INTERNATIONAL JOURNAL OF FINANCIAL ECONOMICS (IJEFE) e-ISSN: 3063-3648
Vol. 1 No. 2 August 2024, page 624-633

BUDGETING AND FORECASTING IN MARKETING COMMUNICATIONS: AN ACCOUNTING PERSPECTIVE

Loso Judijanto *[1]
IPOSS Jakarta, Indonesia
losojudijantobumn@gmail.com

Al-Amin
Universitas Airlangga, Surabaya, Indonesia
al.amin-2024@feb.unair.ac.id

Abstract

Budgeting and forecasting are integral components in planning and managing marketing communications from an accounting perspective. This paper discusses the importance of applying accounting principles in the budgeting and forecasting process to ensure sound financial management and data-backed decision-making. The accounting approach emphasises accurate recording of marketing expenditure, proper cost allocation, profitability analysis, ROI evaluation, and measurement of marketing performance using financial metrics. In a dynamic business environment, a flexible and adaptive approach to budgeting and forecasting is becoming increasingly important. Close collaboration between marketing and finance departments is also crucial to ensure strategy alignment and smooth execution. By combining marketing insights with accounting disciplines, companies can optimise marketing spend, increase accountability, and drive profitable growth in the long run.
Keywords: Budgeting, Forecasting, Marketing Communication.

Introduction

Marketing communication is one of the important aspects in the success of a business. Companies use various marketing communication strategies and tools to reach target markets, build brand awareness, and drive sales. However, the implementation of effective marketing communications requires careful planning, including budgeting and forecasting. (Januschowski & Kolassa, 2021).

Budgeting is a financial planning process that involves preparing a detailed financial plan for a specified period, usually one year. Budgeting is an important management tool to allocate financial resources efficiently and effectively in order to achieve organisational goals. (Lyu et al., 2022).. In the context of marketing communications, budgeting involves allocating funds for various marketing activities, such as advertising, sales promotion, public relations, and digital marketing. The budgeting process helps companies prioritise, control spending, and evaluate the performance of marketing activities. (Zhang et al., 2022).

[1] Correspondence author.

Forecasting is the process of predicting or forecasting future events or trends based on historical data and relevant factors. In the context of marketing communications, forecasting involves predicting the expected outcomes of marketing activities, such as sales, market share, or customer response. (Hidayat et al., 2021). Forecasting helps companies set realistic targets, anticipate market changes, and allocate resources effectively. Common forecasting techniques used in marketing communications include trend analysis, econometric models, and market research. Forecasting results can be used as input in the budgeting process and strategic decision-making related to marketing communications activities. (Shah et al., 2021).

Budgeting in marketing communications involves the process of allocating financial resources to various marketing activities, such as advertising, sales promotion, public relations, and digital marketing. Proper budgeting is essential to ensure that funds are utilised efficiently and effectively in achieving marketing communications objectives. (Subrahmanyam et al., 2024)..

On the other hand, forecasting in marketing communications involves predicting or forecasting the expected results of marketing activities. Forecasting helps companies determine sales targets, market share, and other performance metrics. The forecasting results can also be used as a basis for preparing marketing communication budgets. (Utomo et al., 2023)..

Although budgeting and forecasting are important aspects of marketing communications, they are often not optimised. Some companies face challenges in developing budgets that are realistic and aligned with marketing objectives. In addition, inaccuracies in forecasting can lead to poor decision-making and wastage of resources. (Zadorozhnyi et al., 2023)..

From an accounting perspective, marketing communications budgeting and forecasting should be based on generally accepted accounting principles. Companies need to adopt appropriate accounting techniques in budgeting, recording transactions, and financial reporting related to marketing communications activities. The integration between accounting and marketing communications can help companies optimise resource allocation and measure the effectiveness of marketing strategies. (Fayed, 2021).

Based on this background, this research examines the application of budgeting and forecasting in marketing communications from an accounting perspective.

Research Methods

The study in this research uses the literature research method. The literature research method, also known as literature review or literature review, is a research approach that involves collecting, evaluating, and synthesising relevant information from various existing literature sources. (Firman, 2018); (Suyitno, 2021).

