

## 7.6: Exercises

### Tie it All Together

Now that you have read this chapter, you should be able to determine how the various budgeting methods can be applied to marketing and advertising:

- You can *identify* the two primary top-down budgeting methods.
- You can *list* the pros and cons of the top-down budgeting methods.
- You can *identify* the two primary bottom-up budgeting methods.
- You can *evaluate* the usefulness of the bottom-up budgeting methods.
- You can *describe* the usefulness and necessity of share of voice (SOV) when creating budget objectives.
- You can *define* and *evaluate* return on investment (ROI).
- You can *explain* why return on investment (ROI) makes advertising accountable.
- You can *list* and *discuss* the keys to using return on investment (ROI) successfully in the pursuit of profit and channel effectiveness.

### USE WHAT YOU'VE LEARNED

1. It's not exactly new news that cosmetic companies are interested in what's going on in Hollywood or in who's wearing their makeup. It is news, though, when the company that's interested is Avon. In our mothers' generation, Avon's business model emphasized personal contact, consumer parties, online and hard-copy catalogs, and word-of-mouth advertising as the primary formats for attracting consumer attention.

Under the leadership of CEO Andrea Jung, for the past decade Avon has been venturing into more mass media-driven ways of promoting and marketing its product lines. The "Just Another Avon Lady" campaign featuring Olympic athletes and the "Let's Talk" campaign were among the first such efforts. More recently, Hollywood stars Reese Witherspoon and Patrick Dempsey are promoting Avon products in print ads and acting as spokespersons to the press. Will this new "sizzle" help the sagging brand? Time will tell.

Research recent events at Avon (see [www.avon.com](http://www.avon.com)) and review their new strategies and advertisements for reaching consumers. Construct a new communication plan that will increase the company's share of voice (SOV). Explain how metrics can be used to monitor Avon's SOV progress. Evaluate Avon's chances for success in increasing SOV if they adopt your plan.

2. All of the budgeting methods presented in the chapter have advantages and disadvantages. Many of the disadvantages occur when the budgeting method is misapplied or used in the wrong circumstances. There appears to be no safe and sure way to decide which budget method is most appropriate. The "school of hard knocks" tells us that budgeting is as much of an art as it is a science.

Research a company of your own choosing and make a "best guess" about the budgeting form being used for advertising and promotional expenditures. Why do you think the company chose its budgeting method? Next, take each of the top-down and bottom-up budgeting methods described in the chapter and determine if any or all of the methods would be more appropriate for your chosen company. Comment on how you conducted your investigation and research process, how you made your "best guess," and why the company should consider your budgeting advice. Discuss your findings with peers.

### DIGITAL NATIVES

Do you Twitter? An increasing number of consumers do. According to the company's Web site (<http://www.twitter.com>), "Twitter is a service for friends, family, and coworkers to communicate and stay connected through the exchange of quick, frequent answers to one simple question—what are you doing?"

There are various ways to "tweet" (send a Twitter message): use the Web site, instant message, and text message via cell phones. If a consumer chooses to use the Twitter Web site to make connections, he or she can microblog or information burst friends and acquaintances with up to 140 characters (short thoughts only). Such questions as "Where are you?" "What are you doing?" and "Where can we meet?" seem to be the most popular. This may all seem just like just another "texting" service, but Twitter is betting that consumer users will find new ways to make the "Twitter" experience special and more customized.

After researching the Twitter service and the implications for marketing and advertising of such services, assume the role of a creative director in an advertising agency and devise a plan for showing potential advertising clients how to use Twitter to advance

their “share of voice (SOV)” objectives. Your plan should indicate new and creative ways to bring advertising client messages to consumers using the “texting” and “Twittering” formats. Discuss your ideas with peers and forecast the future of Twittering as a means of distributing advertising information and communication.

### AD-VICE

1. A company is trying to decide whether it should use the percentage-of-sales method or the objective-and-task method for budgeting its advertising expenses and costs. What factors should the company consider when making this choice? Be specific.
2. M&Ms has just introduced a new dark chocolate M&M that it hopes will add to the company’s bottom line. The company has decided to use a stage-based spending approach as its advertising budgeting method. Critique this method as it might be applied to the M&M dark chocolate product launch. What critical factors do you think might be important for the company to consider if it uses the stage-based spending approach?
3. After reviewing chapter materials in Figure 7.4 evaluate the budget health of the msnbc.com campaign. What information did you consider? What comparisons did you make? Explain your thought process and how you made your evaluation. Comment on information that you would like to have to make a better evaluation.
4. Given what you have read so far, how can msnbc.com make better use of share of voice (SOV) to reach its goals and objectives? What roadblocks would you recommend (if any)? What is the connection (if any) between share of voice (SOV) and return on investment (ROI)? Comment.

### ETHICAL DILEMMA

According to information in the chapter, “return on investment (ROI) makes advertising more accountable.” Advertisers spend vast sums to further their communication objectives. Studies have indicated that advertising campaigns that set hard objectives (e.g., to improve profits) are more effective than campaigns that focus on intermediate or short-term goals (e.g., brand awareness or increased daily sales of product). Strangely, however, only about 20 percent of companies use return on investment or contribution to profit as important indicators of communication success. Why don’t more companies consider bottom line profits when evaluating success? The simple answer is that it is easier to measure an intermediate metric than an ROI metric.

Take a position that considers the ethics of accountability. Position One: Communication and delivery of emotional message objectives should not be tied directly to profits because of the difficulty of tracing profits back to specific emotional messages. Position Two: In an era of accountability, all messages should be more rational and have profit enhancement as their fundamental purpose.

Pick one of the two positions and support your position. Be prepared to defend your position among peers.

---

This page titled [7.6: Exercises](#) is shared under a [CC BY-NC-SA](#) license and was authored, remixed, and/or curated by [Anonymous](#).