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Marketing budget allocation and marketing benefits of traditional media, online advertising, and electronic word-of-mouth

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An in-depth interview was used to examine the budget allocation and operational benefit of three major corporate marketing tools. The results indicated that, apart from e-commerce and companies with online channels, most companies allocated their marketing budget primarily to traditional media, followed by online advertising and electronic word-of-mouth. However, the allocation of such budget percentages does not result in a corresponding marketing effect. Due to the difficulty of measuring the marketing effect, influences of multiple considerations, limitation of industrial marketing inertia, and unfamiliarity with new marketing channels, the companies interviewed in this study were unable to adequately control the allocation of budget percentages. The findings may serve as a reference for companies with industrial attributes similar to the companies in this study, when planning or adjusting their marketing budgets.

Key words: Traditional media, online advertisement, electronic word-of-mouth, in-depth interview, marketing budget, marketing effect.

INTRODUCTION

In the past, companies relied mainly on traditional media, such as television, newspapers, magazines, radio, and billboards, to market products or services. However, the increasing penetration of the Internet and the advancement of network technologies have prompted increasing numbers of companies to use online advertising to attract a large number of consumers in cyberspace, and to enhance their profile and product sales. According to the International Data Corporation (IDC), the total worldwide spending on online advertising in 2008 was $65.2 billion USD, accounting for 10% of total advertising budgets. The IDC also forecast that online advertising spending would reach $10.66 billion USD in 2011, with an average growth rate of 15 to 20% (Science and Technology Policy Research and Information Center, 2008). These figures indicate that online advertising is a trend for products or service marketing under the booming development of the Internet.

In contrast to traditional media, online advertising is not restricted by time or space. Hence, it is possible to focus on the mass market, as well as specific market segments. Online advertising can be interactive; in other words, online advertisements make it possible for consumers to purchase or experience products at any given time. Consumers can also share their own experiences, opinions, and knowledge with community peers, or make recommendations to others. This is known as electronic word-of-mouth communication, and involves the sharing of opinions and experience regarding products and services on the Internet (Hennig-Thurau et al., 2004). According to a survey on online consumers' behavior in Taiwan by the Market Intelligence Center (2007), 48.2% of Internet users are influenced by online advertisements for their purchases of products/services. The survey also indicates that approximately 80.5% of the Internet population in Taiwan would browse...
comments posted on blogs or community websites before making any purchases. About 74% of the Internet population states that these comments influence their purchasing intentions. Based on these figures, the promotion effect of online advertising and electronic word-of-mouth derived from its interactive sharing features on the marketing of products can be estimated. Although traditional media advertising seems to be declining, studies show that such advertising does not conflict with promotions using other media. This is because different media create different advertising effects due to their various communication characteristics. These effects generate different levels of influences on product sales (Dertouzos and Garber, 2006; Vakratsas and Ma, 2005). Keller and Fay (2009) suggested that the stimulus, support, and encouragement of advertising can enhance the number of consumers engaged in word-of-mouth recommendations by 20%.

In summary, traditional media, online advertising, and electronic word-of-mouth have their respective roles in product marketing. They are complementary, and thus, the allocation of budgets is an important issue. There is a lack of studies on the allocation of marketing budgets and marketing benefits of traditional media, online advertising, and electronic word-of-mouth. Therefore, the aim of this study is to conduct in-depth interviews with different companies in Taiwan. The findings will serve as a reference to companies and Internet operators in Taiwan and other countries in marketing budgetary management and applications.

LITERATURE REVIEW

The marketing effect of traditional media

Advertising is a main tool for companies to influence consumers’ purchase decisions. The main channels of advertising include print media, electronic media, and the Internet. Because the information transmission mode of print media and electronic media is different from that of the Internet, they are called traditional media (Kanso and Nelson, 2004). With regard to the marketing effect of traditional media, Yiamaka et al. (2002) indicated that print media and broadcasting are focus media that could completely and directly deliver advertising information of products to target readers or audiences. Mass media options, such as television, allow companies to present the content of print advertising, but with better sound and light effects, to ordinary consumers. In addition, Dertouzos and Garber (2006) suggested that with limited budgets, company marketing by magazine advertising has the most significant effect, followed by broadcasting. However, if companies could support mass or long-term advertising with sufficient budgets, television would be more influential.

