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**MBA - 42  
PRODUCT AND  
ADVERTISING  
MANAGEMENT**

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# UNIT 1 THE PRODUCT MANAGEMENT PROCESS

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## Objectives

After going through this unit you should be able to:

- Discuss the nature and scope of product management
- Describe what is meant by a product portfolio
- Explain the process of developing an optimum product mix using the product portfolio approach
- Differentiate between types of product management systems
- Develop a suitable product management system for an organisation

## Structure

- 1.1 Introduction
- 1.2 The Product Management Function
- 1.3 Product Management Decisions
- 1.4 What is a Product Portfolio?
- 1.5 Overall Strategy to Balance the Product Portfolio
- 1.6 Drawbacks of the Product Portfolio Approach
- 1.7 Product Manager's Management System — Scope
- 1.8 Responsibility and Authority
- 1.9 The need for a Product Management System
- 1.10 Summary
- 1.11 Self-assessment Test
- 1.12 Further Readings

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## 1.1 INTRODUCTION

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Product forms the most tangible expression of the offering of a business endeavour. Products also represent the means through which the organisation seeks to satisfy consumer needs and wants and generate consumer satisfaction. Product policy and strategy therefore become key determinants of successful marketing strategy.

Product management decisions encompass all decision incidental to creating, maintaining and presenting the optimum bundle of need satisfiers that the organisation is capable of offering. This unit discusses the scope of the product management function and describes the ways in which different product management systems are organised.

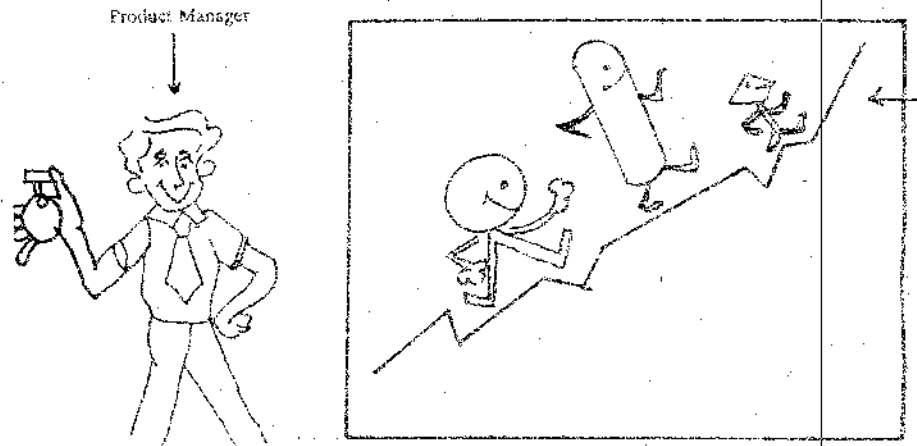
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## 1.2 THE PRODUCT MANAGEMENT FUNCTION

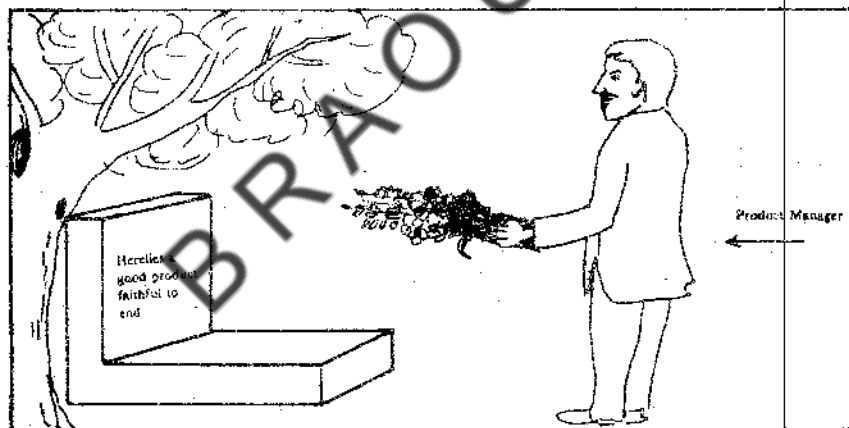
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Product management encompasses a variety of functions. An organisations bread and butter comes from the sales of its products. The organisation may have several products in various sizes packs, colours, shapes etc. The success of the organisation will largely depend on having winners in this product range.

Planning the product mix is the basic functions of product management. This will involve setting of criteria for introducing a product continuing a product and dropping a product. Ideally, from the point of view of the economic health of an organisation, it should promote products that yield the highest rate of return on investment. But this may not be the only consideration. A company may decide to produce some low profit or no profit products in the public interest. At times, the sales of a product with low returns on investment may be promoted as it may help to promote the sales of other high profit earning products to complete a full product range. The function of product mix decisions to achieve overall sales performance can be illustrated as under:



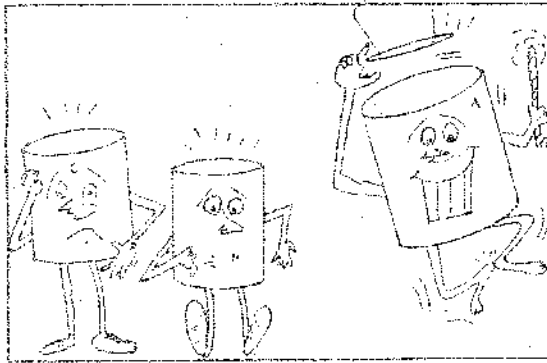
Besides planning the existing product mix, the product management function must also concern itself with the management of new products in accordance with shift in customer patronage, competition and technological changes. But, it is important to note that, in the excitement of introducing new products the old products do not die prematurely. The product life cycle of the products is to be monitored in a manner which gives the most desirable mix of today's bread winners, tomorrow's bread winners and yesterday's bread winners. The product manager should not however, hesitate to eliminate those products which have become absolutely non-profitable because, afterall, products are like human beings, young Today but old Tomorrow.



Achieving the desired product mix for the organisation is not enough. The products in the mix need to be positioned appropriately. Product positioning forms the next important aspect of product management. The product must have individuality which distinguishes it from competing brands. The uniqueness of the benefits deserved from the product needs to be stressed. To know more about this consumer perceptions regarding the product are studied. The success of product management essentially depends upon the positioning of the products.

Last but not the least, the product manager must always be in search of new pastures — introduction of new product in the present range may not be enough. A diversification in totally different and untried areas may be needed. Strategic product management decisions would thus involve product diversification as well.

From the above reading it follows that the scope of product management is very wide. You may wonder how can the product manager handle so many functions? Actually depending on the size of the company and the number of products it has there may be more than one product manager handling one or more than one product.



Product Personality

Also, the strategic decisions regarding new product introduction diversification may be the joint responsibility of all product managers concerned or a person senior to them.

Having understood the scope of product management let us now take a break for an activity to apply the same.

**Activity 1**

Below are given two different types of organisations and a set of activities. Tick off only those activities which you feel will be a part of product management in each of these organisations.

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**Organisation 1**

Consists of a single product which it manufactures and sells in a competitive market all over India. Which activities do you think form a part of the product management function? Tick them.

- 1) Distribution
- 2) Production
- 3) Product positioning
- 4) Accounting
- 5) Research & Development
- 6) New Product Introduction

**Organisation 2**

This company consists of ten different products catering to different market segments each headed by a different product manager. What are the activities of the product manager of the group?

- 1) Product mix decisions
- 2) Distribution
- 3) Research & Development
- 4) Allocation of funds for marketing amongst the ten product groups
- 5) New Product Introduction
- 6) Diversification
- 7) Advertisement policy
- 8) Production policy

**1.3 PRODUCT MANAGEMENT DECISIONS**

Exhibit 1 given below give an overview of the type of decision participated in by the product manager in respect of management of existing products. Exhibit 2 shows the extent of participation of the product manager in significant marketing decision.

**Exhibit-I The Product Manager's  
significant management task**

**The Product Manager**

Management Task	Has sole responsibility for seeing that the task is completed	Plays a major role in seeing that the task is completed	Plays a minor role in seeing that the task is completed
Establishing marketing objectives for your product			
Planning the marketing activities to achieve product objectives			
Determining expense budget, totally and for each marketing activity			
Scheduling the marketing activities			
Establishing measurements and control review procedures			
Communicating plan to assure understanding by those who will implement			
Monitoring Progress & effectiveness of performance according to standards			
Specifying corrective action when plan & performance are at variance			
End of year report to management			
Post mortem plan reevaluation for learning purposes			

Source: Harvard Business Review Vol. 53, Jan-February, 1975

**Exhibit-II The Product Manager's  
significant marketing decisions**

**Product Manager's role in decision making**

Marketing decision areas	Is the sole decision maker	Is a major participant in decision making	Is a minor participant in decision making	His opinion is sometimes asked for prior to decision making made by other	Plays no role in the decision making process
Product					
Packing					
Pricing					
Advertising theme or copy					
Advertising Media					
Marketing research					
Type or number of promotions					
Timing or Promotions					
Instructions of sales force					
Instruction to agents or brokers					
Size of sales force					

The product management decisions, as you must have gathered from the previous section include:

### 1) Product Mix Decisions

The product mix concept refers to the total products offered by an organisation while a product line is a group of products within the product mix that can be classified together on account of criteria like customer needs markets served, channel used or technology employed. In order to decide upon the product mix the product manager also has to take decision regarding width, length, depth and consistency of the product line. Deciding upon the optimality of product mix requires in depth analysis of the profitability, marketability, market share, long term prospects of the product, among other things. Several approaches, including the product portfolio approach have been developed to decide upon optimum product mix. These have been discussed in the next section.

### 2) Product Modification/Modernisation Decision

Modification and or modernisation of the existing product line is another key concern of the product managers. In some cases the product line length may be adequate but some of the products may have lost competitive edge because of technological or fashion or feature obsolescence. Which in turn would be reflected in the overall product returns. The product line would then need to be modernised or substantially modified. One important issue is, whether to overhaul the complete line all at once or go product by product. The latter approach provides for gauging of consumer and dealer reactions before the entire modernisation programme is put into operation. The disadvantage on the other hand is competitor reaction who may retaliate by copying the modification or coming out with better feature improvements.

### 3) Product Line Pruning/Product Elimination Decision

In many organisation weak products are allowed to be continued in the product line simply because of emotional or sentimental reasons. These products become drains on managerial line and other resources. A number of costs hidden in the continuance of these products are never fully estimated. These costs may include costs associated with varying inventory levels, frequent price reductions, uneconomic production runs and the opportunity cost of the investing in new products because of resources being tied up in the retention of weak products. Product line pruning or product elimination decisions therefore have to be taken to prevent unproductive use of resources.

### New Product Decision/Diversification Decisions

One of the most common product policy problems relates to the addition of new products to the existing product line. A rationale for the diversification introduction of new products may emerge out of marketing needs, company's resources and competences, marketing, production or financial considerations, and the contribution that the new product can make to the corporate objective. Even though the development of new products is a decision fraught with very high risks, continuous innovations are the most reliable key to sustained growth. The addition of new products to the firm's product line can be done either by internal development or external acquisition. Block 2 of this course is devoted to the management of new products.

### Branding and Packaging Decision

Branding is one of the ways of imparting product distinctiveness and helping the product to attain a specific identity in the consumer's mind. It increases consumer awareness, improves chances of repeat purchases, facilitates the inculcation of a product image and helps adoption of new products. The issues in branding are whether to use a family brand or individual brands manufacturers brands or distributors brands or separate family names for the different product lines in case of a highly diversified firm. Important marketing and cost considerations dictate the choice of the above alternatives as you will study in unit of this course.

Packaging, defined as the activity of designing and producing the container or the wrapper for a product, can play a minor or a major role in product policy depending upon the product nature and market requirements. In recent times packaging has become an effective marketing tool. Developing an effective package for product requires a number of steps like deciding upon the packaging concept, developing the

package designs and package testing. These steps and the considerations involved in packaging are discussed in detail in unit 7 of this course.

Having had an overview of the products management function we shall now examine each of its sub function in greater detail. Let us first study the product mix decision.

### Product Mix Decisions

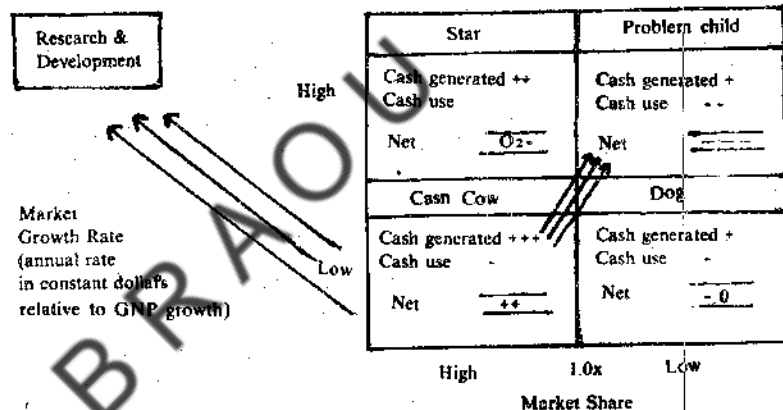
First of all, let us make it clear that product mix decisions are of greater importance to diversified companies and the theory presented here is more relevant to such companies. The approach suggested for product mix decisions is the product portfolio approach which we will study in detail.

## 1.4 WHAT IS A PRODUCT PORTFOLIO?

Each product may be classified by rate of present or forecasted market growth and is a measure of market share dominance. When the share and growth rate of each of the products sold by the firm are jointly considered, a new basis for strategy evaluation emerges. While there are many possible combinations, an arbitrary classification of products, into four share growth strategies (as shown in the figure) is sufficient to illustrate the strategy implications.

### Exhibit III

The cash quadrant approach to describe product portfolio.



### Low Growth/Dominant Share (Cash Cows)

These profitable products usually generate more cash than is required to maintain share. All strategies should be directed toward maintaining market dominance— including investments in technological leadership. Pricing decisions must be reviewed to maintain price leadership. Excess cash would be used to support research activities and growth area products elsewhere in the company.

### High Growth/Dominant Share (Stars)

Products that are market leaders, but also growing fast, will have substantial reported profits but need a lot of cash to enhance the rate of growth. The appropriate strategies are designed primarily to protect the existing share level by re-investing earnings in the form of price reductions, product improvement wider market coverage etc. The market share should be further increased by getting new users or suggesting newer applications for the product.

### Low Growth/Subordinate Share (Dogs)

Such of the products who are not market leaders and are in a mature market fall into this category. They have few opportunities to grow at a reasonable cost. The competitors are all fighting for small market shares in a crowded market. The strategy in this case would be:

- i) Focus on a specialised segments which can be dominated (e.g. promise/Vicco Vajradanti toothpaste in the crowded and mature toothpaste market have secured a place for themselves by catering to a specialized segment and dominating it).

- ii) Harvesting which is a conscious outback of all support costs to some minimum level which will minimize the cash flow over a foreseeable lifetime.
- iii) Abandonment or deletion from the product line.

**High Growth/Subordinate Share (Problem Children)**

The combination of rapid growth and poor margins creates a demand for cash. The strategy options would be either to invest heavily to get a disproportionate share of the new sales or buy existing shares by acquiring competitors and thus move the product toward the 'star' category or get out of the business using the above alternatives.

**1.5 OVERALL STRATEGY TO BALANCE THE PRODUCT PORTFOLIO**

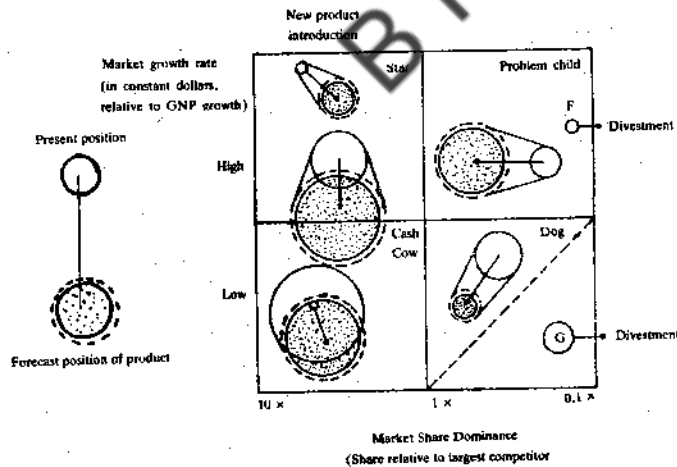
The long run health of the firm depends of having some products that generate cash, and others that use cash to support growth. Particular attention must be paid to those products with large cash appetites. The share/growth matrix in Exhibit shows how one company might follow the strategic implications of the product portfolio approach to achieve a better balance of sources and uses of cash. Matrix suggests the following:

- 1) Aggressively support the newly introduced product A, to ensure dominance.
- 2) Continue present strategies of products B & C to ensure maintenance of market share.
- 3) Gain share of market for products by investing in acquisitions.
- 4) Narrow down the range of models of product and to focus on one segment.
- 5) Divest products F & G.