Results and Discussion

Marketing Communications

Marketing communication is the process of delivering information or messages from a company to consumers and other stakeholders with the aim to promote, influence, and persuade them to be interested in the products or services offered. Marketing communication involves various channels and tactics, such as advertising, sales promotion, public relations, direct marketing, digital marketing, and others, to create brand awareness, build a positive image, and drive desired actions from target audiences. The main objective of marketing communications is to achieve the company's marketing objectives in an effective and efficient manner. (Ziakis & Vlachopoulou, 2023)..

A marketing communications strategy is a comprehensive plan designed to deliver clear, consistent and compelling messages to target audiences with the aim of achieving marketing objectives. It involves an in-depth analysis of the market, competitors, and consumer behaviour to determine the optimal marketing communication mix, including the selection of appropriate communication channels, the development of relevant and engaging content, and the determination of appropriate budget and timing. (Gaur & Bharti, 2020). An effective marketing communication strategy should be able to harmoniously integrate various marketing communication elements, such as advertising, sales promotion, public relations, digital marketing, and direct marketing, to create a strong and positive brand experience for consumers, and encourage them to take desired actions, such as making purchases or becoming loyal to the brand (Ali & Gürlek, 2020). (Ali & Gürlek, 2020).

The elements of marketing communications consist of various tools and tactics used to convey messages to target audiences, including: (1) Advertising, which is paid communication that uses mass media to reach a wide audience; (2) Sales promotions, including discounts, coupons, contests, and other incentives to encourage purchases; (3) Public relations, which involves managing a company's image and reputation through publicity, sponsorship, and social activities; (4) Direct marketing, which is direct communication with consumers through email, mail, telephone, or catalogues; (5) Digital marketing, which includes the use of online platforms such as social media, websites, and digital advertising to interact with consumers; (6) Personal selling, which is face-to-face communication between sellers and potential buyers; and (7) Experiential marketing, which focuses on creating memorable brand experiences for consumers through events, brand activation, and direct interaction. (Vollrath & Villegas, 2022)..

Budgeting in Marketing Communications

Budgeting is a financial planning process that involves making a detailed plan of expected revenues and expenditures within a specified period, usually one year. This process helps organisations or individuals to allocate financial resources effectively and efficiently, set priorities, control spending, and measure financial performance. (Faccia & Pandey, 2021). Budgeting involves financial analysis, revenue and cost forecasting, financial goal setting, and periodic monitoring and evaluation to ensure that the organisation or individual remains on track to achieve their financial goals. Budgeting is an important tool in financial management that helps in decision making, future planning, and financial control. (Du et al., 2021).

In marketing communications, there are several types of budgets that are commonly used, including: (1) Percentage-of-sales-based budgets, where the marketing communications budget is determined based on a certain percentage of actual or forecasted sales; (2) Goal- and task-based budgets, where the budget is determined based on specific marketing communications goals and the tasks required to achieve those goals; (3) Competitive parity budgets, where budgets are determined by adjusting competitors' budgets or based on industry averages; (4) Marginal-based budgets, where budgets are determined by allocating funds up to the point where the marginal return equals the marginal cost; and (5) Capability-based budgets, where budgets are determined based on the company's financial capabilities, without special consideration of other factors. The selection of the appropriate budget type depends on the objectives, resources, and market conditions faced by the Company. (Qin & Qin, 2021).

The process of developing a marketing communications budget involves several important steps, namely: (1) Defining marketing communications objectives that are in line with the marketing strategy and overall business objectives; (2) Identifying target audiences and determining the most effective media mix to reach them; (3) Defining the specific tasks and tactics required to achieve marketing communications objectives; (4) Estimating costs for each task and tactic, including production, media, and distribution costs; (5) Allocate budgets based on priorities and the potential return on investment (ROI) of each activity; (6) Develop detailed budgets taking into account resource constraints and flexibility for adjustments; (7) Review and approve budgets by relevant parties, such as senior management and the finance department; and (8) Periodically monitor and evaluate actual performance compared to budgets, making necessary adjustments to optimise results and ensure cost efficiency. (Bruce et al., 2020).