The marketing effect of online advertising

With the prevalence of the Internet and the rapid growth of online users, Internet media has become the main information channel for consumers (Tsao and Sibley, 2004). According to an investigation by the U.S. Census Bureau, 36% of Americans acquire product information through online advertising (Loechner, 2002). Because online advertising is interactive, is not restricted by time or space, and provides rich multimedia, many transnational companies have allocated their marketing budget to it, and include it in their marketing campaigns (Li et al., 2009). In addition, Forseeing Innovative New Digiservices (2009) indicated that during economic downturns, advertisers are more concerned about the investment benefits of advertising. Because online advertising could precisely target those customers with lower budgets, more than half of advertisers choose online advertising.

The marketing effect of electronic word-of-mouth

Because word-of-mouth is the key factor of consumers’ purchase decisions (Altmeier et al., 1985), in recent years, more and more companies have replaced original advertising plans with word-of-mouth marketing and have transferred the expense of media advertising to word-of-mouth marketing (Keller and Fay, 2009). According to a survey by PQ Media (2009), corporate expenditure on word-of-mouth marketing will reach 1.9 billion USD in 2010, which is 13% that will be more than the case of 2009. Moreover, it is predicted that by 2013, the expense will increase to 3 billion USD, with an annual growth rate of 14.5%.

Electronic word-of-mouth marketing is the combination of traditional advertising and word-of-mouth marketing. In an online environment, marketing triggers consumers’ discussion on products, and further results in the delivery of electronic word-of-mouth by manipulation of topics, cooperation with bloggers, posting on forums, and rewards/gifts of trial (Godes and Mayzlin, 2009). According to Trusov et al. (2009), when product information is delivered to consumers by electronic word-of-mouth (online users’ forwarded messages or publication of product information), companies could overcome consumer resistance, and trace the relationship between members’ word-of-mouth and customer acquisition through the back-end system on the Internet membership platform. They could further quantify the electronic word-of-mouth effect as the criterion for marketing strategy. A report by Nielsen (2009) suggested that when online consumers in Taiwan purchase products, their trust in online consumers’ word-of-mouth has surpassed print advertising in magazines and newspapers, and is similar to that in television commercials.
The integrated marketing effect of traditional media, online advertising, and electronic word-of-mouth

Past literature indicates that word-of-mouth and media advertising are not in conflicting positions; they reveal different marketing effects. For instance, Day (1971) suggested that advertising is effective in the development of product reputation and maintenance of favor for the brand; however, only word-of-mouth from people who have tried or preferred the product would construct or enhance preference for the brand. Besides, regarding sales of risky products, although word-of-mouth could transfer risk, which could not be fulfilled by advertisement (Woodside and Delozier, 1976). advertisement information is effective in reinforcing word-of-mouth quality (Keller and Fay, 2009).

In addition, related studies also indicate that the advertising effect of corporate multimedia activity (for example, combination of television, print, broadcasting, Internet, and public relationships) would be more powerful than the effect of a single medium. The reason is that different types of media advertising influence consumers’ decisions differently (Naik and Raman, 2003; Yiannaka et al., 2002). Likewise, Tellis (2009) indicated that when corporate marketing budgets increase or remain the same, multimedia advertising, in comparison with single-medium advertising, would be more likely to enhance sales.

Consistent with this discussion on product advertising or promotion, traditional media, online advertising, and electronic word-of-mouth have respective marketing effects, and demonstrate enhanced marketing effects when combined.

RESEARCH DESIGN

This study aims to probe into the companies’ views on marketing budget allocation of traditional media, online advertising, and electronic word-of-mouth, as well as the benefits of budget allocation. An in-depth interview was conducted with business owners or marketing managers of 12 companies in eight different industries in Taiwan, from July 1 to August 31, 2009. Basic information of the companies interviewed is shown in Table 1. The researcher first sent the interview outline (Appendix 1) to the business owners or marketing managers, and acquired their consent. Each interview lasted for about 90 min. The locations were in the conference rooms of the companies. Data collection was based on recording, and on-site records that were then transcribed into text records. The researcher then analyzed the data by content analysis as a means of qualitative study. The results could provide a further understanding on the use of the three marketing tools by companies.