**Exhibit IV**

Balancing the product portfolio

Diameter of Circle is proportional to products contribution to Total Sales Volume



**1.6 DRAWBACKS OF THE PRODUCT PORTFOLIO APPROACH**

There may be a number of factors beyond share and market growth with a much greater bearing on the attractiveness of a product market or business including:

- The contribution rate
- Barriers to entry
- Cyclicity of sales
- The rate of capacity utilization

- Sensitivity of sales to change in prices, promotional activities, service levels etc.
- The extent of 'captive' business
- The nature of technology (maturity, volatility and complexity)
- Availability of production and process opportunities
- Social, legal, governmental and union preserves and opportunities.

These factors being particular to an organisation their ranking cannot be generalised. However, the product-portfolio approach does provide a guide to strategic thinking although complications stem from uncertainties in the definitions of product markets, the extent and timing of competitive actions, market growth rate, and dominant/subordinate market share.

Let us now consider the practical application of the product portfolio approach. Consider a multi-product company as described in the Activity 2.

#### An Example: Case Study on Hindustan Lever Ltd. (HLL)

As you would be aware that HLL is a multi-product company having a diversified product portfolio. Its product range includes raw products like chemicals, agriproducts to branded personal products to exports. The turnover figures for the three broad product categories are given as under:

Product Categories	(Rs. lakhs)	
	1988	1987
Processed Triglycerides, soaps and Detergents	588.69	589.12
Chemicals and Agriproducts	120.45	84.52
Exports, Personal Products etc.	136.27	121.73
	<u>845.41</u>	<u>795.37</u>

#### Exports

Exports achieved a spectacular turn-over of Rs. 104 crores during 1988. This is a new high for the company and is indeed one of the highest in the private sector. During 1988, the company received the prestigious National Export Award. The company's exports of consumer products to Japan which commenced in 1987 have grown further, adding strength to their export portfolio. Hindustan Lever exports are now large with diversity in products and markets and provide a stable base for future growth. Shoes and shoe uppers have been added to the product range and a new facility has been set up at Pondicherry to manufacture these products. The company achieved significant growth in export of branded Basmati Rice under the trade mark 'Indus Valley'. The growth of fair and lovely cream continued and market position in edible fats under the brand name 'Dalda' was strengthened in gulf markets, through a trademark licence agreement with a local processor in order to overcome tariff barriers. As of today, the company has nine factories across the country dedicated for export manufacture.

#### Select details on some product groups of HLL

**A) Soaps and Detergents:** The key event of 1988 was the successful national extension of the low cost detergents powder and bar under the brand name 'WHEEL'. This was done in response to the progressively increasing demand for these types of products in the market place. Both the products have rapidly gained market shares from major players in the segment. The companies premium products Surf and Rin are gaining the premium end of the market.

The company's major soap brand Lux, Rexona, Liril and Lifebuoy maintained market strength and improved substantially following the good monsoon. In addition and as a consequence of a major technology break through and quick adaptation of innovations, the company successfully launched two toilet soaps, 'Breeze' and 'Lifebuoy Personal' in order to capture market share in the medium price range. The other notable success was the launch of 'International Lux' which quickly gained market leadership in the test market and is expected to lead growth in market share amongst premium brands.

**B) Chemicals:** Chemicals are emerging as a major growth and profit contributor in the product portfolio. The 'Paras' DAP fertilizer recorded an excellent growth during the current financial year.

**C) Personal Products:** These recorded impressive growth in volume and profits as a result of a number of steps taken to modernise both product and packaging. The

relaunch of 'Clinic Plus' shampoo was very successful and the initial indications of the new 'Close Up' test market are exceedingly encouraging.

**D) Agribusiness:** A demand recession in the hybrid seeds business was experienced as a result of drought conditions. However, the plant growth Nutrient performed satisfactorily.

**New Product Groups**

Besides expanding on the existing facilities for the manufacture of synthetic detergents, toilet soaps, processing of oils, the company has completed preparation to set up a new facility of manufacture functionalised polymers at Pondicherry. Functionalised Biopolymers are products of modern chemical technology. Another project for the manufacture of cracking catalyst for use in petroleum refineries is being set up at Haldia. The company has also applied for permission to set up a Tissue culture facility at Hyderabad, a third garment unit in Madras aquaculture and prawn farming project in West Bengal.

**Research and Development**

R & D has given the soaps and detergents business a competitive edge in terms of lower costs and improved performance. The company's chemicals business has been strengthened and has improved its profitability as a result of business led Research and Development. The profitability of regional products is also partly attributable to excellent Research and Development support and its focussed priorities of business needs. Bio-technology and agriculture research provide the foundation for the nascent hybrid seeds and aquaculture business.

**Illustrative Questions**

- 1) On the basis of description of the company's product portfolio draw up a market share/growth matrix for its major product groups.
- 2) Indicate the direction taken by the company for the product groups lying in each of the quadrants of the product portfolio matrix.

**Activity 2**

Comment on the company's strategy in planning its product portfolio. Does it adhere to the strategies suggested by the product portfolio approach? If so, how? If not, why? Carry out a detailed analysis on the basis of strategies suggested for products in each quadrant in the product portfolio theory.

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**1.7 PRODUCT MANAGER'S MANAGEMENT SYSTEM – SCOPE**

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Product is central to the success of the firm. With rapid changes taking place in technology nature of competition and consumer perceptions, product life cycles are becoming shorter in duration. It has therefore become necessary for firms to review their product mix on a continuous basis in order to achieve their growth objectives. As such one notices not only the proliferation of brands but also the increasing need to manage products by using specialists. Product management satisfies a genuine need in large multiproduct companies, divisions or other businesses where it is otherwise impossible for marketing managers to plan and control closely the profitability of individual major products on a continuing basis.

Let us now proceed to answer the question, 'What should be the role of the product manager in the product management system?' Three common conceptions that exist

are that the product manager is (i) a 'little general manager' or 'entrepreneur', (ii) a coordination of activities performed by others, or (iii) an assistant for the product real managers-top management.

The job of a product manager will vary with respect to the number and type of distribution channels used, the extent to which each manager influences his products marketing budget, the number of product managers in the organisation and other such factors. In addition, product management variations occur from industry to industry with respect to the responsibility and authority in major decision making areas. Let us focus at these aspects of a product manager's job.

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## 1.8 RESPONSIBILITY AND AUTHORITY

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Product managers are involved in three major types of activities: i) significant management tasks performed to some degree by all product managers, ii) marketing decisions, iii) influence on marketing budget.

i) **Management Tasks**

These are associated with the administrative process — beginning with the establishment of objectives and ending with the year-end report to management and a re-evaluation of the effective news of the marketing plan employed during the previous year. Exhibit I gives an overview of management tasks performed by the Product Manager.

ii) **Marketing Decisions**

Product managers are not the real decision makers for strategic marketing decisions. It is the job of the marketing directors. The greatest participation of the product manager is with respect to the number or timing of promotions. Exhibit-II gives an overview of the decision making authority of the product manager across a spectrum of marketing decisions. In a growing company, however, the product manager takes over most of these functions.

iii) **Budget & Marketing Plans**

Almost in all types and size of organisation, the product manager has a definite say in the annual marketing budget for the product that he manages. This is because probably he is more involved with the day-to-day implementation of the marketing plan set out.

Having had a good look at the major areas of product management let us now seek to find out under what conditions will a formal product management system be justified.

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## 1.9 THE NEED FOR A PRODUCT MANAGEMENT SYSTEM

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- 1) The product management concept of organisation is most applicable when a multi-product company has different products whose individual annual volumes are neither so small as to be insignificant nor so large that they begin to take on life or death importance. Companies with only one or two major products usually find the functional form of organisation more suited to their needs.

For example, a large soft drink manufacturer abandoned its product management system when it realised that it was basically an organisation with one high volume and a few low volume products. Since the lesser products were related to the major one, all of them could be handled by a single product manager.

- 2) The product manager's responsibility and authority depend on a number of management levels involved in the decision-making and plan approval process. These are indicated in Exhibit-III. It can be seen that the product management system will serve no purpose when lengthy communication channels are involved, because it will unnecessarily delay the decision-making process.

### Changing Role of the Product Manager

From the above analysis it is clear that the product management system should be

flexible and the role and scope of a product manager should allow manouvering although it should be well-defined.

Flexibility in the task assigned to product manager is required under developments like:

- a) changes in the number and type of elements employed in the marketing mix.
- b) changes in the number of product managers employed within the same organisational unit and c) when changes occur in the resources or support services required for the marketing elements located internally or externally. Let us consider each of these separately.
- i) When the number and combination of elements employed in the marketing mix change, the product managers job also changes. If a company starts de-emphasising advertising in favour of a combination strategy of better margins for the trade and more consumer promotion, the kind of people the product manager will be working with and the skills required for negotiation will differ.
- ii) When a company expands its product-line some support service used by different products will be the same. However, all product managers may not possess the technical skills to use the support services requiring thereby a team of in-house specialists. Market research and advertising are two examples of in-house staff developments which can grow as the company becomes more marketing oriented. The product managers being less involved in technical aspects can concentrate more on strategic areas.
- iii) A product manager's role is also shaped by the support groups controlled by him. If he uses an internal resource group it will be shared by other product managers also reducing his overall influences on it. e.g. a sales force is an internal resource and no product manager can directly influence it as its time must be apportioned between individual products in accordance with the overall strategy of the company.
- iv) Lastly, the product managers job content also changes as his product moves through various stages of its life cycle or as shifts occur in the environment in which his product is marketed. The new product requires heavy emphasis on developing trade channel support simultaneously with consumer awareness and acceptance whereas an established product would require more of a maintenance effort on the part of the product manager.

The role of a product manager is thus very versatile and subject to changes with the growth in size of the organisation or changes in environment or even changes in the overall marketing strategy. This section has hopefully given you a fair idea of the product management system and its constituents.

**Activity 3**

Study the product management system of a multi-product company and a single product company with respect to the role of the product manager. Bring out the differences and the reasons for the same.

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**1.10 SUMMARY**

In this unit we have essentially identified the role of the product manager and the need for it to change from situation to situation. Product mix decisions form an integral part of the product management function. The product portfolio approach is a tool to guide the product manager in deciding about the optimum product mix.

Although it has its limitations it can serve a useful purpose if the parameters are defined properly. Last but not the least, a detailed description of where the product manager fits into the product management system is given. This is necessary to understand the function of the product manager better and define his tasks in more clear terms and let him work more effectively in the fast changing product market environment there should be no ambiguity with respect to the tasks of individual product managers.

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### 1.11 SELF ASSESSMENT TEST

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- 1) Describe the product-portfolio approach in detail giving diagrams.
- 2) What are the strategies suggested to have a balanced portfolio?
- 3) What are the limitations of the p-p approach?
- 4) Describe the role space of a product manager in changing product market environment.

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### 1.12 FURTHER READINGS

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- Kotler, Philip, 1986, *Marketing Management*, Chapters 11 & 12, Prentice Hall of India Pvt. Ltd., New Delhi.
- Harvard Business Review Vol. 53 January, February, 1975, *Shifting Role of the Product Manager* by Richard Crewett & Stanley Stasch.
- Journal of Marketing*, April, 1977, Diagnosing the Product Portfolio by George Day.

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# UNIT 2 THE PRODUCT PLANNING SYSTEM

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## Objectives

After reading through this unit you will be able to:

- Explain the meaning of a product planning system;
- Discuss the constituents of a product planning system;
- Describe some major product planning models;
- Use the product life cycle concept as an aid to product planning;
- Develop a suitable product planning system for a given organisation.

## Structure

- 2.1 Introduction
- 2.2 The Traditional Approaches to Product Planning
- 2.3 A Matrix Approach to Product Planning
- 2.4 Product Evaluation Matrix in a Nutshell
- 2.5 A Model to Add Clarity and System to the Judgements Involved in Product Planning
- 2.6 PLC as an aid to Product Planning
- 2.7 Operationalising the PLC
- 2.8 PLC as a Tool to Plan Market Share Strategies
- 2.9 Summary
- 2.10 Self-assessment Test
- 2.11 Further Readings

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## 2.1 INTRODUCTION

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Development of a strategic product planning system is one of the most critical elements of a company's product management function. In designing such plans, the management requires adequate information on the current and anticipated performance of its existing products. This information can again be broadly classified into two dimensions: (i) the perceptual dimension consisting of the consumers perception about the product per se as well as in relation to the products of the competitors and (ii) the 'objective' dimension consisting of actual raw information about actual and anticipated performance on relevant criteria such as sales, profits and market share.

As you can see for yourself the information on both the dimensions needs to be seen as a whole to develop a proper product planning system. However, most approaches use the information obtained in isolation making the picture incomplete. We shall, in this unit, discuss the different approaches to product planning.

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## 2.2 THE TRADITIONAL APPROACHES TO PRODUCT PLANNING

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The product portfolio approach described in the earlier chapter is one of the earlier tools used for product planning. Then there is the concept of positioning the product vis-a-vis its competitors. However, both these systems show little concern for the measures like sales, market share and profitability taken together comprehensively. An integrated approach to product planning was suggested by Yoram Wind and Henry J. Clayclomp in a paper presented in the Journal of Marketing. We shall study the same in the next section.

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## 2.3 A MATRIX APPROACH TO PRODUCT PLANNING

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The matrix approach consists of the following phases:

**Phase A:** This requires definition of the relevant universe in terms of the relevant strategic product/market area. What do we understand by this? It essentially means that

- i) The definition of the product should be clear and unambiguous inclusive of subcategories of the product;
- ii) The strategic market should be a well focussed segment to lend specificity to the analysis;
- iii) The relevant measurement instruments in terms of units of sale and the time period of sales whether monthly or quarterly must be specified.

**Phase B:** This entails examination of the sales position for the given product in the strategic market area. A graph of industrial sales and company sales for a given period is plotted. Thereafter the product is assigned to the stage in the product life cycle on the basis of certain criteria:

If the annual sales trend over the past years is:

- i) negative, assign to the Decline category
- ii) 0%-10% increase, assign to the stable category;
- iii) Over 10% increase, assign to the growth category.

**Phase C:** The market share of the company's given product in the strategic product market area is then determined using certain criteria to assign into categories.

The illustration given below for two products A and B will enable you to understand the process of assignment to categories and determination of the product's strategic position.

**Illustration:** Assign product to one of the following categories.

Sales	Industry	Company
1) Decline	.....	.....
2) Stable	.....	.....
3) Growth	.....	.....
<b>Market Share</b>		
1) Marginal Market Position	.....	
2) Average Market Position	.....	
3) Leading Market Position	.....	
<b>Profitability</b>		
1) Below Target	.....	
2) About Target	.....	
3) Above Target	.....	

A past trend of the product is also plotted to facilitate the assignment process described above:

Fig 1: A product-evaluation matrix having two hypothetical products A and B over three years

Company sales		Decline		Stable		Growth	
Industry	Profitability	Below target	Above target	Below target	Above target	Below target	Above target
	Market share						
Growth	Dominant						
	Average					A74	A75
	Marginal			A73			
Stable	Dominant						
	Average						
	Marginal						
Decline	Dominant						
	Average		B74	B73			
	Marginal		B75				

On the basis of the assignment done above a product evaluation matrix for two hypothetical products would look somewhat as:

Fig. 2: Incorporating Sales, Market Share, and Profit Forecasts into the Product Evaluation Matrix

Product	Current position (C)				Unconditional projection (P)				Conditional forecast (CF)			
	Industry sales	Company sales	Market share	Profitability	Industry sales	Company sales	Market share	Profitability	Industry sales	Company sales	Market share	Profitability
1	Decline	Decline	Av.	Below target	Decline	Decline	Av.	Below target	Decline	Decline	Marg.	Target
									Decline	Stable	Av.	Below target
2	Stable	Decline	Av.	Target	Stable	Stable	Av.	Target	Stable	Stable	Dom.	Target

Source:- Adapted from Planning Product line Strategy - A Matrix approach by Yoiam Wind and H.J. Claycamp "Journal of Marketing", Vol 40 January, 1976.

Here the two products A and B have been traced for three years. Product A which showed a marginal market share in a growth industry had stable but below target profitability in the first year. This improved to growing profits and average market share in the next year to achieve targets. This was followed by an above target profits coupled with an average market share in a growing industry. The performance of product A has thus steadily improved.

The product B on the other hand is in a declining industry with an average market share and stable profits on target in the first year but in the next year a decline in profitability is seen. In the third year the decline in profits continues with a drop in the market share as well.

**Suggested Marketing Strategy on the basis of the Product Evaluation Matrix:** The best course available for product A will be to move from average market share to the leading position maintaining above target profits or sacrificing some profits for the leading position to have targeted or even below target profits.

