Budget and Effectiveness of Marketing Communications

Plan:

1. **The essence of a marketing communication budget and the process of forming it**
2. **2. Main methods of calculating the communication budget**
3. **3. Selection of marketing communication channels and allocation of funds**
4. **Evaluation of the effectiveness of marketing communications**

1.1.The Essence of a Marketing Communication Budget

A **marketing communication budget** is the amount of money a company allocates to all communication activities—advertising, PR, digital marketing, sales promotion, direct marketing, branding, and other tools used to influence the target audience.
It is a **core component of communication planning**, because without a clearly defined budget, it is impossible to make strategic decisions about channels, tools, or campaign scale.

The budget answers three key questions:

1. **How much can the company spend?**
2. **Which communication activities will be funded?**
3. **How should resources be distributed across different channels?**

According to the textbook, determining the budget level is complex because it requires understanding the relationship between **communication spending and market response**—customer awareness, attitudes, and purchase behavior.

1.2. Why is Budget Formation Challenging?

The difficulty of creating a communication budget comes from several factors:

1. Uncertain relationship between spending and outcomes

The link between advertising cost and customer response is not linear.
Increasing the budget does not always guarantee proportional increases in sales or awareness.

2. Market dynamics

Competitors' actions, consumer trends, media prices, and economic conditions constantly change, making it hard to determine an optimal spending level.

3. Multi-channel complexity

Modern marketing uses a mix of TV, digital ads, social media, PR, events, influencers, and direct marketing.
Each has different costs and different impacts.

4. The company's financial capacity

A firm's available resources directly influence how much it *can* spend, even if more spending is *strategically needed*

1.3. Steps in the Budget Formation Process

The textbook indicates that budget formation is a structured, multi-step process within the wider communication planning cycle.

Step 1: Situation Analysis

Before budgeting, the company must conduct research on:

- target markets
- customer needs
- competitive environment
- current market positioning

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This determines how much communication is required to achieve the desired outcomes.

Step 2: Defining Communication Objectives

Objectives may include:

- increasing brand awareness
- changing consumer attitudes
- boosting website visits
- increasing sales

Clear goals help determine the necessary spending.

Step 3: Choosing the Budgeting Method

The book lists several budgeting methods:

- **forecasted cost method**
- **percentage of sales**
- **maximum spending**
- **competitive parity**
- **objective-and-task method**

Step 4: Allocating the Budget Across Channels

Spending must be distributed among:

- advertising media
- PR activities
- sales promotions
- digital marketing
- personal selling

This requires balancing cost-effectiveness with audience reach.

Step 5: Reviewing and Adjusting the Budget

As campaigns progress, managers should monitor:

- cost overruns
- changes in market conditions
- competitor spending
- achieved vs. planned communication outcomes

The budget may need adjustment throughout the campaign.

1.4. Importance of a Well-Structured Communication Budget

A strong marketing communication budget ensures:

- Efficient use of resources
- Consistency across all communication channels
- Ability to compete effectively
- Higher return on investment
- Better strategic alignment with marketing goals

1.2. Main Methods of Calculating the Communication Budget

Marketing communication budgeting is a strategic process because the amount a company invests directly affects awareness, customer attitudes, and sales performance.
The textbook outlines several widely used budgeting methods, each with its benefits and limitations.

2.1. The Forecasted (Estimated) Expense Method

This is the simplest and most traditional method.
The company **estimates likely promotional expenses** based on:

- past experience
- expected campaign needs
- market conditions

Advantages:

- Easy to calculate
- Suitable for small businesses
- Based on practical expectations

Limitations:

- Often inaccurate
- Ignores strategic objectives
- Not linked to actual market potential

This method is used when the company has limited analytical capacity or short-term campaigns.

2.2. Percentage of Sales Method

This method sets the budget as a fixed **percentage of current or projected sales.**

For example:

- If sales = $500,000
- Budget = 5%
- Communications budget = $25,000

Advantages:

- Simple and predictable

- Keeps spending aligned with company size
- Automatically adjusts based on performance

Limitations:

- Treats sales as *cause* of communication, not *result*
- Creates reverse logic:
  Low sales → low communication → even lower sales
- Not suitable during economic downturns

The textbook highlights this reverse relationship as a major flaw.

2.3. Maximum Expenditure (Affordability) Method

Here, the company decides the **maximum amount it can afford**, based on available financial resources, and uses that as the communication budget.

Advantages:

- Fast and practical
- Ensures spending never exceeds capability

Limitations:

- Often too low to achieve real communication impact
- Not tied to marketing or strategic objectives
- Can undermine long-term brand building

2.4. Competitive Parity Method

In this approach, a company sets its budget to **match or align with competitors' spending**.

Advantages:

- Ensures competitiveness in media presence
- Reduces risk of under-spending compared to rivals

Limitations:

- Competitors' exact budgets are rarely known
- Rivals may have different goals, strategies, and financial capacity
- Blind imitation may lead to overspending

The textbook notes that this method carries **a lot of risk** because firms differ widely in strategy and capability.

2.5. Objective-and-Task Method

Considered the **most strategic and recommended** approach.

The company:

1. Sets specific communication objectives
2. Defines the tasks necessary to achieve them
3. Calculates the cost of these tasks

Advantages:

- Directly linked to marketing goals
- More accurate and logical
- Suitable for long-term brand building
- Helps justify spending to management

Limitations:

- Requires expertise and good data
- More time-consuming than simpler methods

1.3. **Selection of marketing communication channels and allocation of funds**

Selecting the right communication channels is a crucial step in building an effective marketing communication strategy.

According to Usmanova & Matyakubov (2024), channels are classified into two broad types:

These involve direct interpersonal contact between the communicator and the receiver.
They allow immediate feedback and message adaptation, making them highly effective for persuasive communication.

