit (loss)	(8.00)	6.00	27.50	48.00
Cumulative profit	(8.00)	(2.00)	25.50	73.50

### 7.4.7 Simulation (Quantitative) models

Simulation models incorporate statistical techniques such as regression analysis etc. to determine the relative contribution of the advertising budget to sales. Quantitative models have yet to be accepted by marketers because managers many times go by their judgment rather than by some quantitative analysis.

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### **Check Your Progress - 1**

1. What type of relationship is seen between marketing communications budget and sales?
  - a. Straight line
  - b. Linear
  - c. S-Shaped
  - d. Parabola
2. What do you call the minimum level of advertising exposure that is required to create a change in the consumer's behavioral response?
  - a. Cumulative effect
  - b. Threshold effect
  - c. Diminishing returns effect
  - d. Negative returns effect

3. Which of the following methods works on the premise that competitor's spending reflects the collective wisdom of the industry?
  - a. Percentage-of-sales method
  - b. Competitive parity method
  - c. Objective and tasks method
  - d. Affordable method
4. Normally advertising and promotion expenditure are the highest in the year 1 and decline in year 2 and 3. Which of the following budgeting methods qualifies this statement?
  - a. Affordable method
  - b. Arbitrary method
  - c. Payout planning
  - d. Simulation (Quantitative) models
5. What are the advantages of percentage-of-sales method?
  - a. Forecasted budget is more likely to reflect current conditions and be more appropriate
  - b. The budget is not based on last year's sales
  - c. It is very simple, straightforward and easy for implementation
  - d. All the above
6. What are the disadvantages of competitive parity method?
  - a. Reduces the risk of overspending
  - b. By spending on par with its competitors, a company can defend its market share
  - c. The objectives and operations of the competitors differ
  - d. None of the above
7. Objectives and task method considers which activities while establishing budget?
  - a. Identifying communications objectives to be accomplished
  - b. Determining specific communications tasks for achieving those objectives
  - c. Estimating the cost of each task for accomplishing these tasks
  - d. All the above

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### **7.5 Factors Affecting Allocation of Communications Budget**

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After deciding upon the budgetary approach and the overall budget for the communications program, a company needs to determine the allocation of funds for each promotional element. This task has become critical in the context of tight budget allocation for marketing communication programs. Marketers are under



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pressure to maximize the effectiveness of each promotional mix element through optimal allocation of communications budget.

### **7.5.1 Allocating to Promotional Mix Elements**

Companies are reshuffling their budget among various promotional mix elements based on the dynamics of internal and external environment. Advertisers are shifting some of their budget away from traditional advertising media to sales promotion and online media.

The largest percentage of budget is allocated to the digital media after TV because the cross section of digital media has given marketers new ways to reach prospective customers. Rapidly raising media costs, the ability of sales promotions to motivate trial, maturing of the product or/brand, and the need for more aggressive promotional tools have also lead to shifts in strategy.

Few marketers have used the allocation decision to stretch their advertising money and get more impact from the same amount of money.

### **7.5.2 Client/Agencies Policies**

The agency may discourage the allocation of monies to sales promotion, preferring to spend them on the advertising area. The agency may take the position that these monies are harder to track in terms of effectiveness and may be used improperly if not under its control.

The orientation of the agency or the firm may also directly influence where monies are spent. Many agencies are managed by officers who have ascended through the creative ranks and are inclined to emphasize the creative budget. Others may have preferences for specific media.

For example, some agencies position themselves as experts on the internet and spend more client money on this medium. Some may focus only on social media since it is the order of the day. Both the agency and the client may favor certain aspects of the promotional program, perhaps on the basis of past successes, that will substantially influence where dollars are spent.

### **7.5.3 Market Size**

In smaller markets, it is often easier and less expensive to reach the target market. Too much of an expenditure in the markets will lead to saturation and a lack of effective spending. In larger markets, the target group may be more dispersed and thus more expensive to reach. Think about the cost of purchasing media in metros like Mumbai or Chennai versus non-metro cities like Kochi or Shillong. The former would be much more costly and would require a budget appropriation.

### **7.5.4 Market Potential**

Some markets hold more potential than others hence managers may decide to allocate additional money to them. It is important to understand that a low sale doesn't mean it should be ignored. The important thing is potential and a market with low sales but high potential may be a candidate for additional appropriations.