Forecasting in Marketing Communications

Forecasting is the process of analysing historical data and current trends to make predictions or estimates about future events or conditions. In a business context, forecasting is used to estimate market demand, sales, revenue, costs, and various other

variables that are important for planning and decision-making. Forecasting involves the use of statistical methods, algorithms, and modelling to identify patterns, trends, and factors that affect the predicted variable. (Nesterenko, 2021). The main purpose of forecasting is to reduce uncertainty and assist organisations or individuals in strategising, allocating resources, and optimising performance based on more accurate expectations about the future. While there is no perfect forecasting method, effective forecasting can help organisations navigate uncertainty and make better decisions. (Dilger et al., 2020).

In marketing communications, there are several forecasting methods commonly used to estimate campaign effectiveness, audience reach, and expected results. These methods include: (1) Trend analysis, which involves observing historical patterns in past campaign data to identify trends and forecast future outcomes; (2) Econometric methods, which use statistical models to analyse the relationship between marketing communications variables (e.g., advertising expenditure) and desired outcomes (e.g., sales); (3) Market research methods, such as surveys and focus groups, to gather insights from target audiences and forecast their response to campaigns; (4) Simulation and modelling, which involves the use of computer algorithms to simulate the potential outcomes of various marketing communication scenarios; (5) Benchmark analysis, which compares campaign performance with similar campaigns in the same industry or market to estimate outcomes; and (6) Combination of multiple methods, which combines insights from different approaches to produce more accurate and robust forecasts. (Reimer & Schäffer, 2022); (Kober & Thambar, 2021).

Forecasting plays an important role in marketing communications planning by providing insight and direction for strategic decision-making. By using forecasting methods, marketers can estimate campaign effectiveness, audience reach, and expected results, thus helping to allocate resources more efficiently and optimise communication strategies. (Mkhize & Ellis, 2020).. Forecasting also allows marketers to identify market trends, changes in consumer behaviour, and potential opportunities, so as to adjust communication strategies more proactively. In addition, forecasting can assist in setting realistic goals, determining the necessary budget, and evaluating campaign performance on a regular basis. By utilising insights from forecasting, marketers can make better decisions, reduce risks, and improve the overall effectiveness of their marketing communications efforts. Therefore, forecasting is an integral component in a successful marketing communications planning process (Mitchell, 2020).

Accounting Perspective in Budgeting and Forecasting

Accounting principles play an important role in budgeting and forecasting, as they provide a consistent and reliable framework for managing a company's finances. These principles include: (1) The principle of consistency, which requires the use of

consistent methods and assumptions from period to period to ensure the comparability and reliability of financial information; (2) The principle of full disclosure, which requires the disclosure of all relevant and material information in the financial statements to provide an accurate picture of the company's financial condition; (3) The principle of conservatism, which requires revenues and assets not to be overstated, while expenses and liabilities not to be understated, to avoid overly optimistic estimates; (4) The matching principle, which requires revenues and related expenses to be recognised in the same period to provide an accurate picture of profitability; and (5) The materiality principle, which requires significant and relevant information to be included in the financial statements, while insignificant information may be omitted to improve clarity and relevance. (Spraakman et al., 2021).. By applying these accounting principles in budgeting and forecasting, companies can make better financial decisions, manage risks more effectively, and ensure compliance with applicable standards and regulations.

In budgeting and forecasting, some commonly used accounting techniques include: (1) Financial statement analysis, which involves evaluating a company's historical financial performance through financial ratios, trends, and benchmarking to identify strengths, weaknesses, and areas for improvement; (2) Activity-Based Costing, which allocates overhead costs to products or services based on actual resource consumption, providing a more accurate picture of profitability and operational efficiency; (3) Break-even analysis, which determines the point at which revenue equals total costs, assisting companies in setting sales and price targets; (4) Sensitivity analysis, which tests the impact of changes in key variables (such as price, volume, or cost) on financial performance, assisting in identifying risk factors and managing uncertainty; (5) Capital budgeting techniques, such as Net Present Value (NPV) and Internal Rate of Return (IRR), which are used to evaluate the feasibility of long-term investments and capital projects. By applying these accounting techniques in budgeting and forecasting, companies can improve the accuracy, efficiency, and reliability of their financial planning processes, as well as make better decisions based on insights gained from analysing financial data. (Ghazi et al., 2020); (Johar et al., 2022).

