Integrated Marketing Communications:

Connecting with Consumers in the Seamless World

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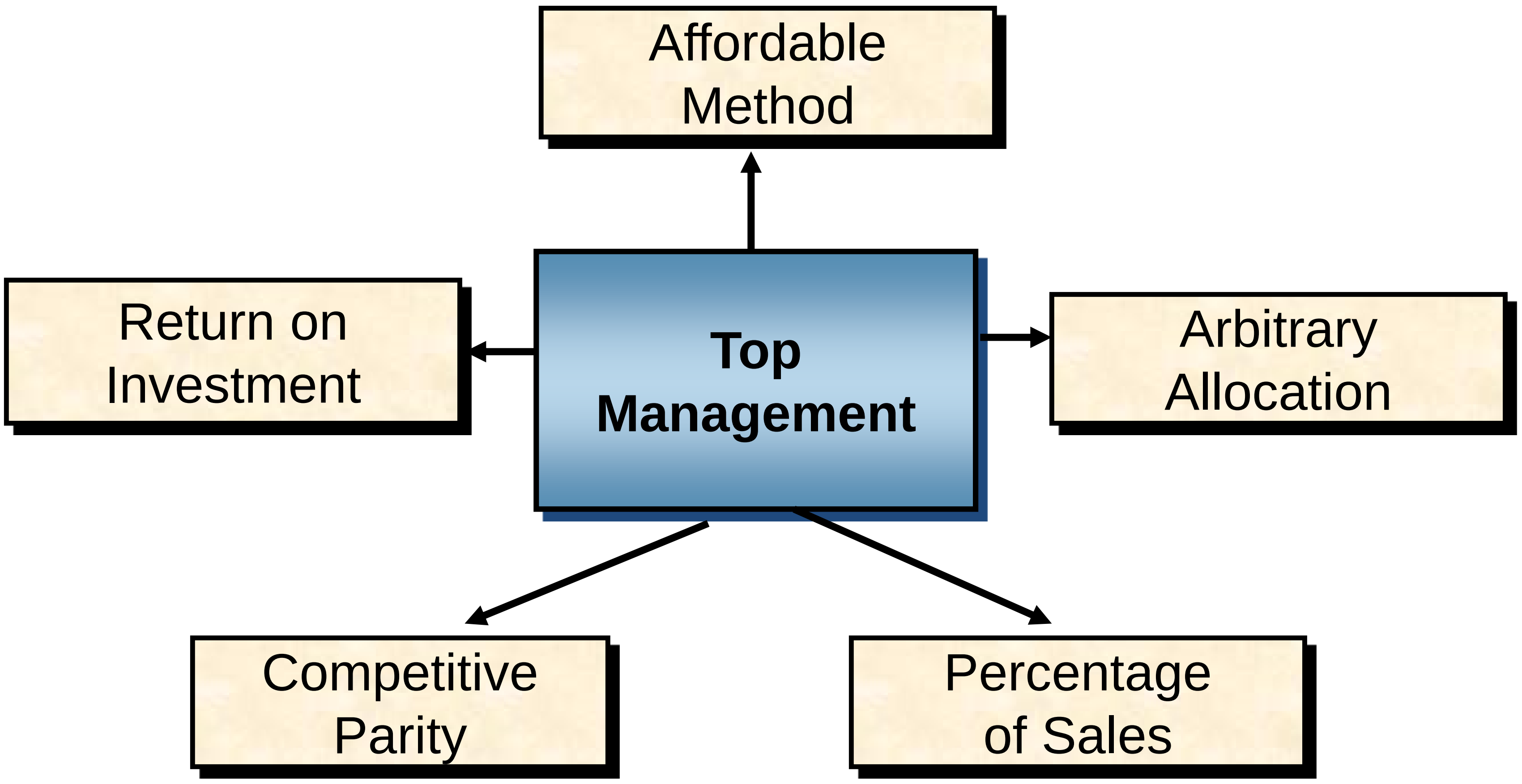
BUDGET SETTING

Exercise: How does the following factor Influence IMC budget?