For product B the action course available would be to improve market share position from marginal to average and also achieve a stability in profits although they may be below target.

As you can very well discern from this exercise that a product evaluation matrix enables a company to take into account four parameters — industry sales; company sales; market share and profits at the same time. We can make the following inferences regarding a firm's product planning exercise:

**Inferences:** A firm's major strategic product/market decision alternatives for its existing product line and the component products of that time in a given strategic product market area are:

- 1) Do not change the product or its marketing strategy;
- 2) Do not change the product but do change its marketing strategy. This may involve a change in the type and level of advertising, distribution and pricing strategies associated with a given positioning and given product attributes.
- 3) Change the product. This may involve product modifications either within the parameters of the product's current market positioning or within a new positioning. In either case, a change in the associated marketing strategy is required.
- 4) Discontinue the product or the product line. This strategy may involve an interim product or product line "run out" strategy, gradual chopping of the product line, or the immediate phasing out of the product or the complete line.
- 5) Introduce new products into the line or add new product lines.

In keeping with the varying degree/intensity of changes required in the five alternatives suggested above, we can identify different levels of analysis and specificity of guidance provided by the Product Evaluation Matrix. This is described in the next section.

## 2.4 PRODUCT EVALUATION MATRIX — IN A NUTSHELL

This approach requires five levels of analysis each with an increasing specificity of guidance, for the firm's strategic marketing decisions. The first level is based upon the evaluation of the product's current position with regard to industry and company sales, market share and profitability thus providing limited guidance. The fifth level on the other hand, provides detailed and specific guidance based on projected product position with regard to sales, market share and profitability under alternative marketing strategies, anticipated competitive actions and alternative environmental conditions. The five levels are summarised in the following table.

Specificity of Guidance	Nature of Operation
Lowest	<ol style="list-style-type: none"><li>1) Current product position on industry sales, company sales, market share and profitability.</li><li>2) Projected product position on sales, market share and profitability assuming no major changes in the firm's marketing activities, competitive action and environmental conditions.</li><li>3) Projected product position on sales, market share and profitability under alternative marketing strategies, assuming no changes in competitive action and environmental conditions.</li><li>4) The above plus diagnostic insights into the competitive structure and the effectiveness of the firm's marketing activities.</li></ol>
Highest	<ol style="list-style-type: none"><li>5) Projected product position on sales, market share, and profitability under alternative marketing strategies, anticipated competitive action and alternative environmental conditions (based on computer simulation).</li></ol>

This Table has been taken from a paper presented by Yoram Wind and Henry J. Cray Camp on Product Line Planning Strategy which appeared in Journal of Marketing, Vol 40, (January 1976)

### Activity 1

Select a product of your company or a company you know of Gather information on past trends regarding:

- i) Industry sales
- ii) Company sales
- iii) Market-share of the product
- iv) Profitability

Prepare a product evaluation matrix on the basis of this data. Suggest an action plan for the product.

## 2.5 A MODEL TO ADD CLARITY AND SYSTEM TO THE JUDGEMENTS INVOLVED IN PRODUCT PLANNING

Different companies use different systems for product planning. These may range from a system wherein a single person attempts to assimilate the pertinent data, make a decision, and then explain his strategy to his associates. At the other end of the scale is the large company with a well-organised product planning department where the required information is collected and compiled into a whole lot of charts, profile graphs and estimate sheets for the consideration of those responsible for the final decision.

A model for product-planning with particular emphasis on new product introduction in the product line has been presented by John T.O. Meara, in the Harvard Business Review. Let us examine this approach in detail.

**The Model:** It uses statistical and financial concepts like probability and pay-back period. The exhibit below gives the criteria for awarding ratings to a given product. Thus, rating the product on certain factors and subfactors is the first step in this model for product planning. This exercise is particularly useful in evaluating a new product. On the basis of ratings awarded in the evaluation exercise carried out above, the factor ratings on the four major factors viz. Marketability, Durability, Productive Ability and Growth Potential are obtained. These factors are also assigned weights in accordance with their relative importance. In the same manner, each of the subfactors that comprise the four major factors are weighted. Let us evaluate the subfactors of the factor Marketability. Therein each of the factor ratings are assigned an estimated probability which essentially evaluates the chances of whether a factor will achieve the rating awarded to it. From the exhibit given below it can be seen that there is at least a 50-50 chance that the merchandisability characteristics of product X will meet the definition of "very good", that there is less chance that it will meet the definition of 'good' and that there is even a smaller chance that it will meet the definition of 'average'. This method of precisely stating one's best judgement will result in a more efficient evaluation than would be possible using a less systematic procedure.

After assigning probabilities to the subfactors, each probability figure is multiplied by the numerical value attached to the rating. This is termed as the expected value. The expected value of all the subfactors and a total of these expected values gives the final evaluation of the factor concerned. The end result is an index number which represents the factor.

The total expected values for each factor are then multiplied by their weights to arrive at a final factor evaluation as follows:

**Table 1: Factor Rating for a Product**

Proposed Product 1 Factor	Product X 2 Factor weight	Evaluated by 3 Assigned Factor value	John Smith 4 Final Factor evaluation
Marketability	0.4	71.9	28.6
Durability	0.3	68.6	20.6
Productive ability	0.1	91.6	9.2
Growth Potential	0.2	69.2	13.8
Final intangible factor index number	1.0		72.2

This final intangible factor index number so obtained is compared for different products which are being evaluated as well as against a standard set by the company.

**Exhibit I: Factor and Subfactor Ratings for a New Product**

	Very Good	Good	Average	Poor	Very Poor
<b>MARKETABILITY</b>					
A. Relation to present Distribution channels	Can reach major market by distribution through present channels	Can reach major markets by distributing mostly through present channels, partly through new channels	We have to distribute equally between new and present channels, in order to reach major Market	Will have to distribute mostly through new channels in order to reach major markets	Will have to distribute entirely through new channels in order to reach major markets
B. Relation to present product lines	Complements a present line which needs more products to fill it	Complements a present line that does not need, but can handle, another products	Can be fitted into present line	Can be fitted into a present line but does not fit entirely	Does not fit in with any present product line.
C. Quality/price relationship	Priced below all competing products of similar quality	Priced below most competing products of similar quality	Approximately the same price as competing products of similar quality	Priced above many competing products of similar quality	Priced above all competing products of similar quality
D. Number of sizes and grades	Few staple sizes and grades	Several sizes and grades, but customers will be satisfied with few staples	Several sizes and grades, but can satisfy customer wants with small inventory of nonstaples	Several sizes and grades, each of which will have to be stocked in equal amounts.	Many sizes and grades which will necessitate heavy inventories

<b>E. Merchandisability</b>	Has product characteristics over and above those of competing products that lend themselves to the kind of promotion, advertising, and display that the given company does best.	Has promotable characteristics that will compare favourably with the characteristics of competing products	Has promotable characteristics that are equal to those of other products	Has a few characteristics that are promotable, but generally does not measure up to characteristics of competing products.	Has no characteristics to all that are equal to competitors, or that lend themselves to imaginative promotion
<b>F. Effects on sales of present products</b>	Should aid in sales of present products	May help sales of present products definitely will not be harmful to present sales	Should have no effect on present sales	My hinder present sales some; definitely will not aid present sales	Will reduce sales of presently profitable products
<b>I. DURABILITY</b>					
<b>A. Stability</b>	Basic product which can always expect to have uses	Product which will have been long enough to earn back initial investment, plus at least 10 years of additional profits	Product which will have uses long enough to earn back initial investment plus several (from 5 to 10) years of additional profits	Product which will have uses long enough to earn back initial investment, plus 1 to 5 years of additional profits	Product which will probably be complete in near future
<b>B. Breadth of market</b>	A national market, a wide variety of consumers, and a potential foreign market.	A national market and a wide variety of consumers.	Either a national market or a wide variety of consumers.	A regional market and a restricted variety of consumers.	A specialised market in a small marketing area
<b>C. Resistance to cyclical fluctuations</b>	Will sell readily in inflation or depression	Effects of cyclical changes will be moderate, and will be felt after changes in economic outlook.	Sales will rise and fall with the economy	Effects of cyclical changes will be heavy, and will be felt before changes in economic outlook.	Cyclical changes will cause extreme fluctuations in demand.
<b>D. Resistance to seasonal fluctuations</b>	Steady sales throughout the year	Steady sales except under unusual circumstances.	Seasonal fluctuations, but inventory and personal problems can be absorbed.	Heavy seasonal fluctuations that will cause considerable inventory and personal problems.	Severe seasonal fluctuations that will necessitate layoff and heavy inventories.
<b>E. Exclusiveness of design</b>	Can be protected by a patent with no loopholes.	Can be patented, but the patent might be circumvented.	Cannot be patented but has certain salient characteristics that cannot be copied very well.	Cannot be patented and can be copied by larger, more knowledgeable companies	Cannot be patented and can be copied by anyone.
<b>II. PRODUCTIVE ABILITY</b>					
<b>A. Equipment necessary</b>	Can be produced with equipment that is presently idle.	Can be produced with present equipment, but production will have to be scheduled with other products.	Can be produced largely with present equipment, but the company will have to purchase some additional equipment	Company have to buy a good deal of new equipment, but some present equipment can be used.	Can will have to buy all new equipment
<b>B. Production knowledge and personnel necessary</b>	Present knowledge and personnel will be able to produce new product.	With very few minor exceptions present knowledge and personnel will be able to produce new product	With some exceptions present knowledge and personnel will be able to produce new product.	A ratio of approximately 50-50 will prevail between the needs for new knowledge and personnel and for present knowledge and personnel.	Mostly new knowledge and personnel are needed to produce the new product.
<b>C. Raw material availability</b>	Company can purchase raw materials from its best supplier(s) exclusively	Company can purchase major portion of raw materials from its best suppliers (s), and remainder from and one of a number of companies	Company can purchase approximately half of raw materials from its best supplier (s), and other half from any one of a number of companies.	Company must purchase most of raw materials from any one of a number of companies other than its best supplier(s).	Company must purchase most or all of raw materials from a certain few companies other than its best supplier(s).

## GROWTH POTENTIAL

A. Place in market	New type of product that will fill a need presently not being filled.	Product that will substantially improve on products presently on the market.	Product that will have certain new characteristics that will appeal to a substantial segment of the market.	Product that will have minor improvements over products presently on the market.	Product similar to those presently on the market and which adds nothing new.
B. Expected competitive situation-value added	Very high value added so as to substantially restrict number of competitors	High enough value added so that, unless product is extremely well suited to other firms, they will not want to invest in additional facilities	High enough value added, so that, unless other companies are as strong in market as this firm, it will not be profitable for them to compete.	Lower value added so as to allow, laror medium, and some smaller companies to compete.	Very low value added so that all companies can profitably enter market.
C. Expected availability of end users	Number of end users will increase substantially	Number of end users will increase moderately.	Number of end users will increase slightly, if at all.	Number of end users will decrease moderately	Number of end users will decrease substantially.

Exhibit B: Example of the Use of an Evaluation Sheet

Subfactor	Proposed Product:			Product X					Evaluated by:			John Smith	
	2 Subfactor Weight	3 Very good EP	(10) EV	4 Good EP	(8) EV	5 Average EP	(6) EV	6 Poor EP	(4) EV	7 Very Poor EP	(2) EV	8 Total	9 Subfactor evaluation (Col. 2 x Col. 8)
Relative to present distribution channels	1.0	0.1	1.0	0.2	1.6	0.5	3.0	0.2	0.8	—	—	6.4	6.4
Relative to present product lines	1.0	0.1	1.0	0.2	1.6	0.4	2.4	0.2	0.8	0.1	0.2	6.0	6.0
Quality/price relationship	3.0	0.3	3.0	0.4	3.2	0.2	1.2	0.1	0.4	—	—	7.5	23.4
Number of sizes and grades	1.0	0.1	1.0	0.2	1.6	0.5	3.0	0.2	0.8	—	—	6.4	6.4
Merchandisability	2.0	0.5	5.0	0.4	3.2	0.1	0.6	—	—	—	—	8.8	17.6
Parts on sale of present products	2.0	—	—	0.2	1.6	0.5	3.0	0.3	1.2	—	—	5.8	11.6
	Total factor value:											71.4	
	10.00												

Note: EP = Estimated probability as judged by management. EV = Expected value computed by multiplying the value by the estimated probability.

## 2.6 PRODUCT LIFE CYCLE -- AN AID TO PRODUCT PLANNING

You are already familiar with the concept of product life cycle. Simply stated the concept sees the life of a product as analogous to the life of an organism, progressing through the stages of birth growth maturity decline and death.

The S shaped logistic curve has been widely accepted as a representation of the life cycle of a product, having four discernible stages; a lag phase (introduction), an exponential phase (growth), a stationary phase (maturity and saturation) and a decline phase. Figure 3 below gives a typical PLC curve.

The empirical support for the S shaped product life cycle is not universal and the evidence regarding its validity is, therefore, not conclusive. The general pattern shown above was found to exist in certain product classes. Puzel and Cook in their study of 182 consumer products in 1969 found that 32 per cent of the products followed the general pattern of product life cycle. A number of studies on industrial products also showed that a fairly large percentage of them approximate the PLC representation.

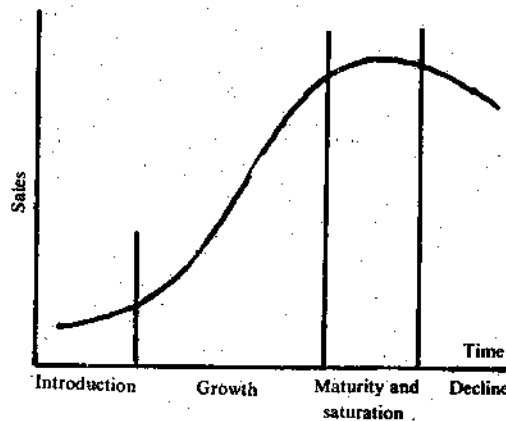


Fig. 3 : The Typical Product Life Cycle

Sales of 'mature' products however, did not necessarily follow the predicted pattern. Three variations in the maturity phase were observed — the expected stable maturity, a growth maturity due to changes in the market variables, and an innovative maturity due to some innovations introduced in the product. Similarly for the decline stage, it has been shown that the stage is not inevitable for products like evaporated milk, bread etc.

It must however, be clearly understood that products do not follow a natural and inevitable cycle of birth, growth and death as organisms do. The product life cycle that they follow is, to a large extent the result and not the cause of marketing strategies. The sales and profit graphs do respond to marketing inputs and a sales decline does not necessarily mean that the product has entered an irreversible decline phase. As the life cycle stages do not have predictable duration and inevitable sequence, the product life cycle concept can at best be used as a general guideline for planning future action. It has to be supplemented by a deep and thorough study of the market and competitive conditions characterising a product in order to serve as a productive or planning tool. The usefulness of PLC concept varies in different decision situation. As a planning tool, it emphasises the type of main marketing challenges a product is likely to face in the different phases, and suggests major alternative strategies that may be followed at each stage. As a tool for control, PLC concept enables comparison of product performance against similar products in the past. It has got a limited utility as a forecasting tool as sales histories of products differ widely and the life cycle stages exhibit varying duration. Table 2 gives a representation of the varying marketing objective and the resultant strategies that may guide action at different stages of PLC.

Table 2: Variation in Marketing Objectives & Strategies at Different Stages of PLC

Stages in Life Cycle	Introduction	Growth	Maturity	Decline
1	2	3	4	5
1 Marketing Objective	Inculcate product awareness and trial	Maximise market share	Defend and maintain market share, maximise profits	Reduce expenditure and try to get what you can from the brand
2 Product				
Sales:	low	Rapidly rising	Sales at Peak, Stabilising	Declining
Costs:	high/ Customer	Average Customer	Low/ Customer	Low/ Customer
Profits:	Negative	Rising	High	Declining
Customers:	Innovation	Early adopters	Late adopters	
Competition:	Nil or few	Rising number	Number stabilising then declining	Declining

3 Marketing Strategies	The Product Planning System			
Product:	Offer basic product	Offer product extensions	Diversify brands, models	Eliminate weak products
Price:	Cost plus pricing	Penetration pricing	Price to meet or beat competition	Reduce prices
Distribution:	Start with selective distribution	Build distribution	Strengthen intensity of distribution	Eliminate unprofitable outlets, become more selective than growth phase
Promotion:	Advertise to build awareness among early adopters and use heavy sales promotion to promote trial	Advertise to sustain awareness and interest in the mass market and go easy on sales promotion to exploit heavy consumers demand	Build selective demand by highlighting differentiation. Step up sales promotion to promote from competitors	Reduce advertising to the level needed to maintain loyal buyers reduce sales promotion to minimal level

(Adapted from Philip Kotler "Marketing Management, Analysis planning implementation, and control", Prentice Hall of India Pvt. Ltd., New Delhi, 1988).