Marketing communications budget reporting is an important process for monitoring and assessing the performance of marketing activities and the use of allocated funds. Budget reports should be prepared on a regular basis, usually monthly or quarterly, and include a comparison between planned budget and actual expenditure. These reports should detail spending on each marketing activity or campaign, such as advertising, promotions, events, and digital initiatives. (Rehman et al., 2022). In addition, the report should also highlight any significant deviations from the planned budget, be it overspending or underspending, as well as provide explanations for such deviations. Comprehensive and timely budget reports enable

management to make data-backed decisions and necessary adjustments to optimise resource allocation. (Laburtseva et al., 2021)..

Marketing communications budget evaluation involves an in-depth analysis of the effectiveness and efficiency of marketing expenditure. This process aims to assess whether investments in marketing activities are delivering the desired results, such as increased brand awareness, customer engagement, sales, or market share. The evaluation should utilise relevant key performance metrics (KPIs), such as Return on Investment (ROI), Customer Acquisition Cost (CAC), or Life-Time Value (LTV), to measure the impact of each marketing activity. (Lee & Cho, 2020). In addition, the evaluation should also consider qualitative factors, such as customer feedback, brand sentiment, and industry benchmarks. Findings from budget evaluations should be used to inform future strategy and decision-making, identify areas for improvement, and optimise budget allocation to maximise ROI. (Malesev & Cherry, 2021). In this regard, close communication and collaboration between marketing and finance teams is essential to ensure alignment between marketing goals and the company's financial goals.

Conclusion

Budgeting and forecasting are two important components in planning and managing marketing communications from an accounting perspective. Budgeting involves the process of allocating financial resources to various marketing activities, such as advertising, promotion, market research, and product development. This process helps companies set spending limits, prioritise marketing initiatives, and ensure that spending is aligned with overall strategic objectives. Meanwhile, forecasting involves predicting future revenues and expenses based on historical trends, market conditions, and underlying assumptions. Forecasting allows companies to anticipate future budget needs, identify potential problems, and make necessary adjustments to stay on track.

The application of accounting principles in marketing communications budgeting and forecasting is essential to ensure sound financial management and data-backed decision-making. This involves accurate recording of marketing expenditure, proper allocation of costs to each activity, and regular monitoring of financial performance. The accounting approach also emphasises the importance of profitability analysis, ROI evaluation, and measurement of marketing performance using financial metrics. By aligning marketing budgets with broader financial objectives, companies can ensure that resources are allocated efficiently and effectively to maximise shareholder value.

In today's dynamic business environment, a flexible and adaptive approach to marketing communications budgeting and forecasting is becoming increasingly important. Companies must be prepared to adjust their budgets and forecasts in

response to changing market conditions, consumer trends, or technological developments. In addition, close collaboration between marketing and finance departments is essential to ensure strategy alignment and smooth execution. By combining marketing insights with accounting disciplines, companies can optimise marketing spend, improve accountability, and drive profitable growth in the long run.

References

Ali, Ö., & Gürlek, R. (2020). Automatic interpretable retail forecasting with promotional scenarios. *International Journal of Forecasting, Query date: 2024-10-02 08:27:56.* https://www.sciencedirect.com/science/article/pii/S0169207020300200

Bruce, N., Becker, M., & Reinartz, W. (2020). Communicating brands in television advertising. *Journal of Marketing…, Query date: 2024-10-02 08:27:56.* https://doi.org/10.1177/0022243719892576

Dilger, T., Ploder, C., Haas, W., Schöttle, P., & … (2020). Continuous Planning and Forecasting Framework (CPFF) for Agile Project Management: Overcoming the. *Proceedings of the 21st …, Query date: 2024-10-02 08:27:56.* https://doi.org/10.1145/3368308.3415398