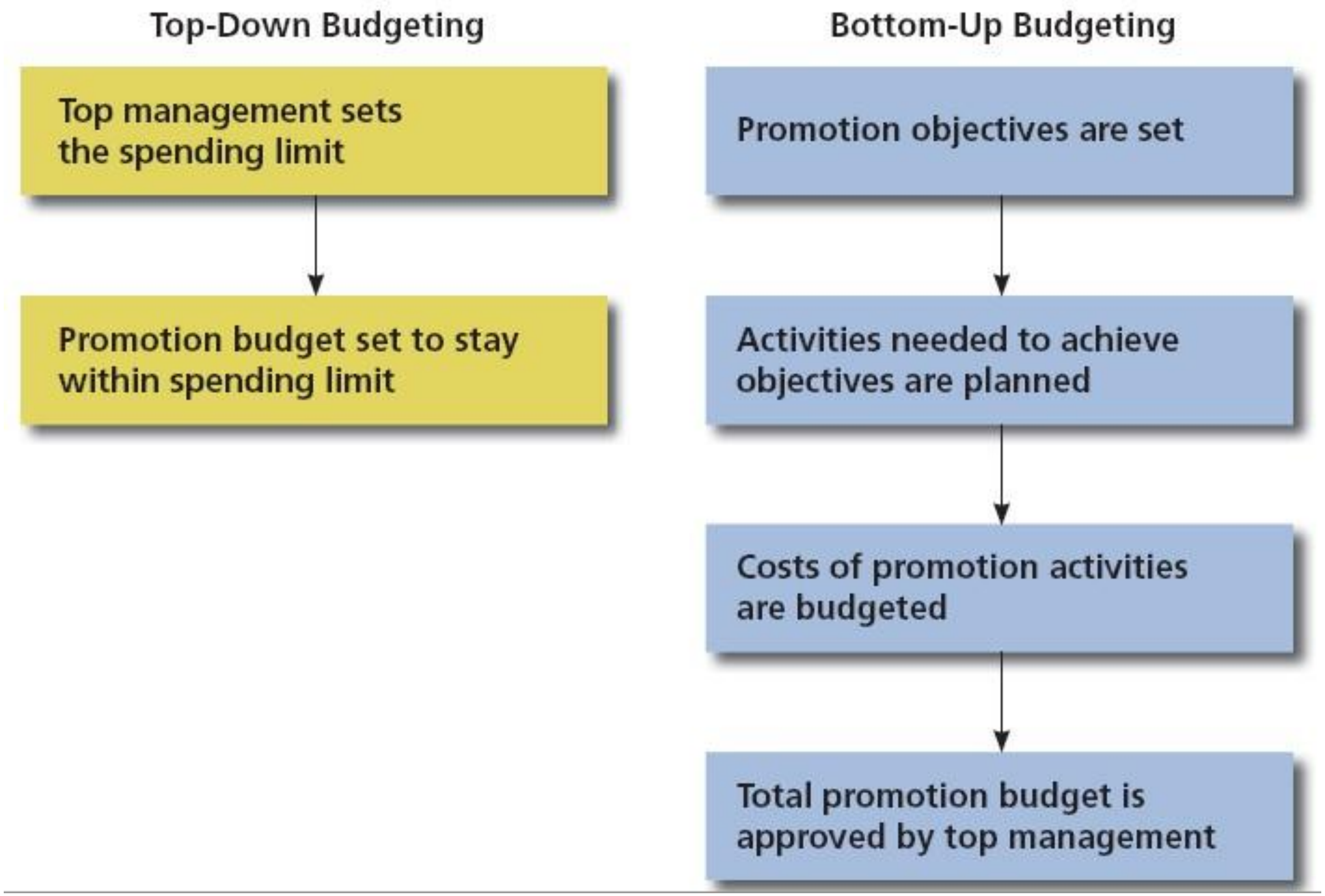
- Product life cycle
- Product durability
- Differentiation
- Hidden product qualities
- Product price
- Purchase frequency

How to set Budget?

Top-Down Budgeting Methods



Top-Down vs. Bottom-Up Budgeting



Example of TV Airing Budget Calculation: Bottom Up Approach

			Unit	Calculation	Remark
a	Population 60 million people				
b	Mkt potential = 15% of population	9,000,000	users	60,000,000 * .15	
c	Those who can afford 50% of them	4,500,000	users	9,000,000 * .5	
d	Expected share 8% in 1 full year	360,000	users	4,500,000 * .08	
e	% of the market that hopes to reach = 70%	3,150,000	users	4,500,000 * .7	
f	Those who are aware and try the brand =40%	1,260,000	users	3,150,000 * .4	
g	Those who tried and become loyal users = 29%	365,400	users	1,260,000 * .29	Plan to reach the same amount as d
h	To reach 70% of population, agency recommends	3,500	GRPS		GRPS = Gross Rating Points
i	One Rating Point cost	15,000	Baht		
j	Therefore, total budget needed is	52,500,000	Baht	3,500 * 15,000	Investment
k	The product costs	300	Baht		
l	On average, targeted consumers will buy	2	pieces		Buy 2 times/ year; 1 piece at a time
m	Therefore, the expected sales is	216,000,000		360,000 * 2 * 1 * 300	Revenue
n	If implement the above scenario,				
o	the percentage budget of sales would be	24%		52,500,000 / 216,000,000	

Payout Planning

	Year 1	Year 2	Year 3
Product sales	15.0	35.50	60.75
Profit contribution (@ $0.50/case)	7.5	17.75	30.38
Advertising/promotions	15.0	10.50	8.50
Profit (loss)	(7.5)	7.25	21.88
Cumulative profit (loss)	(7.5)	(0.25)	21.63

Q&A