RESEARCH RESULTS

Allocation of marketing budgets and marketing effects

The marketing budget percentages of traditional media, online advertising, and electronic word-of-mouth in the 12 companies interviewed are shown in Table 2. At least nine of the 12 companies allocated 40% of their marketing budget to traditional media, indicating that most of the companies interviewed (including wedding, real estate brokerage, manufacturing, distribution, culture and education, and tourism industries) still prefer to use traditional media as a marketing tool; such a preference will reduce budget allocations to online advertising. For instance, more than half of the companies interviewed (seven of 12) only spent 5 to 20% of their total marketing budget on online advertising. Only two of the 12 companies had operations that were mainly e-commerce or online channels (Companies 3 and 10) and they allocated 80 and 75% of their marketing budgets to online advertising, respectively. However, one company providing e-learning platforms (Company 1) only allocated 10% of its marketing budget to online advertising because it cooperated with other companies on banner swapping to reduce costs (interview record).

It is worth noting that in Table 2, six companies (Companies 2, 4, 6, 7, 9, and 12) did not allocate any of their marketing budgets to electronic word-of-mouth. The reasons are revealed in the interview records presented in this work. Among the six companies that allocated some of their marketing budgets to electronic word-of-mouth, all but Company 1 allocated 5 to 25% of their budgets. Because Company 1 saved a significant amount on online advertising, it could invest 40% of its budget. In addition, few companies allocated other marketing budgets. For instance, Company 4 allocated 60% of its budget to promotion or physical word-of-mouth and nonprofit organization marketing, and Company 9 allocated 30% of its budget to nonprofit organization marketing.

Representative opinions of companies that do not allocate marketing budget on electronic word-of-mouth:

The interview records

1) Our company identifies with the marketing concept of electronic word-of-mouth; however, we are still trying the optimal operation model, and thus, we have not allocated this in our budget (Company 2).
2) Electronic word-of-mouth marketing should benefit the operation of our company; however, we do not know how to implement it effectively and thus, we have not allocated this in our budget (Company 4).
3) The subjects of our company are not ordinary consumers. We specifically focus on customers who are interested in rental and sales of real estate. Thus, it is not necessary to allocate our marketing budget to electronic word-of-mouth (Companies 6 and 12).
4) The main clients of our company are companies and traditional media and online advertising can satisfy our needs; thus, we do not plan to allocate our marketing budget to electronic word-of-mouth (Company 7).
Table 1. Basic information of companies interviewed.

<table>
<thead>
<tr>
<th>Company</th>
<th>Category of industry</th>
<th>Interviewee</th>
<th>Capital (million)</th>
<th>Number of employee</th>
<th>Content of business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Culture and education industry</td>
<td>General Manager of Personal Learning Group</td>
<td>200</td>
<td>200</td>
<td>Production of e-content and operation of e-learning platform</td>
</tr>
<tr>
<td>2</td>
<td>Wedding industry</td>
<td>Marketing Manager of E-Images</td>
<td>2</td>
<td>21</td>
<td>Planning service before wedding</td>
</tr>
<tr>
<td>3</td>
<td>e-commerce</td>
<td>Marketing Manager of North Asia</td>
<td>1 billion</td>
<td>350</td>
<td>Operation of online hotels and car rental platform</td>
</tr>
<tr>
<td>4</td>
<td>Construction industry</td>
<td>General Manager</td>
<td>10</td>
<td>11</td>
<td>Construction of residences and office buildings</td>
</tr>
<tr>
<td>5</td>
<td>Tourism industry</td>
<td>Marketing Director of Planning Department</td>
<td>350</td>
<td>300</td>
<td>Medium and high-price tourism service; operation mainly on physical channels</td>
</tr>
<tr>
<td>6</td>
<td>Real estate brokerage</td>
<td>Business Manager of Real Estate</td>
<td>1.2</td>
<td>15</td>
<td>Rental and business of land, factories, and offices</td>
</tr>
<tr>
<td>7</td>
<td>Manufacturing industry</td>
<td>Business Marketing Manager</td>
<td>15</td>
<td>13</td>
<td>Making and sales of hardware, office furniture, and building materials</td>
</tr>
<tr>
<td>8</td>
<td>Wedding industry</td>
<td>General Manager</td>
<td>15</td>
<td>75</td>
<td>Planning service after wedding</td>
</tr>
<tr>
<td>9</td>
<td>Distribution industry</td>
<td>Marketing Manager of Fashionable Products Department</td>
<td>3.2 billion</td>
<td>20,000</td>
<td>Sales of household appliances and 3C products</td>
</tr>
<tr>
<td>10</td>
<td>Tourism industry</td>
<td>Assistant Manager of Marketing Department</td>
<td>210</td>
<td>500</td>
<td>Fair price and high-quality tourism service; operation upon online channels</td>
</tr>
<tr>
<td>11</td>
<td>Construction industry</td>
<td>General Manager</td>
<td>500</td>
<td>80</td>
<td>Undertaking land development and construction</td>
</tr>
<tr>
<td>12</td>
<td>Real estate brokerage</td>
<td>General Manager</td>
<td>1</td>
<td>30</td>
<td>Rental and commercial land, factories, and offices</td>
</tr>
</tbody>
</table>