There are several methods for estimating marketing potential. Many marketers conduct research studies to forecast demand and/or use secondary sources of

information such as those provided by marketing research agencies like A.C. Nielsen, IMRB, Ikon Marketing Consultants etc.

**Example: Disney+ Hotstar Market Potential**

Disney+ Hotstar had great market potential in the Indian market. It earned INR 1,000-1,100 crores from IPL during 2022 (inclusive of INR 250-300 crores through subscriptions). In the highly cluttered Indian market amidst the numerous OTT players the biggest differentiating factor for Disney+ Hotstar was IPL. During two months of IPL season it used to meet its annual subscription targets. Disney+ Hotstar considers India as a jewel in the crown for its huge market potential and allocates additional budgets for the Indian market.

*Source: Niraj Sharma, June 2022, "IPL media rights: What is Disney+ Hotstar's 'Plan B' after losing IPL?" <https://bestmediainfo.com/2022/06/ipl-media-rights-what-is-disney-hotstars-plan-b-after-losing-ipl> (accessed on 11/10/22).*

**7.5.5 Brand Market Share Vs. Share of Voice**

Researchers have compared the brand's share of the market with its share of advertising voice (the total of the main media exposure in the product category).

**Market share vs. Share of Voice**

John Jones, professor of advertising, classified the brands as "profit taking brands, or under spenders" and investment brands, those whose share of voice is clearly above their share of market. His study indicated that for those brands with small market shares, profit takers are in the minority; however, as the brands increase their market share, nearly three out of five have a proportionately smaller share of voice.

Jones noted that three factors can be cited to explain this change.

- New brands generally receive higher-than-average advertising support.
- Older, more mature brands are often milked i.e., when they reach the maturity stage, advertising support is reduced.
- There is an advertising economy of scale where by advertising works harder for well-established brands, so a lower expenditure is required.

Jones concluded that for larger brands, it may be possible to reduce advertising expenditures and still maintain market share. Smaller brands, on the other hand, have to continue to maintain a large share of voice.

**7.5.6 Economies of Scale in Advertising**

Some researchers have proved that 'firms and/or brands maintaining a large share of the market have an advantage over smaller competitors and thus can spend less money on advertising and realize a better return'. Larger advertisers can maintain advertising shares that are smaller than their market shares because,

- They get better advertising rates

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- Of declining average costs of production
- They accrue the advantages of advertising several products jointly
- They enjoy more favorable time and space positions, cooperation of middle people, and favorable publicity.

These advantages are known as economies of scale in advertising.

### 7.5.7 Organizational Factors

Various organizational factors also influence communications mix budget allocation decisions. The following aspects have a major influence on the budget allocations.

- **Short-term vs. long-term objectives:** If an organization has short-term objectives, the budget allocations are focused on sales promotions, which give back quick results and can be implemented in a short period of time. However, if the organizational goals are long-term, advertising can aid in achieving those goals.
- **Channel members:** If the retailers have a higher bargaining power, the manufacturers will be forced to offer higher trade promotions. Consequently, the allocation for advertising will be lower in such situations. The western countries have a well-developed retail industry and companies that sell convenience goods like groceries and packaged foods are dependent on retailers for their sales. Therefore, marketing communications for such products are focused on offering trade promotions to gain shelf space and sales support of the retailers.

## 7.6 Marketing Communications Budgeting Process

Determining the budgeting process for marketing communications involves several steps. A systematic procedure for determining the communications budget will help the company in improving the cost effectiveness of the marketing communications program. The four steps are seen in Figure 7.2.

**Figure 7.2: Marketing Communications Budgeting Process Steps**



Source: ICFAI Research Center

### 7.6.1 Identifying Marketing Communications Objectives

The first step in the communications budgeting process is identifying the marketing communications objectives. Defining objectives clearly will help in making operational decisions related to the marketing communications program, such as the content and structure of the advertisement, the media selection, and the level of spending on each promotional element, easier. It also makes the communications plan consistent, thus providing better results. However, marketing communication goals need to be based on the overall marketing objectives that company has set for itself. These marketing objectives are in turn guided by the organizational goals. For example, if a company has set an organizational goal to produce a low cost detergent power that is affordable to the masses, the marketing strategies, goals and activities will be expressed in terms of customer segment, pricing of the product, and distribution. This will, in turn, guide the marketing communication goals.

**Marketing communication objectives include the following:**

- Increase sales
- Improve brand image
- Create brand awareness
- Influence buyer attitudes

Marketing communication objectives have two different orientations: sales orientation and communication orientation. Sales oriented objectives are stated in terms of sales achievements. These objectives are appropriate from the short-term perspective. They should be considered in situations where a company wants an improvement of sales in the short term.