Examples:

- Sales representatives and agents (advocate channels)
- Experts and opinion leaders (expert channels)
- Friends, relatives, and colleagues (social or public channels)

Personal communication is particularly suitable for:

- Complex or high-involvement products,
- Building trust and relationships,
- Business-to-business (B2B) marketing.

These deliver messages without personal interaction and reach large audiences simultaneously.
They include mass media and public events.

Examples:

- Television, radio, newspapers, magazines, online platforms
- Outdoor advertising (billboards, posters, displays)
- Public relations events, exhibitions, sponsorships, and community programs

Non-personal channels are cost-effective for generating awareness, brand image, and wide market coverage.
However, they usually require greater spending and offer limited feedback compared to personal channels.

The book emphasizes three main criteria when choosing communication channels:

1. Information capacity – how much and how clearly the channel can transmit messages.
2. Feedback speed – how quickly the communicator receives a reaction.
3. Personalization level – the ability to tailor the message to each audience segment.

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2. Allocation of Communication Funds

Once appropriate channels are selected, the communication budget must be distributed effectively among them.
The allocation of funds is determined by several factors:

1. Target audience reach and characteristics – younger audiences may require digital and social media spending, while older segments may respond better to TV or print.
2. Communication objectives – awareness, persuasion, or brand loyalty demand different investment levels and media mixes.
3. Campaign timing and frequency – seasonal or long-term campaigns influence budget distribution.
4. Cost of media and efficiency ratios – the relative cost per thousand impressions (CPM) or cost per contact.
5. The textbook identifies four traditional approaches:

Method	Description	Advantages / Limitations
Available Funds Method	Spend what remains after other costs	Simple but ignores strategic goals
Percentage of Sales Method	Fixed % of current or forecasted sales	Easy to apply, but spending falls when sales decline
Competitive Parity Method	Base spending on competitors' budgets	Maintains parity, but may copy wrong strategies
Objective-and-Task Method	Define goals → tasks → required costs	Most rational and performance-based approach

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The Objective-and-Task Method is considered the most effective, as it links communication spending directly to measurable goals such as market share growth, brand awareness, or sales targets.

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3. Integrating Channel Choice and Budget Allocation

Effective marketing communication requires that budget decisions and channel selection be made together.
Usmanova & Matyakubov note that firms should:

- Combine personal and non-personal channels to ensure both *reach* and *engagement*.

- Continuously monitor results and reallocate funds to the most productive channels.
- Take into account media discounts, timing, and campaign synchronization across platforms.

Ultimately, optimal fund allocation ensures that every monetary unit spent produces maximum communication impact — measured through awareness, preference, and sales growth.

1.4. Evaluation of the Effectiveness of Marketing Communications

Evaluating the effectiveness of marketing communications is a critical stage that determines whether the company's communication activities have achieved their intended goals. According to Usmanova and Matyakubov (2024), communication effectiveness represents the **ratio between the achieved results and the resources spent**. In other words, it measures how efficiently the firm's

promotional efforts influence its target audience in relation to the money and time invested.

1. Importance of Evaluation

The main purpose of evaluation is to identify whether the communication message has produced the desired **changes in awareness, attitudes, and behavior** among consumers. Since communication results are often **delayed over time**, continuous monitoring is essential to understand both short-term and long-term effects. Effective evaluation enables management to:

- Optimize future communication budgets;
- Choose the most efficient media channels;
- Improve message design and content;
- Strengthen customer relationships and brand image.

2. Key Dimensions of Communication Effectiveness

The textbook outlines five core dimensions for assessing marketing communication performance:

Evaluation Area	Initial Assessment	Follow-up Assessment
Market	Identify target audiences and test message relevance	Measure achievement in reaching and influencing the target market
Motivation	Determine consumer needs and purchase drivers	Assess post-purchase satisfaction and loyalty
Message	Evaluate content, structure, and clarity	Measure message recall, comprehension, and attitude change
Communication Channel	Select the most suitable media mix	Compare each channel's efficiency and coverage
Final Results	Define expected behavioral outcomes	Assess whether the communication objectives were achieved

3. Methods of Evaluation

Several qualitative and quantitative methods are proposed for assessing communication efficiency:

1. **Pre- and Post-Campaign Surveys** – Measure awareness, recognition, and preference before and after the campaign.
2. **Experimental Tests** – Compare results between test markets exposed to advertising and control markets without exposure.
3. **Sales Analysis** – Examine the correlation between advertising expenditures and sales volume over time (lagged effect).
4. **Audience Feedback and Media Ratings** – Use focus groups, interviews, or media analytics to monitor message reach and audience response.
5. **Brand Tracking Studies** – Continuously measure changes in brand image, trust, and customer loyalty.

Summary

Evaluating the effectiveness of marketing communications is essential to determine how well promotional activities achieve their intended goals. It measures the relationship between the results obtained (such as awareness, attitude change, or sales growth) and the resources spent on communication efforts.

According to Usmanova and Matyakubov (2024), communication evaluation helps organizations identify whether their messages reached the target audience, created the desired perception, and motivated purchasing behavior. The process involves both quantitative methods (sales analysis, surveys, experiments) and qualitative approaches (focus groups, feedback, and brand image studies).

Key evaluation dimensions include the performance of the message, the media channels, and the market response. Metrics such as awareness levels, message recall, customer attitude, and return on investment (ROCI) are used to assess communication outcomes.

However, the authors emphasize that evaluating communication is complex because results may appear with a time lag and are often influenced by external factors such as competition and economic conditions. Therefore, continuous monitoring and adjustment are necessary.

Main literature

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