Table 2. Percentage distribution of marketing budget and marketing effect of subjects.

<table>
<thead>
<tr>
<th>Company</th>
<th>Category of industry</th>
<th>Total marketing budget (million)</th>
<th>Marketing budget (%)</th>
<th>Marketing effect (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Traditional</td>
<td>Online advertising</td>
</tr>
<tr>
<td>1</td>
<td>Culture and education industry</td>
<td>10</td>
<td>50</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Wedding industry</td>
<td>1</td>
<td>80</td>
<td>20</td>
</tr>
<tr>
<td>3</td>
<td>e-commerce</td>
<td>9</td>
<td>10</td>
<td>80</td>
</tr>
<tr>
<td>4</td>
<td>Construction industry</td>
<td>5</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>Tourism industry</td>
<td>20</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td>6</td>
<td>Real estate brokerage Industry</td>
<td>2</td>
<td>90</td>
<td>10</td>
</tr>
<tr>
<td>7</td>
<td>Manufacturing industry</td>
<td>3</td>
<td>80</td>
<td>20</td>
</tr>
<tr>
<td>8</td>
<td>Wedding industry</td>
<td>3</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>9</td>
<td>Distribution industry</td>
<td>350</td>
<td>60</td>
<td>10</td>
</tr>
<tr>
<td>10</td>
<td>Tourism industry</td>
<td>50</td>
<td>20</td>
<td>75</td>
</tr>
<tr>
<td>11</td>
<td>Construction industry</td>
<td>200</td>
<td>90</td>
<td>5</td>
</tr>
<tr>
<td>12</td>
<td>Real estate brokerage</td>
<td>3</td>
<td>70</td>
<td>30</td>
</tr>
</tbody>
</table>

a) Physical word-of-mouth; b) Nonprofit organization marketing.
5) Sometimes, online word-of-mouth is rumors rather than real comments. As we do not intend to use it, it is not necessary to allocate it in our budget (Company 9).

The interviewed companies carry out various marketing activities according to the allocated budgets; the marketing effect achieved is shown in Table 2. As seen, four companies (Companies 3, 4, 6, and 12) share similar percentages of marketing effects, and had similar ratios of marketing budget on traditional media, online advertising, and electronic word-of-mouth. Four companies (Companies 1, 7, 8, and 9) had different percentages of benefits and budgets, and three of these (Companies 2, 5, and 11) did not indicate any marketing effect because they perceived that the marketing effect was the combined result of various kinds of marketing. Thus, it is difficult to estimate the contribution percentages of traditional media, online advertising, or electronic word-of-mouth (interview records). The Assistant Manager of the Marketing Department of Company 10 indicated that although the company has a blog and uses Plurk to share word-of-mouth on tourism and food, they do not specifically measure the contribution of word-of-mouth on sales. Thus, it is not easy to measure the marketing effect of electronic word-of-mouth.