Communication oriented objectives are defined in terms of communicating the message that a company intends to communicate, such as creating brand awareness, building brand equity, and creating category need among customers.

Marketing analysts feel that communication oriented objectives are more useful than sales oriented objectives.

### 7.6.2 Fix initial budget and allocation

The initial budget fixing involves three decisions:

- The budgeting method to be adopted
- The amount of funds to be ascertained
- The allocation of the communication expenditure for each promotional element

Companies can choose from the various advertising methods discussed earlier. The budgeting method may vary from company to company.

- Small companies, which are financially constrained and have no long-term outlook towards marketing communications, favor affordable method or arbitrary method.

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- Large and financially secure companies, which have a long-term outlook towards marketing communications, adopt the competitive parity method, objective-task method, or percentage-of-sales method.

However, in practice, companies follow more than one budgeting method while fixing their communications budget.

After deciding upon the budgeting method, the company has to decide upon funds that it intends to spend on marketing communications. The amount of funds to be allocated depends on various controllable and uncontrollable factors.

- The controllable factors include the financial position of the company (i.e. funds available, return on investment, and profitability of the company)
- The nature of the product (i.e. product attributes, and product life cycle stage)
- Organizational policies (i.e. the organization structure, organizational goals, and marketing communications objectives)
- Production capabilities of the company
- The uncontrollable factors include the sales of the product, competition, and customer behavior.

After determining the funds that are to be allocated for marketing communication activities, a company has to decide upon the allocation of funds for each task or promotional element.

- Advertising and sales promotion get the major share of advertising budget.
- Budget for other promotional tools, such as digital media, public relations, direct marketing etc.

After the budget plan, that includes the amount of funds and the allocation for each promotional element is developed, it should be submitted to the top management for approval. The manager, needs to make the changes (if any), suggested by the senior management.

### **Example: Fix Initial Budget and Allocation @ HUL**

HUL in 2022 decided to reduce advertising budgets and targeted 8 to 9 % decrease. It spent Rs. 1,296 crores on advertising in the fourth quarter of the fiscal year 2022 which is 8.6% less than its previous year spent. It met the initial budget and allocation of around 1200 crores. The expenditure was around Rs. 1418 crores in Q4 during fiscal year 2021.

*Source: BestMediaInfo Bureau (April, 2022). "HUL's Q4 FY22 ad spends down by 8.6% YoY", <https://bestmediainfo.com/2022/04/hul-s-q4-fy22-ad-spends-down-by-8-6-yoy> (accessed on 10/10/22)*

### 7.6.3 Implementation of the Budget Plan

After the budget plan has been determined, it is the responsibility of the manager to ensure that the plan is implemented in the required manner. The tasks that a manager performs are, managing and tracking the budget plan.

The manager has to look after the financial aspects of the communications program, such as handling advertising production costs and purchase of media space. He also needs to look for ways to cut costs and improve the efficiency of the program. This can be achieved by negotiating with the ad agencies and media channels for bargains and discounts. The manager should also closely monitor the events that have a significant impact on the budget plan, such as swift moves by competitors, sudden change in government regulations, or changes in media costs. Products suddenly go for slashing of prices to kill competitors often hence companies have to be ready to any type of fluctuations in the competition.

Managers have to make the budget plan flexible, to deal with such contingencies. This can be achieved by setting up a separate fund called the contingency fund. A portion of the budget should be set aside for contingency requirements. Contingency funds are used to deal with critical changes in the market place, such as changes in media costs and change in the company's plan.

### 7.6.4 Control and Evaluation of the Budget

The manager has to run periodic checks to ensure that communications spending is being done as per schedule and is not exceeding the allotted budget. Proper systems and procedures should be in place to obtain continuous information about spending activities, so that the manager can evaluate the spending and make corrections if necessary. Another activity that the manager has to perform at this stage is the evaluation of the outcomes of the communication plan. This includes analyzing whether the plan has achieved its objectives, whether the spending was in tune with the budget plan, and whether the allocation was done properly. This assessment helps the manager in designing effective communication plans in the future.

