

Setting the Budget

Marketing

The methods used to decide spend, and which hold up.

Method and weakness.

Method	How	Weakness
Percentage of sales	Fixed share of revenue	Cuts spend exactly when sales fall
Affordable	Whatever is left	Unrelated to opportunity
Competitive parity	Match rivals	Assumes rivals are right
Objective and task	Cost of achieving the goal	Requires honest estimates
Share of voice	Spend relative to category	Best predictor of share change

Share of voice above share of market tends to precede growth. Below it tends to precede decline.