The ratio analysis on marketing effects and marketing budgets

To further explore the efficacy of marketing budget allocations, this study divided the marketing effects of traditional media, online advertising, and electronic word-of-mouth by allocated marketing budget, as shown in Table 3. The results of percentages (k in this study) indicate whether the percentage allocation of marketing budgets in those companies is appropriate. For instance, k of a certain marketing budget (for example, traditional media) in one company is 1, indicating that the capital percentage of the budget can result in a corresponding marketing effect. It also shows that the company can effectively fulfill the percentage allocation of the marketing budget. When the k of a certain marketing budget > 1, every additional 1% of the marketing budget can result in more than 1% marketing effect, indicating that the capital of the budget can increase in efficacy. Increasing the budget percentage could enhance the overall marketing effect of the company. When k < 1, every additional 1% of the marketing budget may result in less than 1% marketing effect, indicating the capital budget cannot be more efficient. k = ∞ and 0.00 are more special. k = ∞ means that some unallocated marketing budget would result in a corresponding marketing effect. k = 0.00 means that some of the marketing budget is not allocated, and there is no corresponding marketing effect. Thus, k, which cannot be measured, is shown by "∞".

The suggestions for k in different marketing budgets, and budget adjustment for the companies interviewed, are as follows:

Company 1 did not acquire the expected marketing effects from its allocated traditional media and electronic word-of-mouth marketing budgets (k = 0.40 and 0.75). Thus, it should lower the percentages (90%) of these two budgets and transfer them to the marketing of physical word-of-mouth (k = ∞) to enhance the corporate marketing performance. k of the different marketing budgets in Company 3 were 1, indicating that this company of e-commerce is mainly based on online advertising (80%) and assisted by traditional media and electronic word-of-mouth (respectively 10%); thus, its budget allocation is appropriate.

Company 4 did not acquire corresponding benefits from traditional media and online advertising (respective budgets were 20% and k = 0.50), while other marketing budgets have reached 60% (k = 1.33). Therefore, the company can transfer part of the capital from these two budgets to electronic word-of-mouth (k = 0.00) to enhance the marketing effect. Marketing budgets of Companies 6 and 7 are mostly in traditional media (90 and 80%) and the second is in online advertising (10 and 20%). However, k of traditional media in these two companies were only 0.89 and 0.625, while k of their online advertising were 2.00 and 2.50, respectively. Therefore, to enhance their overall marketing effect, these two companies should increase their budget percentages of online advertising or other marketing models. Company 7 is an international enterprise and it is particularly necessary to increase the exposure of company advertisement in online advertising.

The benefits of budget allocation to traditional media by Companies 8 and 9 were unsatisfactory (budgets were 40 and 60%; k = 0.25 and 0.50). Therefore, to reach a balance in budget allocation and enhance benefits, these two companies should transfer part of their budgets to electronic word-of-mouth (the original budget of Company 8 was 20% and k = 2.50) or to online advertising (the original budget of Company 9 was 10% and k = 1.00).

Using online channels, Company 10 tended to allocate its marketing budget to online advertising (75%), followed by traditional media (20%). However, the value of k indicates that the marketing effect of online advertising is not as significant as for traditional media (k = 0.80 vs. k = 2.00). Therefore, these two budget percentages should be adjusted slightly. The same adjustment can be applied to Company 12. The budget percentages of traditional media and online advertising in this real estate brokerage company were 70 and 30%, and the corresponding k were 1.14 and 0.67.

Causes of errors in marketing budget allocation

Ideal budget allocation should result in better marketing effects. However, according to the aforementioned discussion, most companies with k values should adjust
Table 3. Ratio result of marketing effect and marketing budget of subjects.

