

Recovery budget planner user guide

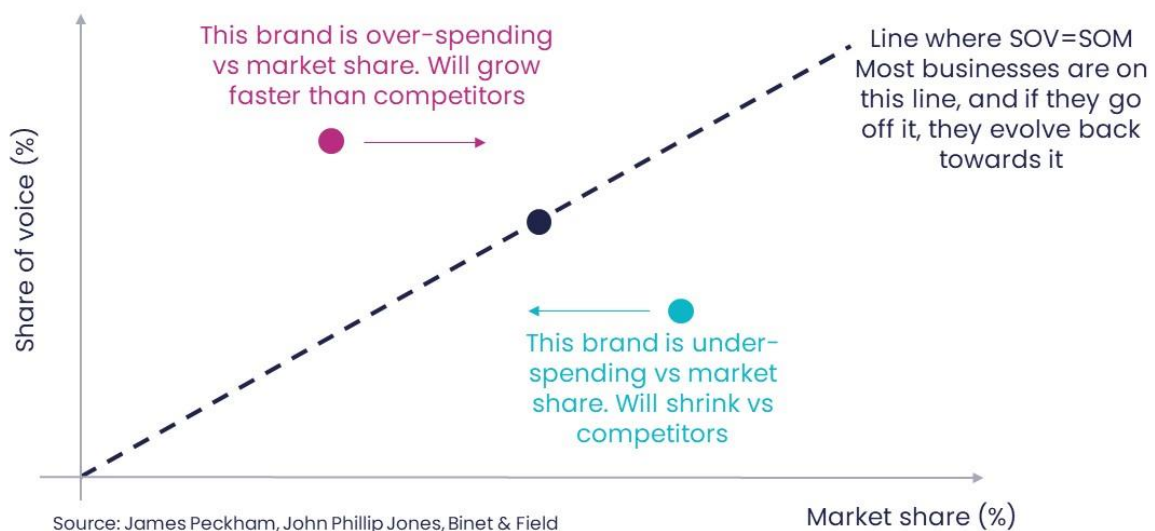
September 2023 for 2024 planning

This document accompanies the recovery budget planner which is hosted at <https://recoverybudgetplanner.magicnumbers.co.uk/>

Magic Numbers made the tool, with funding from ITV Adlabs to help you plan ahead: To choose the right budgets for the targets you need to reach, demonstrate to your colleagues why it's needed, and show what will happen if something else is chosen.

The tool combines different marketing plans you choose with different scenarios for what competitors might do. It then uses the famous share of voice, share of market rule pictured below, to predict how your market share will change.

The share of voice, share of market rule



Then the tool combines your predicted market share change with a forecast of how big your category will be in future, to get a figure for the additional turnover that extra or lost market share will be worth.

01: Before you start

You'll need to know a few **annual** numbers for 2023:

1. Category size (turnover, revenue, value sales) £.
 - You might get this from a mintel report, or if you're in FMCG it might be category sales from IRI or Nielsen. There may be a specific publication. For example, in restaurants, MCA, or in financial services, ebenchmarkers.
 - You can also google for competitors' annual reports and so their turnover. Add them all up to make category size.
2. Your own turnover (also called revenue or value sales)
 - You can get this from your own sales data or finance
 - If there are different turnover metrics, use the one that's closest to the basis of the category size measure you found
 - If you sell lots of different products in different categories, be sure to only include revenue from products in the category above
3. Your profit margin
 - Again, this should be available internally. There are lots of different ways to measure profit, so don't get lost in all the EBITDAs of it all, find one that's approximately right, applicable to the turnover metric you've found, and accepted in your organisation for decision making
 - If you can't get this, just leave it at the default and then don't use the profit-related outputs
4. Your total media spend and total media spend of main competitors
 - You should know your own spend
 - You also need to source spend for competitors that are in the category you set out above
 - Some sources for competitors' numbers are: Nielsen Ad Intel, Annual reports, Case studies in the trade press, the same mintel etc. reports you used above
 - Realistically it's always going to be an estimate for competitors, and this is an essential part of what the tool uses for it's forecasts, so any knowledge or estimate is better here than nothing.

You'll also need to know the target for turnover and/or turnover growth for 2024.

