The Marketing Budget: "We Need Marketing But It Costs So Much"

by JOHN R. GRAHAM

"We would like to talk with you about our marketing," said the prospective client. "Even though we want to grow, we have a limited budget. If that's a problem, we'll understand."

The irony is that every marketing budget is limited, whether it's a start-up company or General Motors. No company is free from fiscal restraints.

"Marketing on a shoestring" is a popular topic since this is a message that companies like to hear. When the list of what can be done on the cheap is rolled out, interest wanes since what's required is an intense, consistent effort to make it all happen — and that turns out to be anything but cheap.

A much more enlightened view is that of James Kilts, CEO of the Gillette Co. One analyst adroitly points out that Kilts has a reputation as a cost cutter — but not to pump up earnings. "More than anything else, he believes in the power of advertising and new products funded by cost savings," notes John McMillin of Prudential Securities.

The issue is priorities, not just the size of the marketing budget. If you believe, as does Kilts, that the right products and proper marketing drive sales, then the priorities are clear.

The essential task then is implementing marketing strategies that maximize every available dollar.

Yes, there are times when it's best to wait until adequate resources are available before embarking on a marketing program. If the budget will not sustain a proper program, any dollar spent will be wasted.

At the same time, there are strategies that apply to marketing budgets of all sizes. It helps to be totally candid so the issues are as clear as possible. Here they are:

No marketing initiatives should take place that aren't grounded in fact, and that means market research.

Avoid Stupidity

There's more than enough stupidity when it comes to marketing. When asked why they were using cable advertising, the president of one company said, "We thought we should do something." Believe it or not, that's an all too common reason for doing direct mail, any form of advertising, holding a golf tournament, or whatever. Nevertheless, it fails to mask a painfully high level of marketing ignorance.

Marketing decisions are commonly based on whether the president, vice president or some-

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one likes or dislikes an ad or a marketing idea. "I don't like the way the ad looks" are words every marketer has heard again and again. Is it really asking too much for an ad to be judged on its appeal to customers instead of company presidents?

When a professional marketer suggests that time and money be invested in market research, many company executives either reject the idea outright or take a few days to figure out how to do it.

A primary reason for avoiding research is that "it takes too much time." Yes, the comment is made with a straight face and in all seriousness. It's then that the marketer wants to say, "Oh, I get it. You want us to go ahead and do something fast even though we have no confidence that it will be successful."

Here's the point: No marketing initiatives should take place that aren't grounded in fact, and that means market research.

Incredible as it may seem, far too many companies assume they know the profile of their best customers. And they then accept their assumptions as fact.

A life insurance agency providing specialty products to agents found that many of their longtime customers were doing less business with them. The solution was to call the agents regularly to get them to submit more applications. Nothing seemed to work. It was then that a consultant suggested surveying the agents by telephone. The conversations were revealing — most of the agents in question were either slowing down or retired. They just didn't have the heart to tell the agency what was going on.

This agent group didn't need more calls; it needed to be replaced with younger, more active agents.

In the same way, a large dry cleaning chain opened a new store in a high-density urban neighborhood. The results of an initial direct-mail campaign were less than expected. Other efforts were marginal at best. Finally, the marketing company mapped the customer base to locate where the traffic was coming from, developed a direct-mail piece with a compelling offer to drive consumers to the difficult-to-find store. Within six weeks after the second mailing, sales had doubled and were well within the company's projections. The sales momentum continued after the offer had expired and the season was coming to an end.

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While it's difficult to understand, business owners and executives want to rely on their gut instincts rather than look for solid data on which to base their marketing decisions. Far too often, stupidity prevails.

Avoid Spontaneity

While following a detailed marketing plan may seem obvious, practice proves otherwise. Most marketing is opportunistic.

Although there are times when deviating from a plan is appropriate in order to take advantage of an unusual opportunity, the exceptions are few and far between.

When it comes to marketing, spontaneity is the rule, not the exception. Unfortunately, it's one that demonstrates near total ignorance. If this seems somewhat harsh, it is; but for good reason. Most companies find it difficult — nearly impossible — to think through a marketing strategy, prepare a sound marketing plan and then implement it consistently.

One wonders if spontaneity was at the root of Coca-Cola's classic fiasco of dumping the traditional Coke and replacing it with "the new Coke." Was it an emotional, irrational reaction to Pepsi's highly successful blind taste test promotion? Where was the market research supporting the new formula?

Schick's strategy in introducing its four-blade razor was quite different. The company effectively doubled its share of the men's blade market with a modest advertising budget. Gillette, the category's 800-lb. gorilla was clearly caught off guard. There was a clear plan to Schick's roll out.

Unfortunately, the norm is to

hold a meeting, throw something together, get everyone caught up in the excitement of the moment, roll it out then watch it fail. There is one exception, of course. If the president suggested the initiative, the program is a great success, no matter what the results may be.

A marketing plan is simple; there's nothing complicated about it. Here's the question that drives every successful marketing activity: Who's going to do what to whom, when and why? It's the "why," of course, that is generally ignored — and it's the "why" that makes the difference.

The fundamental threat to effective marketing plans is a lack of will. Perhaps a lack of commitment is more accurate. Failure not only comes from poorly conceived concepts, but from companies' inability to remain committed to sustaining an agreed-upon program over time. Either someone's latest and greatest idea or an inability to keep the program going is the usual culprit for undermining marketing efforts.

Avoid Myopia

Without question, the most difficult concept to get across is that marketing success depends on its cumulative effect. The goal of any individual marketing initiative should be to add to a company's reservoir of customer goodwill. In other words, the objective is to strengthen the brand. In more poignant terms, marketing should bulletproof a company or product against competitor attach.

Here's the essential question: "How does this newsletter, ad, direct mail campaign, press release, special event or trade show improve the brand?" If it doesn't, the money is wasted. If it does or can be changed to have a positive effect, the money spent has value.

Unfortunately, as marketing guru Theodore Leavitt suggested 40 years ago, there is a pervasive "marketing myopia," an inability to think, plan and budget strategically in terms of doing those things that attract customers.

The president of an insurance organization was known for questioning the impact of marketing activities on sales. "Is it really helping us?" he would ask in a genuinely inquiring way. After asking the question on several occasions, he answered it without realizing what he was saying when he made the offhand comment that the number of incoming sales calls was way up.

Return on investment or getting value for money spent are valid marketing issues if they relate budget to brand building. For example, is a reservoir of brand value helpful when a new competitor arrives on the scene? Is a reservoir of goodwill an asset when negative economic conditions occur? Is a reservoir of perceived competence and trust significant when it causes customers to select your company or product, even though they may not have seen a particular ad or received the latest direct mail piece?

The objective of a marketing budget is not to buy so many sales. Its purpose is more far reaching and fundamental — to assure a company of flow of business over time. To put it another way, opportunistic marketing expenditures almost always miss the real opportunities.

The issue is less the size of a marketing budget than it is the way the budget is used and how management views the marketing enterprise. Avoiding ignorance, opportunistic actions and shortsightedness can help turn dollars into brand-building value. ◻

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