<table>
<thead>
<tr>
<th>Company</th>
<th>Category of industry</th>
<th>Traditional media</th>
<th>Online advertising</th>
<th>Electronic word-of-mouth</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Culture and education industry</td>
<td>0.40</td>
<td>2.00</td>
<td>0.75</td>
<td>∞</td>
</tr>
<tr>
<td>2</td>
<td>Wedding industry</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>e-commerce</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>0.00</td>
</tr>
<tr>
<td>4</td>
<td>Construction industry</td>
<td>0.50</td>
<td>0.50</td>
<td>0.00</td>
<td>1.33</td>
</tr>
<tr>
<td>5</td>
<td>Tourism industry</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>Real estate brokerage</td>
<td>0.89</td>
<td>2.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>7</td>
<td>Manufacturing industry</td>
<td>0.625</td>
<td>2.50</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>8</td>
<td>Wedding industry</td>
<td>0.25</td>
<td>1.00</td>
<td>2.50</td>
<td>0.00</td>
</tr>
<tr>
<td>9</td>
<td>Distribution industry</td>
<td>0.50</td>
<td>1.00</td>
<td>∞</td>
<td>1.67</td>
</tr>
<tr>
<td>10</td>
<td>Tourism industry</td>
<td>2.00</td>
<td>0.80</td>
<td>-</td>
<td>0.00</td>
</tr>
<tr>
<td>11</td>
<td>Construction industry</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>Real estate brokerage</td>
<td>1.14</td>
<td>0.67</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

their percentage allocation of marketing budgets to enhance marketing effects. This study will discuss why marketing personnel cannot properly determine the percentages of different marketing budgets from the following dimensions.

**Difficulty in measuring marketing effects**

Marketing personnel can determine the percentages of marketing budgets based on their recognition of the marketing effects of different media. However, in the marketing process, consumers encounter different types of media or word-of-mouth marketing that would more or less influence their attitude toward the products and purchase decisions. Therefore, it is difficult to distinguish if the marketing effects are from particular forms of media or word-of-mouth. In addition, marketing effect sometimes cannot be immediately shown due to time delays. Thus, it is difficult for marketing personnel planning budgets to precisely control budget allocation by marketing effect. Related representative opinions of the companies interviewed are as follows:

a) Marketing effects are usually the outcome of promotion of various types of media, and rarely the outcome of only one medium (Companies 2 and 11).
b) Media advertising can enhance the reputation; however, the real factor of consumers and marketing effects can be due to the synthesis effect (Companies 5 and 9).
c) The extended benefit of marketing will result in imprecise evaluation of overall benefits (Company 8).

**Influences of multiple considerations**

A company usually considers different factors in marketing planning. Some of the factors are related to marketing purposes and some are not, and they will influence the percentage allocation of the corporate marketing budget. Related representative opinions of the companies interviewed are as follows:

a) The effect of traditional media is not significant; however, if we construct a relationship with media, a budget reduction should follow (Company 1).
b) Marketing should sometimes be flexibly adjusted to meet the ages of the customers and changes in product lines. The adjustment will influence budget planning (Company 5).
c) The benefit of traditional media may not be high; however, on some occasions, traditional media is needed to develop the reputation or establish a relationship with customers. Thus, the budget is sometimes necessary (Company 7).
d) Media advertising should sometimes depend on the companies even though the benefit is insignificant (Company 9).

**Limitations of industrial marketing inertia**

Products promoted by some industries are unique, such as in the real estate brokerage and construction industry. These companies usually adopt specific marketing tools, and treat the budget allocation as a proper one. However, the prejudiced concept and measurement may not result in a better marketing effect. Related representative opinions of the companies interviewed are as follows:

a) Promotion of construction requires professional knowledge. Common online users’ word-of-mouth may not be convincing (Company 4).
b) High-price products such as real estate and land do not require too much online advertising, and it is difficult to promote them by electronic word-of-mouth (Company 3).
c) Advertising through traditional media is a more
effective way to promote real estate (Company 11).

**Unfamiliarity with new marketing channels**

In comparison with traditional media and online advertising, electronic word-of-mouth is a new type of marketing, which may result in more marketing effect, as perceived by marketing personnel. However, there are some reasons why they do not allocate budgets, or allocate very limited budgets, to electronic word-of-mouth. Therefore, companies tend to overly allocate budgets to their familiar marketing channels (for example, traditional media or online advertising), and waste the resources or miss the opportunity to increase marketing effects. Related representative opinions of the companies interviewed are as follows:

a) Due to operational techniques or lack of active operation, our electronic word-of-mouth marketing by Facebook and members' recommendations does not result in positive outcomes. Thus, we do not allocate much of the budget to this (Company 3).
b) Because we are still trying various kinds of electronic word-of-mouth marketing models (for example, Facebook and Plurk), we do not allocate much of the budget to this. However, we will increase the budget percentages according to the benefits (Company 8).
c) Word-of-mouth in the construction industry requires long-term operation. Thus, we do not expect too many benefits from electronic word-of-mouth and we will not allocate much of the budget to this (Company 11).
d) For other representative opinions, please see “representative opinions of companies without marketing budget allocation of electronic word-of-mouth”.