Du, R., Netzer, O., Schweidel, D., & … (2021). Capturing marketing information to fuel growth. *… of Marketing, Query date: 2024-10-02 08:27:56.* https://doi.org/10.1177/0022242920969198

Faccia, A., & Pandey, V. (2021). Business planning and big data, budget modelling upgrade through data science. *Proceedings of the 6th International Conference on …, Query date: 2024-10-02 08:27:56.* https://doi.org/10.1145/3503928.3503933

Fayed, A. E. (2021). *Artificial Intelligence for marketing plans: The case for e-marketing companies.* essuir.sumdu.edu.ua. https://essuir.sumdu.edu.ua/handle/123456789/83608

Firman, F.-. (2018). *QUALITATIVE AND QUANTITATIVE RESEARCH. Query date: 2024-05-25 20:59:55.* https://doi.org/10.31227/osf.io/4nq5e

Gaur, J., & Bharti, K. (2020). Attribution modelling in marketing: Literature review and research agenda. *Academy of Marketing Studies Journal, Query date: 2024-10-02 08:27:56.* https://www.academia.edu/download/94752961/Attribution-modelling-in-marketing-Literature-review-and-Research-Agenda-1528-2678-24-4-313.pdf

Ghazi, A., Ludigdo, U., & … (2020). Describing The Behaviour Of Manager In Budgetary Slack And Production (Case Study At Budgeting In A State-Owned Enterprise). *Journal of Application …, Query date: 2024-10-02 08:27:56.* https://jurnaljam.ub.ac.id/index.php/jam/article/view/1957

Hidayat, M., Mahalayati, B., Sadikin, H., Shaddiq, S., & … (2021). Advertising media strategy as product ordering. *Jurnal Mantik, Query date: 2024-10-02 08:27:56.* http://iocscience.org/ejournal/index.php/mantik/article/view/1404

Januschowski, T., & Kolassa, S. (2021). 3.2 A CLASSIFICATION OF BUSINESS FORECASTING PROBLEMS. *… Forecasting: The Emerging Role …, Query date: 2024-10-02 08:27:56.* https://doi.org/10.1002/9781119782605

Johar, K., Tan, D., Maung, Y., & ... (2022). Destination marketing: Optimising resource allocation using modern portfolio theory. *Journal of Travel ..., Query date: 2024-10-02 08:27:56*. https://doi.org/10.1177/00472875211025099

Kober, R., & Thambar, P. (2021). Coping with COVID-19: The role of accounting in shaping charities' financial resilience. *Accounting, Auditing &Accountability Journal, Query date: 2024-10-02 08:27:56*. https://doi.org/10.1108/AAAJ-09-2020-4919

Laburtseva, O., Larina, Y., Nahorna, O., & ... (2021). Development of a marketing strategy for enterprise financial growth. *Studies of Applied ..., Query date: 2024-10-02 08:27:56*. https://ojs.ual.es/ojs/index.php/eea/article/view/4794

Lee, H., & Cho, C. (2020). Digital advertising: Present and future prospects. *International Journal of Advertising, Query date: 2024-10-02 08:27:56*. https://doi.org/10.1080/02650487.2019.1642015

Lyu, J., Huang, P., Jiang, N., & Ling, P. (2022). A systematic review of e-cigarette marketing communication: Messages, communication channels, and strategies. *International Journal of ..., Query date: 2024-10-02 08:27:56*. https://www.mdpi.com/1660-4601/19/15/9263

Malesev, S., & Cherry, M. (2021). Digital and social media marketing-growing market share for construction SMEs. *Construction Economics and Building, Query date: 2024-10-02 08:27:56*. https://doi.org/10.3316/informit.747666622867324

Mitchell, T. (2020). Critical Race Theory (CRT) and colourism: A manifestation of whitewashing in marketing communications? *Journal of Marketing Management, Query date: 2024-10-02 08:27:56*. https://doi.org/10.1080/0267257X.2020.1794934