## 2.7 OPERATIONALISING THE PRODUCT LIFE CYCLE

In order to utilize the product life cycle effectively it is necessary to understand how one can unambiguously determine the position of a product in the context of its life cycle. Putting the PLC concept into operation would require following decisions to be taken

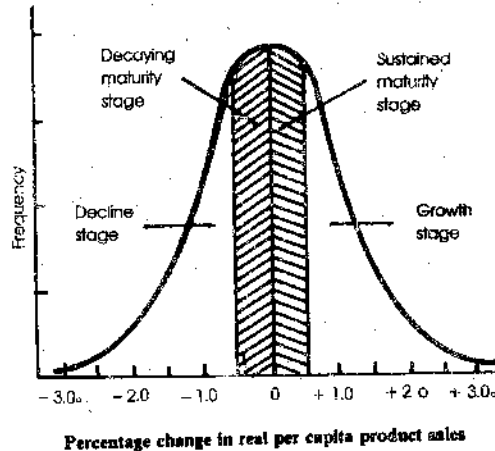
a) **Deciding upon the unit of analysis:** As the actual shape of product life cycle curve may differ for product form, product class, an individual product and a brand it is important to decide which particular unit of analysis is being considered. The PLC analysis can be undertaken for each of these units both at the firms and the industry level. The importance of explicitly defining a unit of analysis will become apparent to you when you consider an example of say TV Sets. Should all TV Sets be considered or the focus should be on either black and white or Colour sets, or portable v/s non-portable ones — it is apparent that no set rules can be prescribed at to the correct unit of analysis. Based on their needs and intention of how to use the PLC, management should define and select the relevant unit of analysis.

### Definition of relevant market

Normally, the PLC approach assumes a single homogenous market, which is further segmented by the difference in adoption behaviour of the consumers i.e. the early adopters, late adopters and finally the laggards. Generally PLC studies focus on the product sales at the total market level, it is sometimes useful to consider the PLC by type of market (for example international v/s domestic market), distribution pattern (direct v/s retail distribution) or market segment (organisational buyers v/s individual buyers).

### Identification of the products stage in the PLC

In order to use the PLC concept one would need to answer two related questions (a) how to determine the stage of a product in the life cycle (b) how to determine when the product moves from one stage to another. Since the shape of the PLC curve varies widely for products as does the duration of the different stages, it is not possible to assess the stage of a product in the life cycle and its transition to another stage merely by observing the historical sales graph of the product. Let us consider the operational approach suggested by Polli and Cook as represented in figure below:



The approach is based on the measurement of the percentage change in real sales from one year to the next. These changes are plotted as a normal distribution change in real sales from year to year is then measured. Products having a percentage change less than  $-0.5$  are classified as being in the decline stage, those having percentage change greater than  $0.5$  were classified as being in the growth stage while those in the range of  $+0.5$  were classified as being in the maturity stage, which was further divided into decaying maturity and stable maturity.

As far as the duration of a stage in the PLC of a product and the exact point in time, of the transition of a product from one stage to another, no generalised conclusions can be drawn. Since the duration of each PLC stage depends on a large number of variables like product characterisation market acceptances and competitive action.

#### Defining the Unit of Measurement

Though most analysis of PLC are based on actual sales it is important to determine:

- Whether to use unit sales or rupee sales as unit of measurement.
- Should actual sales figures or adjusted sales figures be used.
- Should real or current prices be used as units of measurement.
- Should sales be allowed to function as the sole yardstick or other criteria like profit and market share be used to estimate PLC curve.

#### Determining the time unit

Annual data generally forms the basis of PLC analysis. As the life periods of products are shortening and as some classes of products are prone to wide seasonal fluctuations, it may sometimes be considered desirable to use quarterly or monthly data to develop PLC graphs. Depending upon its needs and the product characteristics, management must decide in advance what should be the unit of time chosen.

#### Activity 2

Consider 3-4 products of your company. Identify the stage of PLC that they are in, suggest implications for product planning using the PLC.

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## 2.8 PRODUCT LIFE CYCLE — AS A TOOL TO PLAN MARKET SHARE STRATEGIES

Determining the market share strategy of a product is also one of the key factors in product development. When a product manager is faced with a number of products which are doing well presently he has to come to a decision regarding the long term market share target for each of the products. Given the market share to be obtained the other elements of the marketing mix can then be decided upon. How do we go about making decisions regarding the market share objectives? What criteria do we use? A framework to evaluate a product's position vis-a-vis its long term growth prospects has been developed by Bernard Catry and Michel Chevalier. Let us try to understand the proposed framework in the next section.

**Framework Suggested:** The first market criterion used is the stage in the product life cycle the product is in. This gives a good indication of the trend in demand as well as competitive patterns. The three phases of a product life cycle used here are introduction, maturity and decline.

The second criterion consists of placing the firm into three categories on the basis of its market share. A firm can therefore be placed in (i) small market share (ii) average position and (iii) dominant position.

On the basis of these two criteria the firm can choose whether to (i) increase its position (ii) maintain its position at the same level; (iii) reduce its market share.

The table I given below indicates the different alternative positions that exist over time in a product group. Each cell corresponds to a different investment or a different expected gain. The term investment in this case means that a firm deciding to increase its position at the introductory stage must make production and marketing investments that will enable it to increase both its brand awareness in its market coverage and its production facilities. On the other hand, a firm which has to maintain its position in a slow growth market may not require as much investment. In the table, the amount of investment necessary is suggested by the number of pluses and minuses following the letter I, while the amount of expected cash return is indicated by pluses and minus following the letter E. An overall value can thus be obtained for each cell by computing the arithmetic sum of cash investments and expected cash returns in the short run. This forms a basis for comparison to arrive at a decision on the appropriate strategy.

Table I: Market Share Diagnosis

Strategic Alternatives	Product Life Cycle: Market Share Position of the Firm								
	Introduction			Maturity			Decline		
	Small	Average	Dominant	Small	Average	Dominant	Small	Average	Dominant
Increased	I++	I++	I+++	I++	I+++	I++++	I+	I++	I++
Investment	E+++ <sup>3</sup>	E+ <sup>4(0)</sup>	E+ <sup>4(1)</sup>	E+ <sup>4(1)</sup>	E+ <sup>4(2)</sup>	E+ <sup>4(3)</sup>	E- <sup>4(3)</sup>	E- <sup>4(5)</sup>	E- <sup>4(6)</sup>
Maintaining	I	I+	I++	I	I	I	I+	I	I-
Position	E <sup>0</sup>	E <sup>0</sup>	E+ <sup>0</sup>	E <sup>0</sup>	E+++ <sup>3</sup>	E+++ <sup>4</sup>	E <sup>2</sup>	E+ <sup>1</sup>	E+ <sup>3</sup>
Disinvestment	I	I-	I-	I-	I---	I---	I-	I---	I---
	E <sup>0</sup>	E <sup>1</sup>	E <sup>0</sup>	E+ <sup>2</sup>	E+++ <sup>6</sup>	E+++ <sup>8</sup>	E <sup>1</sup>	E+ <sup>4</sup>	E+ <sup>4</sup>

I = Amount of investment required.

E = Expected Cash Return.

Numbers indicate the overall financial value for the cell (E-I)

The action implications arising out of this table can be summarised as under:

- i) In the introduction stage of the product life cycle the best short term strategy for a weak brand is to invest in market share. On the other hand, for the dominant firm the best strategy would be to harvest;
- ii) Firms with a small market position are advised not to invest for more market share at a very late phase of development of the market.

### Activity 3

Consider a very mature market, say that of refined vegetable oil as a cooking medium. You are aware of the competitors and their approximate market position for this product. On the basis of the PLC/market share position — if a competitor has a small market share in this market what should be the marketing strategy in terms of investing in more market share or disinvesting?

Hint: Draw the PLC of groundnut oil (refined) as a cooking medium.

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## 2.9 SUMMARY

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In this section we have seen some tools available for product planning and analysis. These may not provide an end to the problem but they definitely serve as a guideline. Depending upon the data available and time available to take decisions a company may adopt one or more of the above methods. It also depends upon the number of products the company has in its product line.

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## 2.10 SELF-ASSESSMENT TEST

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- 1) Draw comparisons between the first approach suggested for Product Planning (based on industry sales, company sales, market share of the product and profitability) and the Market-Share Approach Outlined for product planning based on PLC.
- 2) In what situations do you feel the PLC is an adequate tool for product planning?
- 3) Briefly enumerate the systematic approach to product planning using probability estimates.

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## 2.11 FURTHER READINGS

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Kotler, Philip, 1986, *Marketing Management*, Chapters 11 & 12, Prentice Hall of India Pvt. Ltd., New Delhi.

Harvard Business Review Vol. 53 January, February, 1975, *Shifting Role of the Product Manager* by Richard Crewett & Stanley Stasch.

*Journal of Marketing*, April, 1977, Diagnosing the Product Portfolio by George Day.

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# UNIT 3 ORGANISING FOR NEW PRODUCT DEVELOPMENT

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## Objectives

After reading this unit you should be able to:

- Describe patterns of responsibility allocation for new products;
- Discuss the organisational arrangements made to facilitate new product development;
- Justify the setting up of new product development units; .
- Suggest alternative organisational patterns for new product development

## Structure

- 3.1 Introduction
- 3.2 Setting Responsibility for New Product Development
- 3.3 Structural Units for New Product Development
- 3.4 Function of the New Product Development Units
- 3.5 Summary
- 3.6 Self-assessment Questions
- 3.7 Further Readings

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## 3.1 INTRODUCTION

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Since planning and coordinating new product development activities involve almost every area in an organization to ensure that new product development effort is properly coordinated, it is essential that special organisational arrangements are developed around the day-to-day chores needed to keep the operations moving smoothly and successfully. Managers in each functional area such as marketing, manufacturing, and finance, therefore concentrate on meeting immediate objectives and solving current problems. Despite the fact that everyone knows that the future is important, current problems easily blot the future from view. But, the long-range survival of the firm requires that new products be developed.

The Booz, Allen, and Hamilton study of new product introductions suggests that the organizations which encounter the greatest success in new product introductions are the ones that have given the greatest care to organizing for developing those products.\*

Setting up an organizational form for new product development involves the following related questions:

- 1) Who is to be responsible for new product development?
- 2) What are tasks to be accomplished?
- 3) How are the tasks to be accomplished?

In other words, organizing for new product development implies establishing responsibility for carrying out new product development, and, also, creating special structure(s) to handle such an activity — along with the functions to be performed by new product units.

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## 3.2 SETTING RESPONSIBILITY FOR NEW PRODUCT DEVELOPMENT

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Responsibility for developing new product can be set at the corporate level, the divisional level, or the operating level.

\**New Products Management for the 1980s*. (NY: Booz, Allen, and Hamilton, Inc., 1982), pp. 17-22.

### New Product Development at the Corporate Level

Involvement of the top management in new product development depends upon the importance that has been assigned to new products in the overall plan. Corporate level new product department is feasible and appropriate when the objective is to develop markets or products that are not in the firm's normal lines of business and when the outputs of various divisions have similar technologies and markets.

The nature of a company's business (and its future business) conditions the top management support. A company that is slow to change has innovation playing only a minor role in its performance and, therefore, delegates new product development to lower level executives. On the other hand, a fast changing industry's firm, for example, electronics and chemicals, depends on innovation for competitive advantages and has high-level executives concerned with new product development.

Operating divisions normally neglect development into unfamiliar fields for they fall outside traditional spheres of business. Divisions seldom allocate funds to venture into brave new worlds. Unless the task is assumed at the corporate level, such opportunities would be missed.

Figure 1 is one of the possible ways to depict an organization with responsibility for new product development lying at the corporate level.

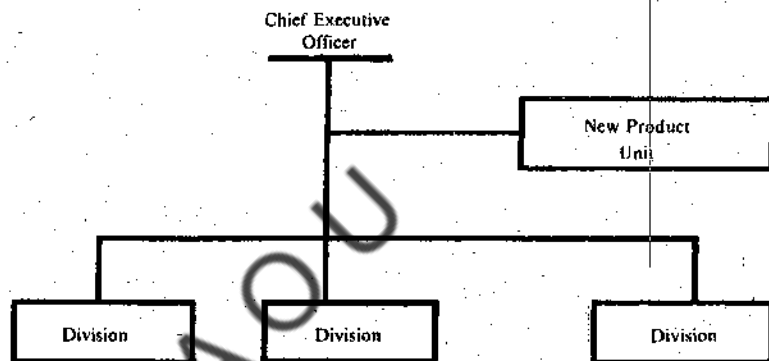


Fig. 1

There are both advantages and disadvantages of having new product development responsibility set at the corporate level.

#### Advantages

- 1) Greater effectiveness and control of innovative activities — Centralized research units are usually larger than the scattered, decentralized units attached to divisional operations, and the larger size permits hiring of a more specialized, technical staff well equipped to handle a wider range of problems.
- 2) Insulation from the daily pressures and crisis atmosphere — Reporting directly to the CEO, the new product unit has a direct line of communication to top management and the benefit of status. Its closeness to the source of corporate power keeps it protected from the routine burdens and crisis that infect operating personnel.

#### Disadvantages

- 1) No response to the urgencies of the market place — Its isolation from the commotion and turbulence of operations makes the corporate level new product unit unresponsive to the immediate needs of the market. A request for all possible haste can easily be shrugged off as frantic behaviour of nervous salesmen.
- 2) Organizational and spatial separation — The comparative isolation of the corporate level new product unit from operational divisions makes it necessary to integrate differentiated structures.

### New Product Development at the Divisional Level

Divisional level responsibility for new product development is most likely when operating units have highly differentiated product lines.

Compared to the centralized approach, the divisional level effort makes new product development more attuned to the exigencies of business. An organization with new product development responsibility at the divisional level is diagrammed in Figure 2.

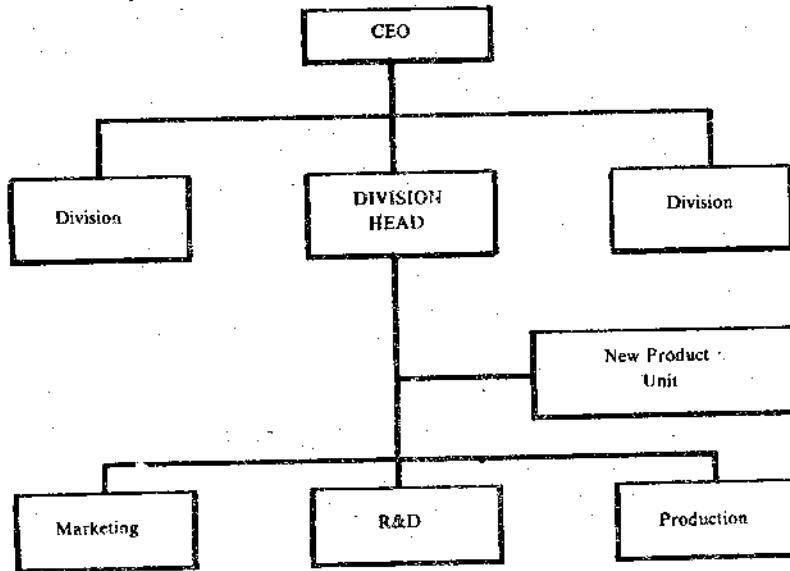


Fig. 2

As in Figure 1, here also the new product unit is conceived of as a staff function and it normally reports to the divisional head. This arrangement is deemed most appropriate when new product development is likely to demand relatively large budgets with prolonged periods of development.

A new product development unit at the divisional level in many ways enjoys the parallel problems as the ones at the corporate level.

#### Advantages:

- 1) The new product development effort is set apart from the day-to-day activities of operations. Yet its connections with the turns and changes of current business may be strongly intimate.
- 2) The job is only an arm's length away from top management which aids the integrative process and gives direction to the division.

#### Disadvantages

- 1) Separated from the operating level, the new product unit might be looked upon as comprised of elitists and dreamers; which is likely to cause friction between the developmental and functional levels.
- 2) Another difficulty possible is the contention that new product development is only a part of the firm's total product management and new products account for only a portion of the firm's products and markets; then, why elevate new product development to a position of preeminence?

#### New Product Development at the Operating Level

Responsibility for new product development lodged anywhere below the divisional level becomes associated with operational activity. A division usually contains many departments capable of managing the development of new products. Therefore, the assigning of responsibility for new product development actually is the task of choosing one of the departments for developing new products. Thus, the placement of responsibility for new product development tends to be dependent upon the existing organizational structure.

The new product development at operating level is largely dependent upon how a division produces and distributes its existing products for these are the basic tasks of a division and new products must adjust to them. Therefore, there are two options: (1) assign responsibility for new product development to one of the functional departments, say, marketing, or (2) assign it to product manager.