**DISCUSSION AND CONCLUSION**

In-depth interviews were conducted to understand the views of 12 companies in different industries in Taiwan on marketing budget allocation to traditional media, online advertising, and electronic word-of-mouth. The study also analyzed the benefits acquired by percentage allocation of the budgets and the possible reasons for not allocating the appropriate level. The findings may serve as references to companies with industrial attributes similar to those in this study to plan or adjust their marketing budgets.

The companies interviewed allocated different budget percentages to traditional media, online advertising, and electronic word-of-mouth, although some companies were in the same industry. Overall, traditional media is still the main marketing media for most companies (with the highest budget percentages); online advertising is favored by the few companies with e-commerce or online channels. Electronic word-of-mouth is a marketing model that the companies are unfamiliar with, still learning, or deem unnecessary (lowest budget percentages).

An analysis of relative benefits (k analysis) was conducted to find out if the percentage allocation of certain marketing budgets would result in a corresponding marketing effect as the criterion for budget adjustment. The results showed that most of the companies interviewed allocated higher budget percentages to their familiar or preferred marketing channels (for example, traditional media or online advertising); however, such allocation does not result in a corresponding marketing effect. Therefore, these companies should consider adjusting the percentage allocation of different marketing budgets to enhance the overall marketing effect.

Proper allocation of budget percentages can avoid the waste of resources and lead to more efficient budget operation. However, the interview results indicate that it is difficult to measure the marketing effect. Influences of multiple considerations, limitations of industrial marketing inertia, and unfamiliarity with new marketing channels are the main reasons why these companies cannot properly control the percentage allocation of budgets. Although these reasons reflect real situations, they can also indicate future directions for marketing personnel. For example, marketing effects can be the general outcome of various types of marketing; however, marketing personnel can try some creative advertising measures in order to lead more benefits of budget allocation.

Industrial marketing inertia is marketing personnel’s subjective cognition of product promotion channels. The company’s focus marketing budgets on specific channels, even though these channels cannot result in the expected marketing effect. Therefore, it is suggested that marketing personnel should avoid these restrictions and try some creative advertising measures in order to lead more benefits of budget allocation.

Electronic word-of-mouth marketing is a web-based model that allows marketing personnel to construct brand cognition with the lowest cost. However, for marketing personnel with subjective prejudice or lack of experience, the model is unnecessary, difficult to operate, or makes it difficult to recognize significant implementation outcomes. The thought or result will influence the budget allocation on such marketing. Therefore, it is suggested that marketing personnel should overcome their stereotyped ideas and study the successful cases of others. Moreover, with regard to implementation, that can lead to effective electronic word-of-mouth marketing, they should recognize the communication channels (for example, e-mails, chat rooms, information of news groups, and consumers’ e-forum), and also pay attention to highly
creative and interesting product information, as well as patterns of information communication.

The limitation of this study is that some of the industries are not included. The number of companies interviewed should be increased. Thus, the analytical results cannot objectively represent the current situations of all industries. The reason is that interview requests are rejected by some companies due to commercial confidentiality. Future studies can try to cooperate with companies and precisely evaluate the relative benefits of different marketing activities to help companies to adjust their budgets and recognize the optimal budget allocation.

REFERENCES


APPENDIX

Appendix 1 Outline of in-depth interviews

Items
1. What are the basic situations of your company (category of industry, date of foundation, capital, number of employees, types of products, marketing position, competition company, operational strategy, etc.)?
2. What is the annual marketing budget of your company?
3. What is the current advertising or marketing model adopted by your company? Why?
4. What are the budget percentages your company allocates to different channels of advertising or marketing?
5. What benefits are acquired from different advertising or marketing channels (customers’ contribution)? Can the current advertising or marketing model satisfy the company’s needs? Why?
6. What is the most effective advertising or marketing model? Why?