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### **Check Your Progress - 2**

8. Which of the following factors affect the allocation of communications budget?
  - a. Promotional mix elements
  - b. Client/agency policies
  - c. Market potential
  - d. All the above
9. Which media attracts higher advertising spending at present?
  - a. TV
  - b. Digital

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- c. Radio
  - d. Outdoor
10. The brands maintaining large market share have an advantage over smaller competitors and thus can spend less money on advertising and realize a better return. Which concept qualifies this statement?
- a. Economies-of-scale in advertising
  - b. Market size of advertising
  - c. Market potential of advertising
  - d. None of the above
11. What is the sequence of marketing communications budgeting process?
- 1. Identifying marketing communications objectives
  - 2. Fix initial budget and allocation
  - 3. Implement the budget plan
  - 4. Control and evaluation of the budget
- a. 1,2,3,4
  - b. 2,1,4,3
  - c. 1,3,2,4
  - d. 4,1,2,3
12. The initial budget fixing involves which of the following decisions?
- a. The budgeting method to be adopted
  - b. The amount of funds to be ascertained
  - c. The allocation of the communication expenditure for each promotional element
  - d. All the above
13. In which stage of marketing communications budgeting process, does the manager have to run periodic checks to ensure that communications spending is being done as per schedule and is not exceeding the allocated budget?
- a. Identifying marketing communications objectives
  - b. Fix initial budget and allocation
  - c. Implement the plan
  - d. Control and evaluation of the budget
14. Larger advertisers can maintain advertising shares that are smaller than their market shares because of which of the following reasons?
- a. Get better advertising rates
  - b. Declining average costs of production
  - c. Accrue the advantages of advertising several products jointly
  - d. All the above
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## 7.7 Summary

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- The unit introduced the concept of marketing communications budget.
- Since marketers are spending huge budgets on marketing communications, they want to optimize the money spent on media.
- The relationship between marketing communications budget and sales are understood with an S-shaped response curve, which discusses threshold effect, cumulative effect, diminishing return effect and negative returns effect.
- Budgeting methods such as affordable, arbitrary, percentage-of-sales, competitive parity, objective and task, payout planning and simulation are discussed with suitable examples.
- There are many factors that affect allocation of budget viz. promotional mix elements, client/agency policies, market size, market potential, market share and organizational factors.
- Large companies have the benefit of economies-of-scale of advertising that is accrued due to the synergy of many activities together.
- The four stages of marketing communications budgeting process is discussed as identifying marketing communications objectives, fix initial budget and allocation, implementation of the budget plan and control and evaluation of the budget.

## 7.8 Glossary

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**Affordable method:** A type of advertising budgeting method using which a manager allocates funds for promotion on the basis of their firm's financial ability. The amount of funds to be allocated for marketing communications is decided after taking all other expenses into consideration. This method of budget fixing is followed by small-scale enterprise

**Arbitrary method:** It is a type of advertising budgeting method, using which managers allocate the resources based on their experience and judgment of market conditions and competitor moves.

**Cumulative effect:** Cumulative effect refers to the delayed effect of advertising on sales, that is, the present advertising expenditure will influence sales at later periods. As spending on marketing communications increases, due to the carry over effect of various campaigns, the total effect of advertising on sales will be higher.

**Economies-of-Scale in Advertising:** Firms and/or brands maintaining a large share of the market have an advantage over smaller competitors and thus can spend less money on advertising and realize a better return.



## Block-2: Marketing Communications Strategy and Planning

**Payout planning:** Payout planning involves fixing of the communications budget on the basis of the expected revenues that it will obtain in future. This approach considers communications spending an investment rather than an expense. Under this method a company allocates a higher budget during the introductory stage of the product and reduces the spending as the product moves into its maturity and decline stage.

**Percentage of sales method:** The percentage of sales method is one of the most popular methods used for fixing advertising budgets. Under this method, a communication budget is fixed on the basis of sales.

**S-Shaped Response Curve:** The S-shaped response curve projects an S-shaped relationship between the advertising budget and sales.

**Threshold effect:** Threshold effect refers to the minimum level of advertising exposure that is required to create a change in the consumer's behavioral response. Thus to make advertising expenditure productive, the advertising effect should overcome the threshold level.

### 7.9 Self-Assessment Test

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1. Explain the relationship between marketing communications budget and sales.
2. Discuss various marketing communications budgeting methods with suitable examples.
3. Explain the factors that affect the allocation of communications budget.
4. Discuss the various stages of marketing communications budgeting process.
5. What is economies-of-scale in advertising?