This is quite different from giving responsibility to a unit at the corporate or divisional level for they don't have basic functions that can accommodate new product development and new structures have to be created; whereas, at the operating level, the changes occur only in the way an operational unit functions.

**Activity 1**

Assume a firm with two product lines having four items each. What are the organisation alternatives available it in terms of locating the new product responsibility?

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**1) New product development in functional department**

The functional type of organization is the oldest and by far the most common. In the majority of cases, the assigning of responsibility for new product development is between marketing and research and development, with marketing being the most popular choice — as in Figure 3.

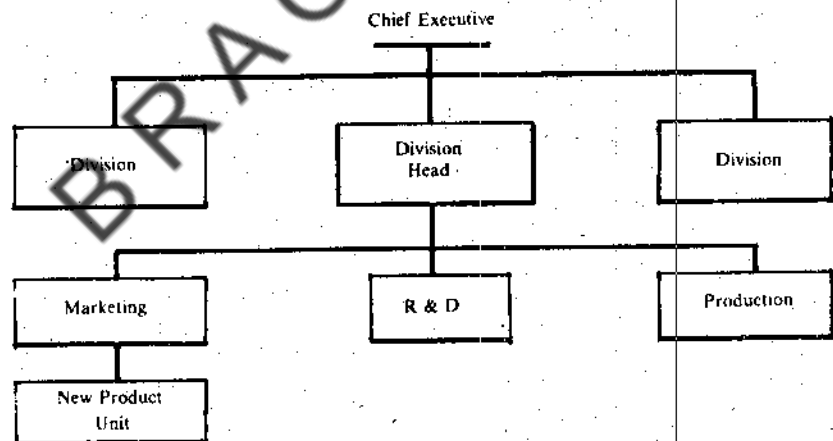


Fig. 3

The greatest advantage in choosing marketing for new product development responsibility is that the marketing people are in a position to have the best view of trends in sales, prices, competitive actions, distribution, and services — all very important in bringing a new product to commercialization. It is the marketplace that determines the success or failure of a new product.

The choice of marketing department has other advantages also, for a new product development program depends heavily on establishing long-term relationships with distributors and agents, especially when a new product is meant for markets not serviced by the company's regular distribution outlets.

New product development in high technology fields is also greatly influenced by the components of a marketing program. Highly complex or custom-made equipment frequently requires extensive servicing — installation, maintenance, debugging, and repair. This is also true of most of the industrial products.



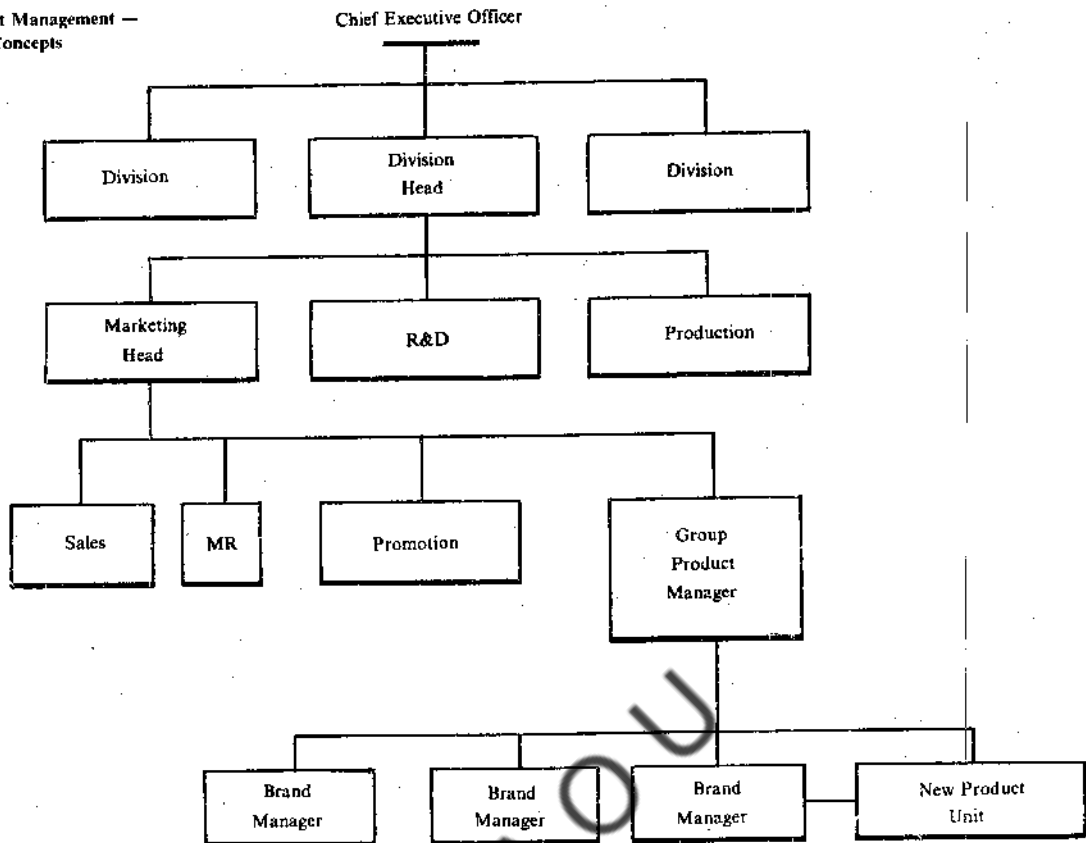


Fig. 4

In cases where new products are other than modification/extensions of existing lines work may initiate elsewhere within the organization but, at some point in development, it will be turned over to a product manager.

The product manager in a consumer goods company tends to handle fewer products than his industrial counterpart. Companies with multiple brands have each brand run by a separate product manager, called brand manager (as given earlier, in case of ITC's "Classic" cigarette). The product managers may also be responsible for a product category or a group of products rather than only a brand. For example, in case of FSL (Food Specialities Ltd.), there are product manager (instant drinks — coffee, tea, etc.) and product manager (culinary products — noodles). With a slight variation in the position — designation, in Cadbury India Ltd., we have vice-president (foods — biscuits and ice creams, and vice-president (confectionery — chocolates with a marketing manager under him).

The greatest advantage of one brand — one manager is that a new product gets individual who devotes his/her full time to planning and coordinating the new offering. She/he would work hard to obtain a satisfactory outcome, for his/her success depends upon the brand's performance.

At the same time, the multiplication of brands and lines may force companies to hire young, inexperienced persons as product managers and, unwilling to gamble outcomes on novices, top management may de-emphasize the product manager's decision-making-function. The product manager's job may become redefined as gathering information, communicating plans for approval, and monitoring performance.

In consumer goods, a product manager's greatest concerns are distribution and promotion for they constitute the means of moving goods. Whereas, the product manager for industrial goods cannot ignore technical and design features. He has to

consult with engineers and technicians just as frequently as with marketing people. That is to say, in new product development, the product manager (industrial goods) is more likely to be in an intermediary position between technical and marketing divisions, and, thus, can be more effective in integrating diverse functions. This integrative role is much more necessary in industrial than in consumer goods.

A matrix form of organization is another alternative possibility in setting responsibility for new product development. This form is the result of adding market managers to the product management system. The market manager concerns himself with all products moving into the market over which his responsibility extends—market such as industrial goods, consumer goods, or a geographic area. The product manager looks after the product distributed and promoted in all markets. Such a matrix is shown in Figure 5.

PRODUCT MANAGER	MARKET MANAGER		
	Market 1	Market 2	Market 3
Product A			
Product B			
Product C			

Figure 5

New products can be developed and introduced by either the product manager or market manager. The matrix form is most effective when specific particular products or groups of products can be fitted to the different markets. Consequently, each product manager, in effect, divides responsibility with each market manager in a product-market segment.

The matrix form of organization lends itself to checks and balances. It seems to run on the assumption that two hands are better than one, for one always watches the other. But, at the same time, the system contains duplication of effort, conflicts of interest, problems in communication, and other general difficulties of managing.

### 3.3 STRUCTURAL UNITS FOR NEW PRODUCT DEVELOPMENT

In small companies, new product development is often handled by the existing units. There is not much change in the day-to-day functions except that the company may have more personnel and more products. But, large firms regard new product development as an on-going activity and organize specially to carry it out.

To set up the organization for new product development, the large companies either rely upon the existing functional units or create entirely new structures.

The most common organizational units, established specially for new product development, are 'new product departments', 'new product committees', 'ad hoc committees', 'venture teams', and 'task forces'.

These five formations can be differentiated on the bases of status—permanent or temporary — and responsibility level — corporate, division, or operations.

Putting the five forms by permanency status and the responsibility level, we can have eleven possible structural units.

Only 'new product departments' and 'new product committees' are permanent in status. Also, the 'new product departments' can be at all the three responsibility levels — corporate, division and operations. But, the 'new product committees' are generally only at the corporate and division levels.

From among the temporary structural units, the 'ad hoc committees' are possible at all the three responsibility levels; the 'task forces' at the division and operations levels; and the 'venture teams' only at the corporate level. Figure 6 depicts all the eleven possible new products development units.

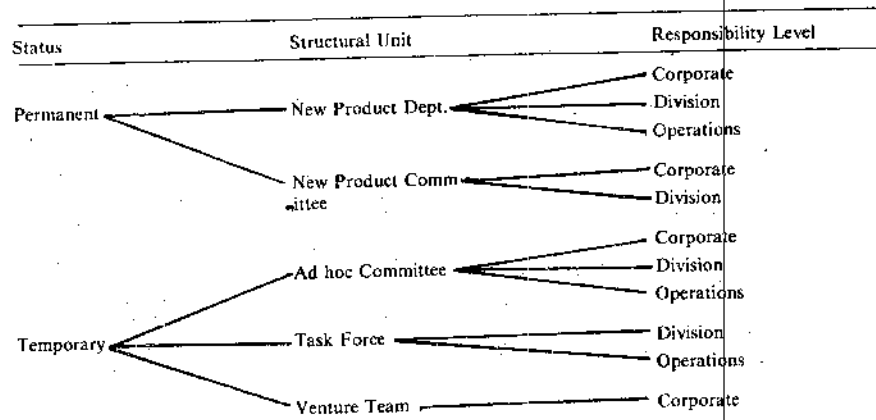


Fig. 6

Each of these unit configurations is unique and can be identified by its characteristic features.

#### New Product Department

This is a unit at either the corporate, or divisional, or operational level.

At the corporate level, this unit is positioned to serve all the divisions within the company and reports to top management. It is often the largest, single unit in the company dealing with new product development. It has a permanent, full-time staff, consisting of both technical and non-technical personnel. Firms that need a vital role of technology in their new product development efforts may attach a technical laboratory to this unit.

At the divisional level, this unit initiates and coordinates new product development for a division's product lines. It may be a centralized unit reporting to a divisional manager (in case when the unit itself is of a division stature), or a new products unit may be attached to each division. This unit is usually staffed with permanent, full-time managers who may fall back upon the services provided by functional areas.

At the operational level, the new product department reports to the head of a specific product group. It is usually a one-person department — a manager who usually works alone. Such a unit is most desirable when a quick response to the needs of individual product lines is required. It is closer to operations and the new product manager depends upon the functional units of the division to carry out all projects.

#### New Product Committee

It is usually at either the corporate or divisional level. Therefore, it has a permanent status. It comprises of members from different parts of the organization who do not work full-time on new product development activity. Still, the committee has continuity and, at times, has responsibilities similar to those of a new product department. But, its role is advisory.

#### Ad hoc Committee

Such units are set up to pursue specific tasks. They may exist at every level — corporate, divisional and operations. They are composed of specialists needed to manage certain aspects of new product development activity, such as brainstorming (to generate new product ideas), screening, coordinating test marketing, etc. The committee operates on a part-time basis. After completion of the task, it is dissolved. Thus, it is only temporary in status, and lacks continuity.

#### Task Force

A task force is established to perform both integrative and coordinating functions. This is a special unit of specialists which works directly with the functional areas. It exists only till the life span of a project. Thus, this unit is also temporary in status. It is usually formed at the divisional or the operational level.

**Venture Team**

This structural unit, usually established at the corporate level, is a small interdisciplinary group which works full-time on a specific mission. It usually handles projects different from that of current product lines. When ventures are completed, they are a part of the operations either as new divisions or as parts of the existing ones. The venture team is a temporary arrangement, discontinued on conclusion of venture or failure of a project.

**3.4 FUNCTION OF THE NEW PRODUCT DEVELOPMENT UNITS**

Theoretically, when different types of structural units participate and share responsibility in new product development, each may look after a separate function. But, in practice, all types take part in the developmental sequence with varying extents of involvement. For example, the following table shows that the new product department has a high involvement in the screening of new product ideas compared to a task force or venture team. Whereas, in commercialization of new product, the involvement of a venture team is as much as that of a new product department.

Table

New Product Development Stage	New Product Department			Committee, New Product/ Ad hoc	Task Force	Venture Team
	Corporate	Divisional	Operational			
Screening	H	H	H	M	L	L
Scheduling/ Budgeting	H	H	M	L	M	M
Product Testing	M	M	L	L	L	M
Test Marketing	M	M	M	L	L	L
Commercialization	M	M	M	L	L	M

H : 80% or more involvement  
M : 50% to 70% involvement  
L : Less than 50% involvement

**Activity 3**

(A) What types of industrial units are existing in your township or industrial area closest to your township? List them. Study where the responsibility for new product development has been set in them — corporate, divisional, or operational level. Then, complete the following matrix:

Industrial Unit.	New product development at		
	Corporate	Division	Operations

(B) Now, can you complete the following sentences?

- a) In case of industrial products, new product development responsibility is set at the ..... level.
- b) In case of consumer non-durables, new product development responsibility is set at the ..... level.
- c) In case of consumer durables, new product development responsibility is set at the ..... level.
- d) In case of services, new product development responsibility is set at the ... level.

**Activity 4**

Develop a table — as given in 3.4 — on the industrial units studied in activity 3 A.

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### 3.5 SUMMARY

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New products rarely get the attention they deserve without explicit organisational arrangement and proper planning. Though product ideas may occur spontaneously and anywhere, within and outside the organisation, their conversion into successful products needs a champion and organisational support.

The location of responsibility for new product development may vary from organisation to organisation both in terms of levels and units. This unit discusses the advantages and disadvantages of the different organisational arrangements for new product development and also explains the concept of product development units as an alternative to traditional organisational arrangements.

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### 3.6 SELF ASSESSMENT QUESTIONS

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- 1) Do small firms that manufacture one or two products need to be concerned about developing and managing new products? Why or why not?
- 2) When is it more appropriate to use a marketing manager than an R&D manager for new product development?
- 3) How do skills needed to manage a new product differ from those used to manage an existing mature product?

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### 3.7 FURTHER READINGS

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Cardozo, R (1982), *Product Policy : Cases and Concepts*, Reading, Mass : Addison Westey

Yoram J. Wind, "*Product Policy*" *Concepts, Methods, and Strategy*.

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## **BLOCK 2 NEW PRODUCT DEVELOPMENT AND PRODUCT MANAGEMENT**

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Development and marketing of new products and services constitutes one of the most important activity areas in Product Management. The successful generation, evaluation and implementation of new product ideas require using systematic processes involving various concepts, strategies and methods.

The five units in this block encompass the concepts underlying the new product activities of an organisation. Unit 4 discusses the consumer adoption process and the diffusion of innovation, explaining the different classes adopters and their characteristics. Unit 5 underlines the importance of using an integrated approach to the new product development process and describes the process of adopting approach.

Unit 6 on Generation and Screening of new product ideas elaborates upon the various techniques of idea generation, methods of screening them and connecting viable ideas into product concepts. Unit 7 explains the need for economic analysis of product concepts, and describes the various methods adopted for arriving at an objective economic evaluation of the product idea.

The final unit on the block discusses the need and procedure for test marketing of new product and the process of new product launch.

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# UNIT 4 DIFFUSION OF INNOVATION

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## Objectives

After going through this unit you should be able to:

- Give an overview of the consumer adoption process for new products
- Describe the various classes of adopters alongwith their characteristics
- Discuss the process of diffusion of innovation for consumer and industrial products.

## Structure

- 4.1 Introduction
- 4.2 The Adoption Process
- 4.3 Classification of Adopters
- 4.4 Diffusion of Consumer Innovations
- 4.5 Diffusion of Industrial Innovations
- 4.6 Summary
- 4.7 Self-assessment Questions
- 4.8 Further Readings

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## 4.1 INTRODUCTION

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The decision to adopt a new product may be made by an individual, by a household, or by a buying centre within an organization. Individuals decide purchase of garments, shoes, cosmetics, personal care items, etc; households decide purchase of a TV, car, etc; and buying centres decide purchase of computers, office equipments, etc. In each case, the decision of adoption is in the buyer's hands, not the marketer's hands. Therefore, the behaviour of the adopters of new products has a strong impact on their success/failure, besides the characteristics of the new products themselves.