02: Filling in the inputs

Your business

Name

2023 Turnover £m

2023 margin %

Category

2023 Category Size £m

Broader Sector

Media Spend (£m)

2023

2024

2025

2026

Overwrite with the name of your business

Fill in measures you collected using the guide above. Fill the category box with the name of the category in point 1 e.g. chilled deserts or branded restaurants

Pick the sector of the economy your business is a part of from the drop down

This is the first element of your wargaming, pick some media budgets you're thinking of.

If you only care about 2024 leave later years at 1 and ignore the output for them. If you have no figures in mind, try 'same as last year', or 5% of target turnover – data shows this is the ballpark for maximum ROI.

Competitors

Name

2023 Media Spend £m

Competitor Spend Scenarios

Add competitor name and spends one by one. Check each one after you pop it in because the tool will only let you re-do the most recent one.

Important: Ensure you include all competitors in the category you defined and sized above

Competitor Spends 2023

Show entries Search:

	Competitor	Spend
1	Umbrella corp	3
2	Soylent	1
3	Massive dynamic	4

Showing 1 to 3 of 3 entries

You chose: Spend remains the same

Previous Next

There are many scenarios for what competitors will do in the drop down. Start with the default which is same as last year, or pick something else that chimes with what you know of their plans.

As you add competitors, they will appear in the summary box to the right of the inputs panel

The economy

Forecast

Most likely: No recession only slowing growth

Media cost inflation

Inflation continues at current rate

Another 2 choices for your wargaming.

Pick from the drop down what you think might happen to the economy and to media inflation.

At September 2023, economists now agree that a recession is unlikely in 2024. That's why the main scenario is for slow growth rather than contraction.


For pessimistic users there is also a mild-recession scenario, it wouldn't be super-strange if this happened, as interest rates having been rising to control inflation. That's something that can tip economies into recession, for example in the UK in 1990.

During 2023, media inflation was +3.8% in the UK. This was slower than 2022 and 2021, but analysts don't know whether the slowing was due to underlying trends or simply because there was less sport on telly.

You can wargame scenarios for media inflation as follows:

- Choosing "continues at current rate" means media inflation of +3.8% year on year. Same as last year often turns out to be quite accurate in forecasting.
- Another option is media inflation slowing in line with Bank of England forecasts for general inflation.

Once you've finished your inputs, scroll down and click on this big pink button in the bottom left of your screen.