### 7.10 References / Suggested Readings

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1. George E. Belch, Michael A. Belch, Keyoor Purani, Advertising and Promotion: An Integrated Marketing Communications Perspective, 12th Edition, McGraw Hill, 2021
2. Michael Branding, Social Media Marketing, Notion Press, 2021.
3. William D. Wells, Sandra Moriarty, Nancy Mitchell, Advertising and IMC: Principles and Practice, 11th Edition, Pearson Education, 2021
4. Ritu Narang, Advertising, Selling & Promotion, First Edition, Pearson Education, 2020
5. Manendra Mohan, Advertising Management – Concept and Cases, McGraw Hill Education, 1st edition, 2017

### 7.11 Answers to Check Your Progress Questions

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**1. (c) S-Shaped**

The relationship between marketing communications budget and sales is reflected in S-Shaped response curve

**2. (b) Threshold effect**

The minimum level of advertising exposure that is required to create a change in the consumer's behavioral response is called threshold effect

**3. (b) Competitive parity method**

Competitive parity method works on the premise that competitor's spending reflects the collective wisdom of the industry.

**4. (c) Payout planning**

In payout planning method, advertising and promotion expenditure are the highest in the year 1 and decline in year 2 and 3. The following budgeting method qualifies this statement.

**5. (d) All the above**

The advantages of percentage-of-sales method are as follows

- i. Forecasted budget is more likely to reflect current conditions and be more appropriate
- ii. The budget is not based on last year's sales
- iii. It is very simple, straightforward and easy for implementation

**6. (c) The objectives and operations of the competitors differ**

The disadvantages of competitive parity method are as follows

- i. The objectives and operations of the competitors differ
- ii. The conditions and relative position of the company will differ from that of the competitor
- iii. The spending of the competitor may depend on various factors unique to his company
- iv. The assumption that competitor spending is based on sound parameters may not be true

**7. (d) All the above**

Objectives and task method considers the following three activities while establishing budget.

- i. Identifying communications objectives to be accomplished
- ii. Determining specific communications tasks for achieving those objectives
- iii. Estimating the cost of each task for accomplishing these tasks

## **Block-2: Marketing Communications Strategy and Planning**

### **8. (d) All the above**

The following factors affect the allocation of communications budget.

- Promotional mix elements
- Client/agency policies
- Market potential
- Market share
- Organizational factors

### **9. (a) TV**

Television media attracts more advertising spending at present at the global and national level.

### **10. (a) Economies-of-scale of advertising**

In economies-of-scale of advertising, brands which maintains large market share have an advantage over smaller competitors and thus can spend less money on advertising and realize a better return.

### **11. (a) 1,2,3,4**

The correct sequence of marketing communications budgeting process is as follows.

1. Identifying marketing communications objectives
2. Fix initial budget and allocation
3. Implement the budget plan
4. Control and evaluation of the budget

### **12. (d) All the above**

The initial budget fixing involves the following three decisions.

- i. The budgeting method to be adopted
- ii. The amount of funds to be ascertained
- iii. The allocation of the communication expenditure for each promotional element

### **13. (d) Control and evaluation of the budget**

In control and evaluation of the budget stage of marketing communications budgeting process, manager has to run periodic checks to ensure that communications spending is being done as per schedule and is not exceeding the allocated budget.

### **14. (d) All the above**

Larger advertisers can maintain advertising shares that are smaller than their market shares because of the following reasons.

- i. Get better advertising rates

## **Unit 7: Budgeting for Marketing Communications**

- ii. Declining average costs of production
- iii. Accrue the advantages of advertising several products jointly
- iv. Enjoy more favorable time and space positions, cooperation of middle people, and favorable publicity.

## Integrated Marketing Communications

### Course Components

<b>BLOCK I</b>	<b>Introduction to Marketing Communications</b>
<b>Unit 1</b>	Basics of Marketing Communications
<b>Unit 2</b>	Marketing Communications Models
<b>Unit 3</b>	Consumer Buying Behavior
<b>BLOCK II</b>	<b>Marketing Communications Strategy and Planning</b>
<b>Unit 4</b>	Marketing Communications Planning Process
<b>Unit 5</b>	Marketing Communications Research
<b>Unit 6</b>	Advertising Objectives and Planning
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<b>Unit 17</b>	Branding and Marketing Communications
<b>Unit 18</b>	Internal Marketing Communications
<b>Unit 19</b>	International Marketing Communications
<b>Unit 20</b>	Ethics in Marketing Communications
<b>Unit 21</b>	Future Trends of Marketing Communications