As per Kotler\*, "Adoption is the decision of an individual to become a regular user of a product". The adoption process, on the other hand, focuses on, "the mental process through which an individual passes from first hearing about an innovation to final adoption".\* Diffusion, here, refers to the spread of a new idea from its source of invention or creation to its ultimate users or adopters. And, "an innovation refers to any good, service or idea that is perceived by someone as new".\*<sup>1</sup> Innovation takes time to spread.

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## 4.2 THE ADOPTION PROCESS

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Both the individual and organizational buyers may pass through various mental stages before deciding to adopt a new product. They may move from no awareness, to awareness, to interest, to evaluation, to trial, and finally, to adoption. These stages are very similar to what is known as the "buying decision process". The adoption process is, actually, a special case of buying decision making when the product is an innovation. Rogers and Shoemaker\*\*<sup>2</sup> call it the "innovation-decision process". The original model for this process was as follows\*<sup>3</sup>.

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\* Kotler, Philip, *Marketing Management: Analysis, Planning, Implementation, and Control*, 6th ed. (New Delhi: Prentice Hall of India Private Limited, 1988), p. 439

\*<sup>1</sup> Kotler, *Marketing Management*, p. 439.

\*<sup>2</sup> Rogers, EM and Shoemaker, FF, *Communication of Innovation* (New York: Free Press, 1971), p. 99.

\*<sup>3</sup> See Everett M Rogers, *Diffusion of Innovations* (New York: Free Press, 1962).

- Awareness stage – The individual becomes aware of the new product but lacks information about it.
- Interest stage – The individual develops an interest in the new product and seeks information about it.
- Evaluation stage – The individual considers his present and future needs and decides whether or not to try the new product.
- Trial stage – The individual tries the new product (on a small scale) to determine its utility.
- Adoption stage – The individual uses the new product regularly.

This model suggests that the new product marketer should think about how to facilitate consumer transition through these stages.\*

For any new product or service, little or no awareness exists at first. Potential adopters have to be informed about it through promotion – advertising, publicity, public relations, etc. Successful introduction of a new product depends greatly on its characteristics, benefits and the perceived risk associated. Therefore, effective marketing communication is the key to achieving positive interest, evaluation and trial by consumers. Innovative sales promotion techniques may generate the required trial.

An appropriate example of a successful introduction of a relatively expensive new product is the video cassette recorder (VCR). Domestic sales, in Japan, jumped from only 30,000 units in 1976 to 1.4 million units in 1981. By 1983, Japanese manufacturers alone produced over 18 million units. And, by 1986, VCRs were found in about half of all US homes. The characteristics of the product also allowed consumers to move quickly to adoption, besides effective marketing communication.

#### Activity 1

How has the concept of adoption process affected the practice of marketing in your firm or any other firm that you are familiar with? Discuss it with respect to 2 of your recent product/services.

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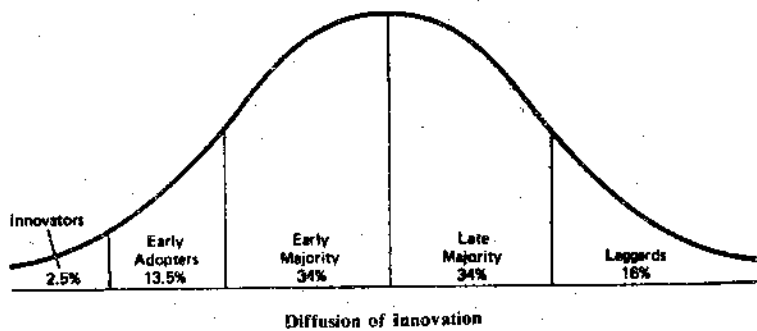
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### 4.3 CLASSIFICATION OF ADOPTERS

From the marketer's standpoint, time is vital in the introduction of a new product. If it is accepted by the largest number of potential customers in the shortest possible time, it will give a distinct advantage to the innovating firm. Rogers\* has observed that adoption, when plotted over time, approximates a bell-shaped curve. (Refer Figure). This suggests that acceptance of a new product by buyers is "normally" distributed in time.

People differ markedly in their readiness to try new products. Rogers defines a person's "innovativeness" as "the degree to which an individual is relatively earlier in adopting new ideas ....." And, he has classified adopters in accordance with the time they first began to use the new product – innovators (the first 2½% of the buyers to adopt the new product), early adopters (the next 13½%), early majority (next 34%), late majority (34%), and laggards (the last 16%).

\* Kotler, *Marketing Management*, p. 440.  
\* Rogers, *Diffusion of Innovations*, pp. 159 – 164.



A popularly priced new product, e.g., Nirma or Promise, can persuade more people to become innovators or early adopters. But, in case of TVs and VCRs, people adopted them as soon as they could afford them. Thus, these categories of adopters change greatly depending on the product and its affordability.

### Innovators

They are the first users of the new product. They seek out the new product even before it is widely promoted or distributed mainly because of high interest or high need. They are venturesome as they take risk with new products. But, such first people to buy a new product are only a small proportion (2½%) of the total market. The early adopters follow their lead.

### Early Adopters

Although they don't adopt the new product as quickly as innovators, still early adopters try the new product very early in its life cycle before a large number of people accepting it. This way they become opinion leaders who can influence the later adopters and, thus, affect the new product's success/failure. They are not as venturesome as innovators for they adopt the new product more carefully. Marketers are keen to reach them to generate a favourable word-of-mouth communication. Reaching them may not be difficult. For example, marketers of female cosmetics know that their early adopters are likely to subscribe to a magazine like Femina. So, they can place their first ads in that. Or, they would know what types of retail outlets these people frequent. So, they can place the new product at those stores for display and/or sampling. The retailer has to be taken into confidence, of course.

### The Early Majority

They, one of the two biggest groups of adopters, adopt the new product only after it has been accepted somewhat widely. Still, they are before the average person. These people see more risk in the new product than the innovators and the early adopters. Because of its size (34% of the total market), this group can be a deciding factor in whether the new product will serve a niche only or succeed in general.

### The Late Majority

They are sceptical and, therefore, adopt a new product only after a majority of people have tried it. They see even more risk in the new product and wait for its thorough acceptance. They adopt it only when they feel comfortable about using it. For example, the older people adopted jeans much later than the younger buyers. In the life cycle of the new product, they become users in the late growth or early maturity stage.

### Laggards

Some new products may turn out to be too expensive or of no need for some people. Or, some people resist the new product, may be because of tradition, and adopt it only when it becomes a tradition. For example, some people still believe

that TV is bad for eyes; neem stick is better than toothbrush and paste; cotton is hygienic to wear; pure ghee is the best cooking medium; synthetic drinks are bad for health; shampoos cause hair falling; etc., etc. Laggards are not timid. They are more likely to be disinterested, tradition bound or out of reach. Therefore, it depends a lot on the new product's characteristics also.

What does this classification suggest to the innovating firm? Seems, that it can benefit by studying the characteristics – demographic, psychographic and media – of innovators and early adopters and targeting marketing communication at them.

But, are there clearly identified innovators and early adopters? Or, is there a definite way of knowing who are innovators and early adopters? Or, is there something called innovativeness? In fact, an early adopter of new fashion wear may be a laggard when it comes to an innovation like disposable camera. And, even those who are generally receptive to new products are not necessarily among the early adopters. They may be conservative when it comes to spending money and taking risk.

Therefore, the marketer should try to identify the characteristics of innovators and early adopters in his product/customer class. For example, innovative housewives are more gregarious and usually higher in social status than non-innovative housewives. Rogers has offered the following hypothesis about early adopters: "The relatively earlier adopters in a social system tend to be younger in age, have higher social status, a more favourable financial position, more specialized operations, and a different type of mental ability from later adopters. Earlier adopters utilize information sources that are more impersonal and cosmopolite than later adopters and that are in closer contact with the origin of new ideas. Earlier adopters utilize a great number of different information sources than do later adopters. The social relationships of earlier adopters are more cosmopolite than for later adopters, and earlier adopters have more opinion leadership".\*

At the same time, personal influence also plays an important role in the adoption process, as an individual's attitude or probability of purchase may be affected by another individual's statement regarding the new product. For example, women may consult each other for opinions on new products, about the quality of different brands, etc. But, this seems to have greater importance during the "evaluation" stage of the adoption process than in other stages. Also, it seems to have more influence on late adopters than early ones, and it is more helpful in risky buying situations.

#### Activity 2

Can you identify and describe the innovators and early adopters of your firm's products/services? Who are the opinion leaders?

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## 4.4 DIFFUSION OF CONSUMER INNOVATIONS

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The diffusion process describes how an innovation spreads among potential buyers and users. Whether diffusion proceeds quickly or slowly is governed by patterns of usage. Therefore, the diffusion of an innovation bears a strong affinity to the product life cycle.

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\*Rogers, *Diffusion of Innovations*, pp. 124-133

Innovations in consumer products can be both in goods as well as in services. Their adoption usually refers to trial and continued usage by individual consumers. However, their adoption is the result of the features of the innovation itself which may hasten or retard the diffusion process.

Some products are almost immediately accepted, for example, 'Maggi' noodles, whereas others take a long time, for example, 'Brylcream' hair cream. Therefore, it shows that the characteristics of the new product affect its rate of adoption. Rogers\* suggests that the following five characteristics are especially important:

- a) **Relative advantage:** The degree to which the new product appears superior to existing products. For example, the greater the perceived relative advantage of home computer, say, in making budgets, education of children, etc., the faster it will be adopted.
- b) **Compatibility:** The degree to which the new product matches the values and experiences of the individuals in the society. For example, high-tech audio systems are highly compatible with the life styles of the upper-income group members.
- c) **Complexity:** The degree to which the new product is relatively difficult to understand or use. For example, home computers are difficult to follow and use and, thus, may take a longer time to penetrate Indian homes.
- d) **Divisibility:** The degree to which the new product may be tried on a limited basis. For example, the availability of computer education at reasonable prices may increase the rate of adoption of home computers.
- e) **Communicability:** The degree to which the results of new product's use are observable or describable to others. For example, the advantage that a computer can be demonstrated and described has helped it in quick acceptance.

Some other characteristics, like, initial price, technological credibility, and social approval also influence the adoption rate of a new product.

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## 4.5 DIFFUSION OF INDUSTRIAL INNOVATIONS

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Industrial innovation is of two types: products and processes. These new products and processes are quite sensitive to factors of price and quality, and potential returns. Therefore, the rate of diffusion varies widely depending upon the industry and particular innovation in question. However, in general, diffusion of industrial innovations is a relatively slow process. For example, studies reveal that innovations like iron and steel, coal, petroleum, and railroad took twenty or more years before they were adopted by all major firms. Old and new processes exist side by side for many years before the new takes over completely.

The perceived characteristics of the new product and the characteristics of the buyer unit influence the rate of adoption of the industrial innovation.

The speed with which a new industrial product, or process, is adopted, according to Mansfield\*, is determined by the following four factors:

- a) **Economic advantage:** New products, or processes, that are perceived to be more profitable will be adopted more rapidly than those with lower expected returns.
- b) **Commitment:** It is defined, here, as the amount of investment needed to install a new product, or service. The probability of adoption decreased with the increase in commitment. With more money involved, firms become more conservative.

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\*Mansfield, Edwin, *Industrial Research and Technological Innovation* (NY : W.W. Norton & Co., 1968), pp. 133-136.

- c) **Uncertainty:** It is the extent to which things can go wrong when a new product, technique, or process is used. But, it may seem little when the initial investment is small, or when the returns are expected to be large.
- d) **Risk reduction:** It involves diminishing initial uncertainty with respect to a new product's, or process', performance. Supposedly, the amount of risk reduces with time as experience grows.

Adoption of industrial innovations is also influenced by the buyer organization's characteristics, like, size, economic strength; need to change, and age, education, values, and attitudes of its administrators.

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## 4.6 SUMMARY

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One of the underlying concepts of the diffusion process is that different consumers adopt an innovation at different times after it becomes available. For analysis, adopters are classified as innovators, early adopters, early majority, late majority, and laggards, according to when they adopt or their propensity to adopt. Innovators and early adopters exert a word-of-mouth influence on others. Adoption rate of an innovation depends upon its own characteristics as well as the characteristics of the adopter unit.

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## 4.7 SELF-ASSESSMENT QUESTIONS

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- 1) Do you see any difference between "adoption" and "diffusion" in reality? Give reasons.
- 2) Discuss the role and effectiveness of mass media in achieving adoption of a newly introduced service.
- 3) What is the difference between the factors influencing adoption rate of a consumer new-product and those influencing adoption rate of an industrial new-product?
- 4) What is the basic difference between diffusion in the consumer field and diffusion in the industrial field? Why is this difference?

### Project Question

Some writers have suggested that small firms tend to be most progressive and large firms are most conservative, tied in red tape. Examine this hypothesis and bring out how and why do these phenomena affect innovation adoption by small and large firms.

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## 4.8 FURTHER READINGS

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BRAOU

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# UNIT 5 INTEGRATED APPROACH TO NEW PRODUCT DEVELOPMENT

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## Objectives

After going through this unit you should be able to:

- Explain the need for integrated management of new product development
- Discuss the integrated approach to new product development
- Elaborate upon the crossfunctional nature of new product development
- Apply the integrated approach with the help of principles described and cases given.

## Structure

- 5.1 Introduction
- 5.2 Need for Integrated Management of New Product Development
- 5.3 Integrated Management of New Products
- 5.4 The Case of Sintex Plastic Container
- 5.5 The Case of Lana Publishing Co. Ltd.
- 5.6 Summary
- 5.7 Self-assessment Questions
- 5.8 Further Readings

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## 5.1 INTRODUCTION

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The marketing environment in the 1990s is most likely to be quite different from that of the 1970s and early 1980s. Increasing competition, rapid changes in technology, shortages in raw materials and energy sources, and greater pressures from consumer groups and government are among the significant differences. Also, today's markets are more highly and precisely segmented, and products are experiencing shorter life cycles – the 'manual' typewriter lived for 30 years; the 'electro-mechanical' typewriter for 10 years; the 'electronic' for just 3 years and the 'word processor' has come in. The 'glass vacuum tube' lived for nearly 50 years from the turn of the century; the 'transistor' came in 1951, but, it was taken over by the 'semiconductor' in 1959 – just after 8 years. The 'microprocessor' was born in 1971; and, in 1975, we had the 'printed circuit board'; in 1976, we had the 'super chip'. Next, already over the horizon, is the '256-K chip' and the 'V Generation' computer.

The trend toward shorter life cycles means that organizations have less time to capture a market for themselves. So, they have less time to recover their investments, the risk of developing new products therefore is greater.

Increasing inflation also has various influences on new product development. It dramatically raises the costs of materials, components, labour, as well as the cost of marketing new products. Also, consumers defer purchases and even drop or reject products, as prices go up. Faced with the threats of competition and price and wage controls, the firm is prevented from raising prices to cover higher costs. Hence, trapped in a cost-price squeeze, firm realizes lower profits.

The speed of competitive responses to new products is another factor to be faced. Therefore, the focus in new product development, in today's marketing environment, should shift from introducing a wide variety and should emphasize basic new products that serve core markets, particularly products that offer clear-cut advantages in price or benefits. Managers would be prudent to turn from marketing a full line of products to offering only high profit items.

In summary, the basis of new product development for most firms, today, should be, "to maintain core business with minimum reinvestment: in other words, to do

everything possible to maintain the health of the basic products ... the first step in new product development is .... (the) use of what you've already got''

## 5.2 NEED FOR INTEGRATED MANAGEMENT OF NEW PRODUCT DEVELOPMENT

The necessity and complexity of developing and introducing new products means that, to remain viable, firms need a concrete new product development process.

Close-up is the first and only gel tooth paste in the Indian market. Hindustan Lever introduced it to appeal to the close-ups – mainly young people who are concerned about their breath and the whiteness of their teeth. Till recently, it did not enjoy a respectable market share (just 2–3.5%) in a Rs. 200 crore market. Then, recently, after the introduction of the blue close-up and a heavy emphasis on the 'mouthwash' value of it, its market share has gone up to 4.5–5%. Also, as per the business reports, it is being considered as the toothpaste of the 1990s.

Encouraged by the success of gel toothpaste and frustrated with their fluoride toothpaste, Signal 2 (market share 3–4%) – (For a brand to break-even, it must generate at least 3.3% market share. To make any money, the brand has to touch 5%) – Hindustan Lever may develop and introduce a gel toothpaste that contains fluoride and broaden the market by persuading parents that their children would enjoy it taste and still receive protection from cavities.