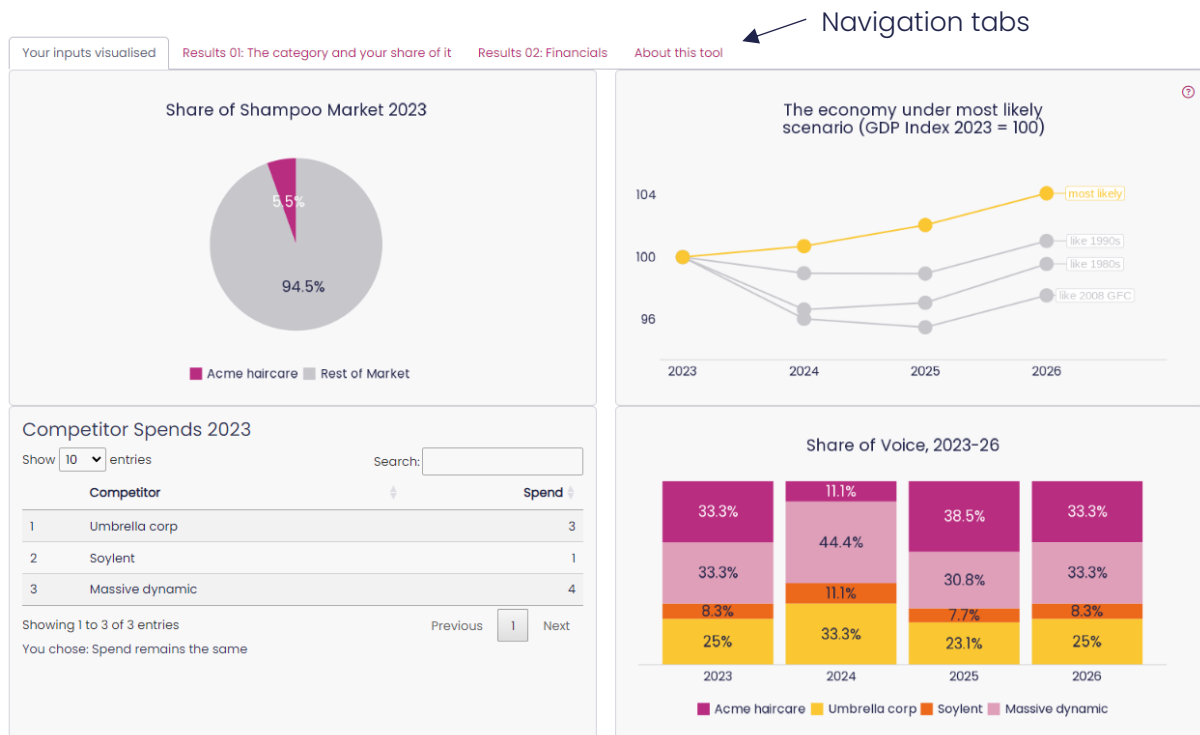
 Update Scenario

03: Understanding the output

OK, onto the exciting part. Reading the output and using it in your decision-making.

You should first see a screen like the one below which visualises your inputs. You've put in lots of numbers; this screen shows what they look like in pictures.

Navigation from here on out is via tabs along the top of the page. They're a bit like tabs in excel, and each one has interesting things for you.

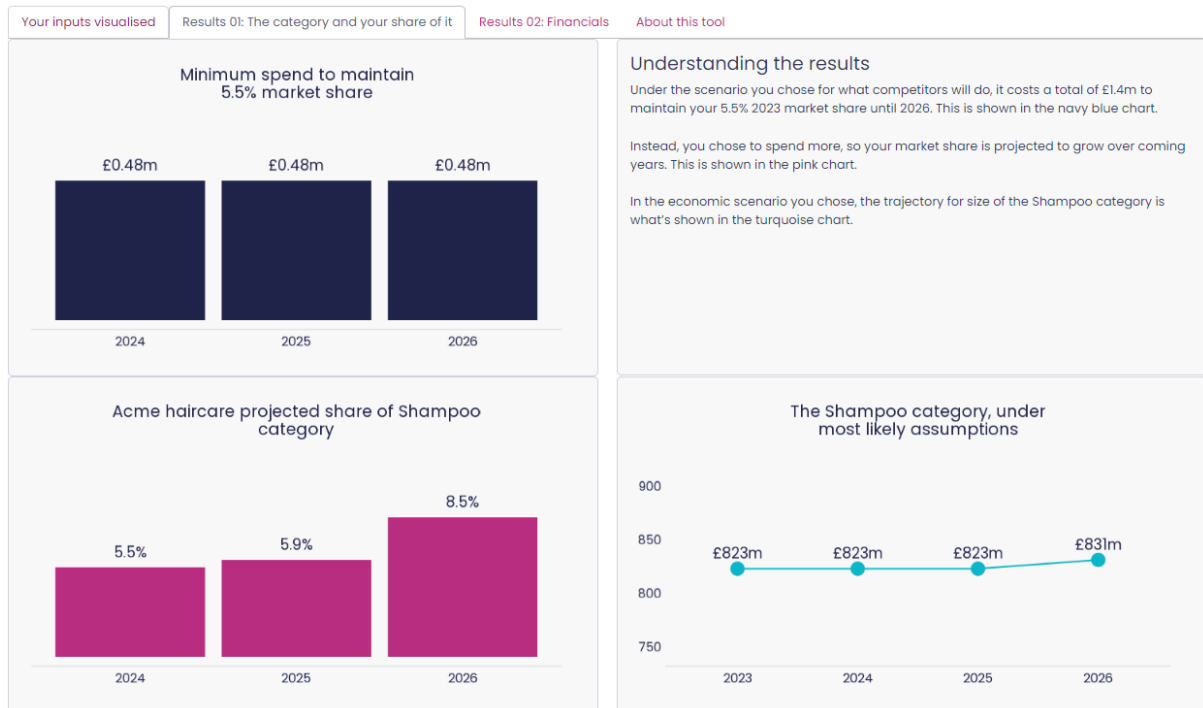


On this screen, going clockwise:

- Top left plays back your share of market in 2023
- Top right plots the trajectory for UK GDP under the economic scenario you chose and compares it to other options available
- Bottom right shows share of voice by competitor next year and going forward

If anything looks wrong, change your inputs and hit "Update scenario" again. Otherwise navigate on the top tab to "Results 01: The category and your share of it"

You should now get a page that looks like this.



The two left hand bar graphs are the outputs related to market share. The top left pane - in navy blue – uses what competitors will spend to calculate the budget you need if you want to maintain your 2023 market share.

