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Suffering the Q4 Budget-Cut Blues?

Advertising Often a Target for Change When Fiscal Objectives Aren't Met, but Avoid the Trap of the Quick Fix

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Ahh, it's fourth quarter again, that exciting time of year when we swoon to sweeps programming drifting over airwaves on pleasant November nights. If you're an ABC fan, this year's sounds are even sweeter. Have you gotten "Lost" yet? Can't get enough of those "Desperate Housewives?" Can James Spader be any sleazier?

Yet even with all the November energy in the air, there are still plenty of media planners lamenting fourth quarter's appearance on the calendar. As media people, we know why. They're not suffering from the onset of Holiday Blues; they're grappling with the knowledge that plan cuts they made to Q4 earlier this year will make it much harder for next year's plan to move consumers to marketplace action.

The situation is one all media planners face during their planning careers. Media plans are crafted with care and consideration to meet client objectives during the brand's fiscal year. For many clients, the calendar year mirrors the fiscal year. Unfortunately, that mirror often casts an ugly reflection if early-year financials start to deviate from expectations. When financials go south early in the year, clients go into budget-cutting mode to solve their problems.

Advertising is generally the first place they go to scare up funds. It sends shivers down a media planner's spine to get the call around March or April deconstructing the previously approved plan. When prepping for the upfront marketplace, it's a disconcerting call for planners to receive. But from the client's perspective, the timing is perfect. It happens when clients are finalizing third- and fourth-quarter financial projections, just in the nick of time to snatch back advertising funds before commitment.

The easiest budget cut source for clients to rationalize is Q4 national television. Television is likely the plan's most expensive medium and Q4 costs are high, which means a client can save significant funds while cutting comparatively fewer impressions. Also, Q4 terms aren't much to clients' liking; when they are on shaky financial ground, 100 percent firm budget commitment is not attractive.

The client's call kicks the planning team into high gear in an effort to revise the plan. While a primary goal is to maintain as much plan integrity as possible in the face of a budget cut, planners can fall into a couple of situational traps that can lead to inferior plan revisions.

First, there's the timing trap. As implied earlier, March/April is a busy time of year. When there's a lot to be done, human nature pushes us to try to solve problems quickly. Given that financial considerations have prompted budget cuts, planners cannot go for the quick fix. Exercising cuts requires due diligence and solutions that enable the brand to weather circumstances with as little negative impact as possible.

Secondly, there's a frame-of-reference trap. A budget cut circumstance prompts planners to look at the exercise as one of removal rather than construction. The very real reflex in this situation is to ask, "What should I take away?" After all, it's a cut, right?

Because of the traps, budget revisions tend to generate plans with thin Q4 coverage, sporting perhaps a couple of media-supported weeks and, with luck, maybe some network television. This type of thin support doesn't accomplish much. There may be a brief awareness bump, or maintenance of the previous, but then the black period sets in.

When the brand goes inactive, bad things happen. Awareness drops off and the brand loses traction in the marketplace. The longer the black period, the more negative the impact. And it's negative ground that must be regained at the start of the new calendar year, placing more pressure on the brand to meet what are likely tougher financial requirements. If targets can't be met, the cycle of budget cuts begins again.

So what's a planner to do? For starters, remember the recency paradigm. The more weeks the brand can communicate its message in the marketplace, the more chances it will have to prompt sales in its direction. Leaving just a couple of weeks of support out there for a brand will not do much to generate sales across the entire quarter. It's also not smart to shift fewer available funds to lower-CPM options like magazines. You may cover more of the quarter, but the slow reach build won't do much to boost sales.

What can planners do to change the budget cut exercise to one of construction rather than removal? A viable option is to move available Q4 funds to a short list of the brand's best spot markets. Why? Every media plan balances tradeoffs. How much per week? How many weeks? In how much geography? With how many media types? In a Q4 situation, perhaps the most important thing not to trade off is continuity in the brand's best markets. Continuous support of the best markets keeps a disproportionate share of sales flowing to the brand for dollars invested. When more sales flow in, the brand has a better chance of starting off the next calendar year strongly.

Identifying the best markets is very important. Here are three solid strategies you may find useful.

- BDI/MVI: Rank markets on highest brand development or combine a number of market factors together for a more balanced view of the market's importance.

- Econometrics: Brands participating in market mix modeling often have a depth of econometric data available by market. Dig into the data to determine which markets generate the best sales bumps for dollars invested.

- Next year: Where will the brand's focus be in the coming year? Attack those markets as a springboard for next year's effort.

Take some time now to write yourself a reminder note for the spring: "In the event of Q4 '05 budget cuts, support best local markets." Now doesn't that feel better? You still have time left to dive in and enjoy all of that November sweeps energy.

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