Mkhize, S., & Ellis, D. (2020). Creativity in marketing communication to overcome barriers to organic produce purchases: The case of a developing nation. *Journal of Cleaner Production, Query date: 2024-10-02 08:27:56*. https://www.sciencedirect.com/science/article/pii/S0959652619332858

Nesterenko, V. (2021). Marketing Communications: Ongoing Trends and Options. *Virtual Economics, Query date: 2024-10-02 08:27:56*. https://www.ceeol.com/search/article-detail?id=1055524

Qin, J., & Qin, Q. (2021). Cloud platform for enterprise financial budget management based on artificial intelligence. *Wireless Communications and Mobile Computing, Query date: 2024-10-02 08:27:56*. https://doi.org/10.1155/2021/8038433

Rehman, S., Gulzar, R., & Aslam, W. (2022). Developing the integrated marketing communication (imc) through social media (sm): The modern marketing communication approach. *Sage Open, Query date: 2024-10-02 08:27:56*. https://doi.org/10.1177/21582440221099936

Reimer, M., & Schäffer, U. (2022). Controlling-Trends &Benchmarks, 2. *Auflage, Vallendar, Query date: 2024-10-02 08:27:56*. https://www.whu.edu/fileadmin/CONTENT/whu.edu/2_Faculty___Research/2.7_Management_Group/2.7.1_Institute_of_Management_Accounting_and_Control/WHU_Controlling_Trends_and_Benchmarks_2022.pdf

Shah, S., Akbar, S., Ahmad, S., & ... (2021). Advertising, earnings prediction and market value: An analysis of persistent UK advertisers. *British Journal of ..., Query date: 2024-10-02 08:27:56*. https://doi.org/10.1111/1467-8551.12378

Spraakman, G., Sanchez-Rodriguez, C., & ... (2021). Data analytics by management accountants. *Qualitative Research in ..., Query date: 2024-10-02 08:27:56.* https://doi.org/10.1108/QRAM-11-2019-0122

Subrahmanyam, S., Azoury, N., & ... (2024). AI and Business Planning: Revolutionising Forecasting and Resource Allocation. *... , Communication and ... , Query date: 2024-10-02 08:27:56.* https://ieeexplore.ieee.org/abstract/document/10601728/

Suyitno. (2021). *QUALITATIVE RESEARCH METHODS CONCEPTS, PRINCIPLES AND OPERATIONS. Query date: 2024-05-25 20:59:55.* https://doi.org/10.31219/osf.io/auqfr

Utomo, S., Nugraha, J., Indrapraja, R., & ... (2023). Analysis of The Effectiveness of Integrated Digital Marketing Communication Strategies in Building MSMEs Brand Awareness Through Social Media. *Journal of Information Systems ..., Query date: 2024-10-02 08:27:56.* http://www.jsisfotek.org/index.php/JSisfotek/article/view/311

Vollrath, M., & Villegas, S. (2022). Avoiding digital marketing analytics myopia: Revisiting the customer decision journey as a strategic marketing framework. *Journal of Marketing Analytics, Query date: 2024-10-02 08:27:56.* https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7790731/

Zadorozhnyi, Z., Muravskyi, V., Pochynok, N., & ... (2023). Application of the Internet of Things and 6G Cellular Communication to Optimise Accounting and International Marketing. *Virtual ..., Query date: 2024-10-02 08:27:56.* https://www.ceeol.com/search/article-detail?id=1161926

Zhang, C., Zheng, K., Tian, Y., Xue, W., Yang, T., An, D., Pi, Y., & ... (2022). Advertising impression resource allocation strategy with multi-level budget constraint dqn in real-time bidding. *Neurocomputing, Query date: 2024-10-02 08:27:56.* https://www.sciencedirect.com/science/article/pii/S0925231221017495

Ziakis, C., & Vlachopoulou, M. (2023). Artificial intelligence in digital marketing: Insights from a comprehensive review. *Information, Query date: 2024-10-02 08:27:56.* https://www.mdpi.com/2078-2489/14/12/664