- This will be higher if competitors spend more, because you'll have to spend more to keep up with them.
- On the other hand, it will be lower if competitors spend less. If they aren't aggressive, you can keep your share of the category with a smaller budget.
- In the example in this guide:
 - Acme are a small player in the category, they only have a 5.5% market share.
 - Competitors are spending quite a bit in total, £8m, but Acme doesn't have to outshout them to maintain a 5.5% market share, they just have to keep their share of voice high enough that their share of market doesn't fall.
 - The budget to do that is £0.5m

The bottom left pane moves on to provide estimates of what your market share will be given what competitors are spending and what you said you would spend.

- In the example Acme are going to spend £1m in 2024. That's more than the £0.5m needed to maintain share, so they are going to get share growth.

- In 2025 and 2026 Acme are spending £5m and £4m respectively. That's a lot for a business their size, their share of voice is going to be quite a bit higher than their market share, and the forecast is for market share growth.

The bottom right panel, with the turquoise line graph, is a forecast for the size of your category in money terms. It's part of the story because the tool is going to use this to value each additional point of market share in each future year in money terms (displayed later).

The shape of the category forecast is different to the whole economy forecast because the tool is taking into account the fact that different sectors will see different outcomes in 2024:

- Where a product is a necessity, periods of inflation can be beneficial because it is possible to put prices up without losing all your customers. The opposite is true for big purchases that can be delayed.
- This means grocery is likely to suffer much less than durables including tech and gadgets.
- It also matters whether there is still pent-up demand for your sector post-covid. On this criterion, in person entertainment and travel will do fairly well even though both are discretionary purchases
- Acme sells shampoo which, like most FMCGs, still needs to be purchased even in tough economic times. The line is fairly flat because the forecast is for a stable category size until 2025 at which point normal economic growth is forecast to re-start.

You can now navigate on the top tab to "Results 02: Financials"

You should see a page that looks like this:



The bottom left pane in navy blue bars is the change in turnover you can expect as a result of the changing market share and category value we saw in the previous screen.

- If the numbers on the chart are positive, it means turnover will grow, you just need to check if the growth is enough for your business ambitions.
- If the numbers are negative, it means you are forecast to have a smaller business next year. Worrying. That's the time to think about a bigger budget. You can go back to inputs and try a higher amount until you get to the target.
- In Acme's case, they can expect an extra £3.7m in turnover for their £1m spending, that's a healthy payback, so it's all looking good.

The grey and dark pink chart in the bottom right has an estimate for your total turnover in future years (in dark pink) plotted alongside turnover for the rest of the category (in grey):

- This is the most important chart for seeing if you'll get to your target.
- When you've found the right 2024 budget and popped it into your scenario, the dark pink part of the 2024 bar will show your target. Hooray!
- If it doesn't yet show your target, go back to inputs and try other budget scenarios.
- If it does show your target, you can stop, but it's also wise to go back to inputs and try other economic, competitor, or media inflation scenarios to stress test your plans and ensure your alert to developments that might thwart you as 2024 progresses.

The light pink chart is useful for if your targets are for profit rather than turnover. It shows the change in expected profit for each future year.

- Remember, this piece of output is highly dependent on the profit margin you input at the beginning, so before reporting it to your CFO, check with him and her that the margin you're using is right.

04: FAQs

- Is this just for UK users or will it work for anyone?
 - The economy scenarios, media inflation, and all financial measures are only useful for UK businesses
 - That said, the share of market forecasts will work worldwide in any currency
- What if the last full year was really weird, but next year's probably going to be more normal? For example, there was an energy pricing crisis and no-one was changing energy provider?
 - In this case, get data for the last full normal year and pop it in under 2023. Just remember when you're looking at the outputs labels to cross out "2023" and put in whichever year it was you used.
- What if you're doing this part way through 2023 so that you don't have full year figures for the measures above?
 - One answer is to use a previous year where full year real data is available instead
 - The other answer is to scale up 2023 year to date to take account of what's likely to happen in the rest of the year
 - Get a lovely friend who's good with spreadsheets to help if you don't know how. You can always contact us as well hello@magicnumbers.co.uk
- How do I define my category and competitive set?
 - In short, define it however your results will be most meaningful!
 - You can experiment with tighter or wider definitions of your category, but you do need to be able to get or estimate media spends for all competitors in the category that you choose.