

MARKETING BUDGETS ... OR ALICE IN WONDERLAND

By G.A. "Andy" Marken
President
Marken Communications, Inc.
Andy@markencom.com

Next to expense reports, some of the most creative writing produced in our industry today occurs when a group of people sit down to create their communications budgets ... and plans.

Working independently, Sales mysteriously develops a figure on what they are going to sell. Manufacturing turns in a figure on how much they are going to produce. Engineering turns in a budget on what it will cost to produce their new products. Marketing comes in with something they call a marketing and communications budget. When they are all put together for the first time, Sales is told they have to sell 20% more, Marketing has to cut its budget 15%, Manufacturing has to produce 25% more, and Engineering has to reduce their costs by 10%.

MBO it's Not

Everyone sits back and calls it Management by Objective. At no time did they take a look at the three- to five-year business and marketing plan they developed over a year ago. They haven't studied to find out whether the market has changed, how it has changed, how it will change again, or how the company will have to change to keep abreast.

The marketing budget was developed emotionally, rather than scientifically. As a result, the communications group and agency work backward to develop some semblance of a budget, to help achieve goals established by "them."

Most companies talk in terms of an annual advertising and promotion budget. But what they're really talking about is a seven-month program. After all, they never budget for the first quarter of the coming year's efforts. And by the time next year's budgets are approved, and new ads, sales literature and publicity efforts are undertaken, they're well into the second quarter.

If this is the case, why go through the annual lemming rush to the sea? Instead, use the task method of budgeting, or, as a few have termed the activity, Event Management.

In this way, you don't tie yourself to last year's advertising or sales figures. Instead, determine what is needed to accomplish the year's objectives, based on a percentage of anticipated sales by product and market segment categories. Today, that percentage has climbed from yesteryear's 1 to 3 percent to 5 to 10 percent plus to accomplish your objectives in today's dynamic and aggressive markets.

By focusing on events or specific activities, you are in a better position to remain flexible and take advantage of market changes.

Idea Files

Some of the best people in the area of marketing and communications have two different files: one for programs and projects that are now being carried out and one for future programs/budgets. In this second file they put notes, thoughts, possible projects, and records. They review the file periodically to see if projects should be forced into the present year, should be culled, if they are still good, or if they should be pushed out even further.

Even if a project or idea doesn't survive and you still feel it is of value to the company, don't discard it. Like a lot of companies and products, it could be just ahead of its time.

Promotional projects go over and under budget for a lot of different reasons. That's why it's important to track your costs. Over a period of time you will know how much it costs to produce sales literature, price lists, samples, print ads, P-O-P materials, articles, reprints and a myriad of other items. By keeping track of the items as you move along, you'll find it surprisingly easy to map out your program costs when you are in the planning stage.

In preparing your budgets, you have to be realistically optimistic. The sales department is being called upon to increase sales. You're being called upon to increase the amount of support and market penetration. That usually means more money. Don't be apologetic ... be specific.

Next, draw up schedules for publication of ads, airing of TV and/or radio spots, completion dates for articles, completion dates for literature and mailing, as well as trade show support and the other activities. This provides the skeleton as well as the flesh for the communications budget. If the company is planning an IPO or is already public, that is also part of communications. However, it requires a different budget with different objectives and different activities.

Build in Flexibility

Don't tie yourself down. This market is fluid, so keep your budget flexible throughout the year. With the exception of compensation for inflation, though, don't put in contingency provisions. That's not management by objective, it's simply a cover-up for lack of planning. Instead, develop detailed objectives, and detailed budgets for those objectives.

When the budget is completed, a lot of people will slip it in the boss' in-box, put it in the office mail, or put it on the boss' desk when he or she is away and run like crazy. It's an important part of the company's plan for future success and deserves face-to-face presentation. You should feel confident with the program you've developed. You should be so knowledgeable that you can efficiently present it and defend its various aspects to senior management.

If an individual does his or her homework, the budget is based on achieving predetermined and preapproved objectives. If it isn't, then it's simply more fiction. If it is based on objectives, then when management lowers the budget, they also have to lower their sights and decide which of the objectives they want to drop or lower. It takes X amount of dollars to produce a product, and it takes X amount of dollars to achieve your marketing objectives ... there's no free lunch.

The big problem most people have is that once the program and budget have been approved, they believe it is set in concrete. This is especially true of media reps that want to know what your

schedule is going to be with them. Instead, establish quarterly or semi-annual budget reviews with management to determine if you are proceeding well toward the previously approved objectives and/or if the objectives have changed.

All too often, advertising and public relations people aren't willing to be measured against objectives. When this is the case, I have to wonder why they worry about little things like responsibility and accountability. Instead, they should simply ask management how much they want to spend on promotion and fly by the seat of their pants.

It certainly is a lot easier than writing all of that fiction we laughingly refer to as a budget and program.

###