So, tomorrow, we may have a gel toothpaste combined with mouthwash, a gel toothpaste combined with fluoride, and a combined gel and traditional toothpaste – a gel war.

In general, a new product either implies a change in technology or a change in the market. In Table 1, we can distinguish nine different combinations of these two change factors.

Technology or supply push (in other words, the industry) has been the major orientation in new product development, till recently, in India. But, lately, it has been more because of consumer or demand pull (in other words, the consumer) that the new products have been developed and introduced into the market, for example, Rasna, Nirma, Promise, Mahacola, etc. Their success is based on the consumer desire for economy, value for money, low-price or more-at-the-same-price.

Table 1

		TECHNOLOGY		
		No Change	Improvement	New
MARKET	No change	1 Product re-launch	2 Product re-formulation	3 Product replacement
	Strengthened	4 Product re-merchandizing	5 Product augmentation	6 Product diversification
	New	7 New usage	8 Extensive differentiation	9 Extensive diversification

Source : Mascarenhas, S.J., Oswald A. J., *New Product Development : Its Marketing Research and Management* (Calcutta : Oxford and IBH Publishing Co. (P) Ltd., 1987), p. 9.

\* Harper, Jr., Paul C. "New Product Marketing: The Cutting Edge of Corporate Policy". *Journal of Marketing*, 40 (April 1976), p. 77.

Typical examples of products corresponding to cells 1 to 9 are Wills Filter, Super Rin, Electric Watch, Diners' Club, Sulekha Executive Ink, Electronic Gas Lighters, Dettol (as aftershave), Charminar Gold, and Electronic Calculators.

But, whether the strategy is technology push or consumer pull, there is always a substantial risk associated with new product development. What is therefore required is an integrated approach to the management of new product development.

#### Activity 1

Using Table 1 classify the following products:

Portable colour TV, Atomized aftershaver, Jeans for older people, Vicks as a balm, Liquid detergents, VCP with a recording head, North Star wears, Park Avenue Shoes, Synthetic Khadi, Music systems.

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### 5.3 INTEGRATED MANAGEMENT OF NEW PRODUCT DEVELOPMENT

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C.M. Crawford\* suggests the following approach to an integrated managing of new product development:

A carefully developed and precise statement of new products you "want" and you "do not want" can help in knowing where you want to go. The wanted should be seen from the unwanted products on the basis of competition, risk, technology, geography, and distribution. "How exactly to reach" and "when to reach" where intended should also be known. In other words, the first and the most basic requirement is a complete overall strategy which tells the product innovation teams exactly where they want to go, how exactly to reach there, and when they plan to reach there.

Communicating this strategy is the second step toward an integrated management of new product development. Talk it out with the R&D personnel, MR personnel, and others related to innovations in the firm. This may help in creating interest in the marketing, production and other personnel. The strategy should not be overconfidentialized. New product development is a team effort. Secrecy leads to confusion among divisions and constant bickering. New product development requires a delicate merging of efforts, cooperation, and willingness to make concessions.

Distinctly spelled out individual responsibilities down the line help reduce organizational confusion. Organizational changes required for successful new product development should not result in interdivisional or inter-departmental friction. For example, the friction between R&D and marketing departments may result from choosing marketing department for new product responsibility and putting the R&D department under its command. The difference in orientations should also be kept in mind. R&D may come up with products that marketing cannot sell. Or, marketing research may forecast products/designs that R&D may render non-feasible. In any integrated effort, cost and time should not be wasteful. Organizational confusion may cause losing delays.

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\*Crawford, C.M., "Product Development : Today's Most Common Mistakes", *University of Michigan Business Development*, pp. 1 - 6

From the top management should also come support in terms of ideas, facilities, resources, encouragement, manpower and fair evaluation of efforts. The support from the lower rungs will be automatic. Unless and until the new product development activity gets a total company commitment, it is doomed to failure.

Another aspect of an integrated approach to new product development is brainstorming the entire firm for new product ideas. Good ideas do not come easily. And, they need not be generated by only a few in and around the firm. Others need not take a passive stance.

The new product development research budget should be related to the risk, opportunities, threats and strengths of the new product. Clearly specify the role of the finance area (as is done with R&D or MR areas) in this connection and indicate how it fits into the overall decision process.

Finally, the flow of information – vertically, horizontally, and diagonally – as free as possible and as honest as possible should help in managing the new product development effort in an integrated manner. The information system should not report only what others want to hear. For example, if a product needs to be phased out of the market, the marketing (research) department should not hesitate or delay in urging the top management to abandon it, even though this product may be the 'ego-product' or the fondled 'brain child' of the Managing Director.

#### Activity 2

Why is new product development a cross-functional activity within an organization? Study an organisation which has recently developed a new product and describe the cross-functional aspects of the N.P.D. Process.

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### 5.4 THE CASE OF SINTEX PLASTIC CONTAINER

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Today, the brand name Sintex has become synonymous with tanks, and it commands somewhere between 85% and 90% of the market.

There were a number of unusual inputs that went into the creation of Sintex and its success. To begin with, Bharat Vijay Mills, Ltd. (in Kalol, near Ahmedabad) was a conservative company owned by two brothers, Arun and Dinesh Patel. It is remarkable that they decided to trust their new project to a professional who had barely cut his teeth in the job market. Their gamble on Satyanarayan Banwarilal Dangayesh was aided by the fact that the investment was only Rs. 50 lakh. It was a small amount in the perspective of their textile operations.

Indeed, it was their textile business that had inspired the import of rotational moulding (or 'rotomoulding') technology. The original idea was to produce textile card cans. It is this technology that explains the brand names Sintex: 'Sin' for the sintering process in plastics and 'tex' for the proposed textile application. Being in the textile line, the management knew, it seems, that sufficient potential existed.

Though apparently sound in theory, the execution of the product concept was buffeted by stormy market forces. The primary hurdle was the pricing. As things stood, card cans were made by fabricators on-site at the textile mills which wanted them. But Sintex card cans had to be made at its premises and then delivered to the buyer mill. Since the product was bulky, the additional freight cost would price Sintex out of the market.

After examining market needs and costs, Dangayach decided that a more

profitable use and the future for such technology lay in the bulk storage of liquids. As a first step, he therefore, decided to enter the field of industrial containers used mainly to store liquid chemicals.

The traditional methods of bulk liquid storage were two: a majority were metal tanks lined with either polyvinylchloride (PVC), polypropylene (PP), fibre-reinforced plastic (FRP) or rubber. The other method was fabricated plastic tanks. But, both resulted in frequent leakages. Therefore, the maintenance costs were high and production was affected.

Since the major buyers would be from the chemical, electroplating, pharmaceutical and food processing industries, the concept of a one-piece ready-made plastic tank was exhibited, for the first time in ChemTech '75 in Bombay. The Company backed this and other similar promotions by advertising in chemical magazines and despatching 25,000 direct mailers.

By 1977, the chemical industry was beginning to buy the idea of Sintex tanks. And Sintex began to move towards the second application in the same year – that of material handling. Here, again, Sintex was able to provide readymade and custom-made items ranging from stackable baskets to trays, and from troughs to trolleys.

By 1978, although there was a steady flow of orders, Dangayach was not happy. The turnover was not growing as quickly as he would have liked and the division was still not financially independent.

There were two major limiting factors. For one, it was unlikely that the orders would even rise dramatically. Moreover, since the tanks were custom-built, each sack required a great deal of leg work – standardization wasn't simply possible.

At the same time, the market was facing a severe crunch in cement and steel supply. Could the company find an application that would replace the use of these materials? After extended brainstorming it was decided that an answer might lie in plastic water tanks.

Architects reacted negatively for they did not want to standardize on one single-black shape for aesthetic reasons. They also viewed it as a dirty product. (Black colour could not be helped as it is essential to counter ultra-violet rays.)

But the seeds of the idea were sown in Dangayach's head earlier. Originally from Bombay, he remembered that water supply failed at home because of inadequate storage in the overheads tanks. Tanks, therefore, are required – bigger, better and more and more. He, intuitively, thus, knew that it was a golden idea – even though market research study said that the product would not sell.

His logic was simple and the rationale integrated. Where did an urban Indian store water? In overhead tanks, underground tanks and, inside the house, in buckets. The tanks were of mild steel (MS) and reinforced cement concrete (RCC). The drawback with MS tanks is that the water gets polluted with paint and rust. RCC tanks, on the other hand, tend to make water on RCC tank develop cracks, algae forms. And if a person added another floor, he could simply dismantle a Sintex tank and instal it on the next floor.

Therefore, Sintex Plastic Containers went ahead with Sintex water tanks – and the rest is history. The division's turnover in 1975 was just Rs. 3.16 lakhs. In 1984, after the coming in of the Sintex water tanks; it rose to Rs. 4.2 crores. And, in 1988-89, it recorded a turnover of Rs. 34.2 crores. A perfect example of integrating technology, production, finance and marketing to develop a new product.

### Activity 3

- a) How does the product development process at Sintex make use of the integrated approach.
- b) What in your view are the reasons for this product concept being successful.

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## 5.5 THE CASE OF LANA PUBLISHING CO. LTD.

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Today, in India, publishing magazines can be a bruising business. The competition is cut throat; reader loyalty is fickle; paper costs are killing; and the pay-off comes only years later. Casualties in the 1980s have been high and well-known names have either gone under or barely manage to limp along – one-time success 'Madhuri' is no more there; youth magazines, 'JS' and 'Youth Times' were gone even before that; "Illustrated Weekly of India" does not enjoy the same glory today as in the past; 'Cine Blitz', 'Movie', 'Star & Style', etc., etc., are just managing to limp along. The only exception of the '80s is undoubtedly 'India Today'.

Through all this, Lana Publishing Co. Ltd., has prospered and grown. After the launch of 'Stardust' in 1972, an eight-year lull followed as Nari Hira set about establishing the infrastructure for his subsequent ventures. Today, the claimed combined circulation of all Lana Publications – Society (1980), Savvy and Show-time (1984), Island (1987), Parade (1988), Hindi and Gujarati editions of Stardust – is over 6.6 lakh copies. Lana turnover in 1989, according to Hira, was Rs. 14 crore.

All this has been possible because within a few years of the Stardust launch, Nari Hira realized that a one-magazine company without any basic infrastructure would find it increasingly difficult to survive. He began, in 1972, by depending on outside agencies for distribution, space selling, as also for printing and processing. He set-up Lana's own sales network in 1978, realizing that an outside distributor could never be expected to push sales in smaller towns where he did not have his own infrastructure. And selling in smaller towns was essential for a popular magazine. (It was Stardust that began the Bombay tradition of hawkers selling magazines at traffic lights. Today, this channel accounts for 20% of Stardust's sales.)

Similarly, he gave up his reliance on space sellers to have his own full-time advertising representative because, understanding their psychology, he knew that space sellers would find it more worthwhile to push ads for Stardust rather than any new magazine he might launch.

### Activity 4

How has the integrated approach to product development helped publishing face competition effectively. Discuss

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## 5.6 SUMMARY

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The unit intense the importance of new products for survival and growth of an organisation. Increasing competition and shrinking product life cycles have made

innovation a necessity of corporate life. What is even more important is that the organisation, in view of the cross-functional nature of the new product development process, should adopt an integrated approach to it. The unit discusses the approach and illustrates it with the help of two case studies.

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### 5.7 SELF-ASSESSMENT QUESTIONS

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- 1) What are the reasons for shorter product life cycles experienced today and what implications does this trend have for the new product development.
- 2) What are the change factors or their combination that may result in the development of a new product. Explain by giving examples of new products/services.
- 3) Why is it important to have an integrated approach to the new product development process. Can you give examples of new product failures that can be attributed to the lack of this approach.

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### 5.8 FURTHER READINGS

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- E.A. Pessemier, *Product Management, Strategy and Organisation* (NY : John Wiley and Sons, 1977).
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# UNIT 6 GENERATION, SCREENING AND DEVELOPMENT OF NEW PRODUCT IDEAS

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## Objectives

After reading this unit you should be able to:

- discuss the various techniques used for generation of new product ideas
- describe the sources of new product ideas
- evolve and evaluate criteria for screening of new product ideas
- explain the different methods of screening new product ideas
- explain the development of a new product idea into a product concept

## Structure

- 6.1 Introduction
- 6.2 Innovation and the new product development process
- 6.3 Generation of new product ideas
- 6.4 Sources of new product ideas
- 6.5 Methods of generating new product idea.
- 6.6 Screening of new product ideas
- 6.7 Criteria for screening new product ideas
- 6.8 Development of new product ideas
- 6.9 Summary
- 6.10 Self-assessment Questions
- 6.11 Further Readings

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## 6.1 INTRODUCTION

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"Have you heard of zoom lenses? One of the great advantages of being new in a company is that you are thoroughly unaware of what cannot be done. I thought a zoom camera was something that you used for football games. That way my image – an extraordinarily expensive object. One day I was in the lab and there was a zoom lens. I had never seen one in my life, and I put it up to my eyes, and – well, it is a very dramatic thing. They explained to me that this was not applicable to consumer products, because it would cost a fair amount of money and so on. I asked, "What would it cost to make a camera for me – just one with a zoom lens on it?" They said, "Just one? Do you mean a crude modification? I think we would probably spend \$ 500 on it." I said, "Well, suppose we do that; because my rates come pretty high, it will cost at least \$ 500 for us to continue this discussion for another hour or two, so let's just do this." I took this camera home. At a dinner party that night, I put my zoom lens on the piano, and I asked everybody coming in if they wouldn't participate in a very sophisticated piece of market research; namely, to put the camera to their eye. To the man, the reaction was extraordinarily enthusiastic: "My, this is marvellous; I've never seen anything like this in my life." We did this for about \$ 500 .... If more industries would try out new ideas on a low-cost basis, perhaps their expectations of what the market will bear would go up!"\*

This story by the former president of Bell and Howell (USA) tells how one product idea was developed based on creative insight. Sometimes, creative thinking and a crude prototype may influence new product development, as it did for the Bell and Howell zoom lens.

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\*P.G. Peterson, "Some Approaches to Innovation in Industry", in *The Creative Organization* (Chicago: University of Chicago Press, 1965) pp. 191-192.

## 6.2 INNOVATION AND THE NEW PRODUCT DEVELOPMENT PROCESS

Sometimes, innovations are by accident or luck, such as the vulcanization of the rubber process—discovered when a rubbery mixture was spilled on a hot stove. The world's first and, perhaps, the only floating soap, Ivory, was just made when a mechanical mixer was left on overnight and whipped up raw soap materials into a lightweight cleanser. Necessity, it seems, was the mother of invention for the ice cream seller who ran out of paper cups and rolled pancakes into serving cones — the first ice cream cones.

However, these days, when innovations require sizable financial investments and other resources for support and commercialization, most innovations come from serious research and development efforts undertaken with the support of formal organizations. The hobbyist-inventor may still enjoy considerable success but this has become an increasingly rare occurrence.

Therefore, in conclusion, there is no one answer to a question such as, "How are new product ideas generated?" The new product development process can be rather quick, the result of a sudden flash of insight. But, in case of the development of highly technical products, say space satellite, the process can take years. Still, in some cases, the development process can take long not so much because of technical complexities but because of market resistance to the new product. Customer acceptance can be found lacking even when the new product has an advantage that will eventually succeed, for example, instant coffee.

The standard new product development process model comprises the following stages: Idea generation, Idea screening, Concept development and testing, Marketing-strategy development, Business analysis, Product development, Market testing, and commercialization. This unit is concerned with only the first three stages, i.e., Generation, Screening, and Development of New Product Ideas.

### Activity 1

Study the new product development function of two organisations that you are familiar with. Let one of them be a consumer products manufacturer and other a service industrial product manufacturer. Analyse whether the new product development process was started.

- a) in response to a consumer need
- b) in response to a new scientific/technological discovery
- c) to utilize excess resources for each of the above cases.

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\*Kotler, Philip. *Marketing Management : Analysis, Planning, Implementation, and Control*, 6th ed. (New Delhi : Prentice-Hall of India, 1989).

### 6.3 GENERATION OF NEW PRODUCT IDEAS

A formidable array of idea-generation techniques are at the marketer's disposal. Each technique has its assets and liabilities, but no one technique is universally better than the others. Although all firms should strive for an orderly, market-directed approach, they are constrained by their individual situations. Management should then choose those idea-generation techniques which are most compatible with corporate goals and circumstances. Corporate product objectives, financial status, personnel and plans for future growth may all affect this decision.

A manufacturer of canned soup might need some product modifications to deepen his line. To find ideas he might use morphological analysis to see new taste combinations, or possibly benefit-structure analysis to discover unmet gustatory needs. Conversely, a manufacturer of aircraft, needing a new type of altimeter, might find his best answer in synectics.

Large, well-heeled firms with market research departments might find rigorous benefit-structure analysis a viable alternative, and maximise their investment using it. Smaller, poorer firms may have to make do with less elaborate research and more individual creativity; perhaps through brainstorming or transfer analysis.

The individual psychologies of the firm's executives are also a constraining factor. Are executives imaginative? Can they work together with a minimum of interpersonal friction? Not all firms possess the kind of personnel who can use brainstorming or synectics effectively. Hence, the utility of rather mechanical techniques like morphological analysis.

Finally, one should note that some of these techniques might be used effectively in tandem. We can see how conjoint analysis complements benefit-structure analysis. Might not the psychological freedom of brainstorming enhance a technique like attribute listing or transfer analysis? Synectics deals with needs in broad terms, and would be of use to the firm which defines its product in similarly broad terms. Conjoint analysis might be of use in converting a vague product idea into a product concept acceptable to the market. Clearly, a creative approach is needed for the creative process.

#### Activity 2

Why are the following products emerging now and how far do you think they are likely to go

- a) Milkfood Yoghurt
- b) Ceasefire (fire extinguisher)
- c) The unfixed fixed deposit

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## 6.4 SOURCES OF NEW PRODUCT IDEAS

The research for ideas is not random. The corporation itself can serve as a guide for exploration. The organizational plan can be used to seek directions in the most likely and desirable areas in which to look for new product ideas. That is to say, to begin with, there are a host of possible new product idea sources inside the company, such as company sales people, scientists (employed in R&D), top management, etc.

As such, all employees of a company are potential sources of new product ideas. But, some are more productive than others. For example, marketing, sales, and technical research personnel are generally the prime originators of new product ideas.

Sources for new product ideas exist outside the company also. These external sources are numerous, such as customers, competitors, channel members, but the firms differ greatly as to where they concentrate their efforts for outside assistance and the extent to which external ideas are sought after and used.

Table 1. summarizes the major sources of ideas both inside and outside the company.

Table 1

Inside Company Sources	Outside Company Sources
Sales personnel	Customers
Marketing personnel	Competitive products
Research and development	Foreign products
Top management executives	Consultants
Production department	Advertising agencies
Purchase department	Researchers/Inventors
Customer service division	Distribution channels
Employee suggestion system	Public – unsolicited ideas

## 6.5 METHODS OF GENERATING NEW PRODUCT IDEAS

New product ideas can be generated both directly and indirectly. Both approaches can be undertaken simultaneously and can vary from highly structured, and loosely structured to unstructured procedures.

Direct methods rely heavily upon the creativity of individuals as well as groups and the consumer survey data for the techniques, eg., Forced Relationships, Transfer Analysis, Brainstorming, Motivation Research, Market-gap Analysis, Multi-dimensional Scaling, etc.

Indirect methods refer to the 'synthetic' methods, methods that are used for other purposes but, with little ingenuity, they can be employed just as well in exploration. For example, Quadrant Analysis and Magnitude Estimation have been used in product testing. Consumer Engineering integrates the processes and results of exploratory consumer studies, such as Focus Group Interviews (which throw up clues to consumer needs and problems, and their solutions) and technological forecasting techniques, such as Delphi.

Table 2 summarizes both the direct and indirect methods of generating new product ideas.

Table 2

Direct Methods			Indirect Methods
Individual Techniques		Group Techniques	
Morphological Analysis	Consumer Surveys		
Attribute Listing	Conjoint Analysis	Brainstorming	Consumer Engineering Magnitude Estimation
Heuristic Ideation Technique	Multi-dimensional Scaling	Focus Group Interviews	Quadrant Analysis
Forced Relationships	Market-gap Analysis	Synectics	
Transfer Analysis	Motivation Research		
	Problem Detection		
	Problem Inventory Analysis		
	User Solution Analysis		

This is to say, in total, methods of generating new product ideas are numerous. But, as suggested by Father Mascarenhas, only some of these are suited to Indian conditions\*. They are Brainstorming, Focus Group Interviews, Attribute Analysis, Market-gap Analysis, and Heuristic Ideation Technique. The rest of this section will detail on each of these.

#### Attribute Analysis

By decomposing existing products into combinations of specific parts, qualities, or attributes, Attribute Listing (or Analysis) seeks to modify one or more of these to improve the whole product.

A common screwdriver, for example, can be broken down into the following\* :

- a round, steel shank
- a wooden handle, manually operated
- wedged end to engage the slot in a screw
- torque provided by twisting action

A group/individual can be asked to propose attribute modifications to improve product appeal and/or performance. The round shank can be made hexagonal so that the hand has a better and firm grip or a wrench could be applied to get the increased torque; electric power could replace manual power; and so on.

So, say, in case of a company planning to bring out a toothpaste, it may want to know a package of optimum level and combination of various attributes and benefits, such as:

- whitening of teeth
- breath freshening
- decay prevention
- taste
- price

\*Mascarenhas, S.J., Oswald A.J., *New Product Development : Its Marketing Research and Management* (Calcutta : Oxford & IBH Publishing Co., (P) Ltd., 1987), p. 17.

\*Arnold, John E., "Useful Creative Techniques", in *Source Book for Creative Thinking*, eds. S.J. Parnes and H.F. Harding (NY : Scribner's, 1962), p. 255.

If each of these attribute-benefits has 3 levels—High to Low—then there are as many as 243 combinations possible to choose from among.

Osborn\* has suggested that useful ideas can be stimulated by putting the following questions to an object and its attributes:

- put to other uses ?
- adapt ?
- magnify ?
- minify ?
- substitute ?
- rearrange ?
- reverse ?
- combine ?

Although Attribute Analysis may not produce major breakthroughs, it can undoubtedly aid in “remarketing” — “new” and “improved” products — and possibly in product differentiation.

### Activity 3

On the basis of the section above, use attribute analysis to design the attributes of

- a) An electric toothbrush for upper income class customers
- b) Very low for content cigarettes

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### Heuristic Ideation Technique (HIT)

In Attribute Analysis, alternative combinations may practically run into millions. This may make the analysis very difficult, if not impossible. Therefore, somehow, the number of alternatives to be considered must be reduced.

There are some statistical methods, such as Method of Fractional Factorial Designs\* which may help in this task. But, can this be accomplished without eliminating some very good ideas at the same time? One suggestion has been heuristics—rules of thumb developed from the past experience.

In Heuristic Ideation—one of the more publicised morphological techniques—each dimension becomes an axis of a two-way grid. Variations of the dimension are placed at intervals along that dimension's axis. For example, in the case of a household cleaning agent, “product ingredients” is one of the many dimensions (such as package, cleaning instrument, objects to be cleaned, texture, etc.). The possible variations of this dimension are : alcohol, ammonia, pine oil, scented agent, deodorizing agent, disinfectant, etc. Table 3 shows how these variations are cross classified—in a matrix form—with the variations of another dimension, package.

\*Osborn, Alex F., *Applied Imagination*, 3rd ed. (NY : Scribner's, 1963), pp. 286-87.

\*See B.J. Winer, *Statistical Principles in Experimental Design*, (NY : McGraw-Hill Book Co., 1962).

Table 3\*

Ingredient	Product Package						
	Aerosol	Bag	Bottle	Box	Can	Jar	Tube
Alcohol	1	2	3	4	5	6	7
Ammonia	8	9	10	11	12	13	14
Pine Oil	15	16	17	18	19	20	21
Scenting Agent	22	23	24	25	26	27	28
Deodorizing Agent	29	30	31	32	33	34	35
Disinfectant	36	37	38	39	40	41	42

If there are six dimensions of a household cleaner being considered, then, in all, there will be thirteen such, two-way cross classifications, each cell of which is a new product idea source. Certain cells can be eliminated as 'technically Infeasible', e.g., in Table 3, alcohol and pine oil in tube and bag - cells 2, 7, 16, and 21. Similarly, some cells can be eliminated as 'commercially infeasible', e.g., cell 5.

After this feasibility screening, the remaining ideas can be checked for their 'newness'. This will eliminate certain more cells. Experts believe that the 'feasibility' and 'newness' tests can help eliminate almost 70 to 90% of the cells.

The remaining cells can further be checked for 'market potential' and 'manufacturing competence' of the firm. The required competence can also be developed if the idea is really new and potentially very rich.

A 'cost-benefit analysis' will, finally, show the feasibility of the remaining new product ideas.

To generate a composite new product idea through the interactive combination of cross-classification cells, let us consider all the dimensions of the earlier stated home cleaner again.

According to Alford and Mason\*, the following six dimensions can be identified, in case of a household cleansing agent:

- Type of cleaning instrument (1)
- Product ingredients (2)
- Objects to be cleaned (3)
- Package (4)
- Substances to be removed (5)
- Product texture (6)

Thus, a vacuum cleaner (1), such as "Euroclean", can be used to clean carpets (3) from dust (5) and, at the same time, may spray (4) into the carpet (3) a disinfectant and a cleaning shampoo (2) in a gaseous form (6) so that the carpet (3) is not only clean but also germ free (5). A similar apparatus (1), may be designed to clean drapes and curtains and wall hangings (2).

Another variation, the Morphological Box, attributed to Dr. F. Zwicky\*\*, extends this technique of morphological analysis, HIT, to more than two dimensions. The more dimensions one adds, the greater is the number of ideas generated.

\*Mascarenhas, S.J.; Oswald A.J., *New Product Development: Its Marketing Research and Management* (Calcutta : Oxford and IBH Publishing Co. (P) Ltd., 1987), p. 27.

\* Alford, C.I. and Mason, J.B. "Generating New Product Ideas", *Journal of Advertising Research*, Vol. 15, No. 6, (December 1975), pp. 27-35.

\*\*See J.E. Arnold, "Useful Creative Thinking" in *A Source Book for Creative Thinking* (NY : Scribner's, 1962), pp. 256-57.

#### Activity 4

Use HIT for designing food packages for the passengers of Indian Railways.

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#### Benefit-Structure Analysis

Another approach, similar to Attribute Listing, is Benefit-Structure Analysis proposed by Myers\*. This analysis begins with 25 to 50 in-depth individual or group interviews wherein the respondents are asked to recall all 'occasions' when a product class was used. The following questions are further asked for the desired results:

- What was the actual operation?

For example, if the product is a household cleansing agent, then the 'occasion' is general cleaning, but, the 'actual operation' can be kitchen floor cleaning.

- What products were used in this operation?

For example, alcohol, ammonia, pine oil, or a disinfectant. If possible, the brand should also be mentioned, such as Finit, Colin, etc.

- What were the benefits sought from this operation?

For example, removal of stains, disinfection, shine, or simple cleaning.

- What were the attributes of the product(s) used ?

For example, strong pleasant/foul smell, quick drying, economical, abrasive, antiseptic, non-staining, contains deodorant, self-polishing, etc.

- What were the cleaning instruments used ?

For example, broom, brush, mop, sponge, or vacuum cleaner.

- When was the work done ?

For example, morning, afternoon, evening, or night. Also required are the 'duration of work', and 'persons worked with'.

Results obtained from this initial analysis can be used for a wider survey of housekeepers in the cities/metros. The generated data can be arranged in a multidivisional matrix, such as

Operations × Product attributes desired × Product attributes received ×  
Benefits desired × Benefits received × Brands used × Occasions × Other  
ambient characteristics × Various supporting data.

Now, some more analyses are to be performed sequentially.

First, study the 'Product-by-Use' matrix—'product types' as rows and 'operations' as columns. This matrix will show what products are used for what all cleaning operations, which may help the marketer see how the current products are being used and what are their substitutes/complements; and how some of the products are being converted from single-use to multi-use (or, the other way round). Best of all, this matrix will give the relative frequency of various cleaning operations/tasks. If 'quantity/amount used' is also asked, a 'volumetric analysis' can also be made.

All these pieces of information are actually new product ideas. Look for the gaps for which (cleaning) operation has no or a few products/brands available.

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\*Myers, James H., "Benefit-Structure Analysis: A New Tool for Product Planning", *Journal of Marketing*, Vol. 40, No. 4, (October 1976), pp. 23-32.

This matrix, in other words, gives one form of 'market structure', and what we look for are 'market gaps'. Therefore, this study is also known as 'Market-gap Analysis'.

The second study to be made is for each 'benefit' across each 'brand' and each 'occasion' – 'Benefit-Deficiency Matrix' – for some benefits may be wanted but not received, or received but not wanted. This matrix may provide average deficiency for each brand. Study the frequency with which benefits are not received across each brand in the market. Analyse which brands have failed to serve the desired benefits the most and why. Study the brands which have delivered the desired benefits the most. (You can develop your brand close to them.) Also, consider possible additional usages/applications for the existing products.

All this can help you conceive new products that deliver the exact combinations of benefits desired for a single operation/task, as well as for a group of related operations/tasks.

Finally, constructing an 'Occasion-by-Operation-by-Ambient characteristic Matrix' may reveal demographic and sociograph patterns of product uses which may be required for situating the product in the market segment correctly. It can help in isolating those respondents who desire a particular benefit or a cluster of benefits.

#### Activity 5

Study the new products that have emerged in the market in the last six months. For what type of products do you think benefit structure analysis can be used most effectively. Apply it to any one of them

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BRAOU

#### Brainstorming

Brainstorming is a rather popular creative technique with a long track-record. It was first developed by Alex F. Osborn in 1938, and gained acceptance by the business world in the 1950s. Brainstorming aids in idea generation by encouraging the creativity latent in many of us. It originated as a management technique for groups charged with problem solving. Osborn feels that creativity is fostered in an informal meeting where participants are free to express any and all ideas they concoct. Criticism is ruled out until the end of the meeting as this inhibits people from contributing ideas that might prove useful or at least stimulating to others. In this way, the participants should produce a greater number of ideas than if they worked along. Actually, brainstorming sessions are held when a company needs a lot many ideas.

The usual group consists of six to ten people. It is advised to avoid too many experts in the group as they may tend to look at a problem in a rigid way. The sessions should preferably be held in the morning and should last about an hour. The problem should be specific.

Briefly, the technique is executed as follows:

The chairperson of the brainstorming session notifies the participants that the meeting is to be held, states the problem to be discussed, and gives them several days for preparation. Individuals are generally chosen for their creative talents and ability to work cooperatively and openly. In this regard, it is sometimes better to avoid using supervisors or too many specialists: these people could disrupt and/or dominate a session thus stemming creativity.

The discussion should take place in relaxing surroundings to help the participants loosen up. The chairperson addresses the problem at hand, and subtly keeps the ensuing discussion on the topic. To ensure creativity, the following "ground rules" are suggested:

- 1) **Do not permit evaluation of ideas:** Osborn feels that criticism at this stage only makes the participants more defensive and restrains their thinking.
- 2) **Encourage participants to think 'far out':** It is much easier to tame down wild ideas than to beef up insipid ones. The central purpose of brainstorming is to tap all of the participants' thoughts and experiences, 'far out' ones not excluded.
- 3) **Put emphasis on creating a large quantity of ideas:** A large quantity of ideas should eventually produce a greater number of better quality thoughts. Also, the emphasis on quality damps the tendency to evaluation.
- 4) **Encourage participants to modify or build upon the ideas of others:** Such hybrids are often superior to their predecessors as different perspectives are focused on a common solution.

Osborn<sup>\*</sup> has suggested the following questions to further prod the brainstorming group for generating real-value new product ideas:

- 1) Can you list some existing attributes of this product class?
- 2) Can you suggest new attributes? – New uses? New ways?
- 3) Can these attributes be adapted? – Does the past offer a parallel?
- 4) Can these attributes be modified with respect to 'meaning', 'colour', 'motion', 'sound', 'odour', 'forms', 'shape', etc.?
- 5) Can these attributes be magnified? – What to add?  
Greater frequency? Stronger? Higher? Longer? Thicker? More durable? More value? Better quality? Duplicate? Multiply? Exaggerate?
- 6) Can these attributes be minimized? – What to delete?  
Smaller? Condensed? Lower? Shorter? Lighter? Cheaper? Tone down?  
Miniature version, actually.
- 7) Can these attributes be substituted? – Other ingredients?  
Other processes? Other markets?
- 8) Can these attributes be rearranged? – Interchanged?  
Other patterns? Other layouts? Other sequences? Other schedules?
- 9) Can these attributes be reversed? – Upside down?  
Backwards? Opposites?
- 10) Can these attributes be combined? – A different blend?  
Another alloy? A new assortment? Different Combine appeals?  
Combine objectives? Combine units? Combine uses?

In effect, it comes out to be an application of Attribute Listing approach in Brainstorming.

This procedure is continued until the group is drained of ideas. Some writers emphasise the value of pressing on for a few minutes when this point is reached, as fatigue is seen as a catalyst in releasing ideas. Some believe that when minds are drained of ideas, a synthesis of these thoughts can take place.

The brainstorming technique has much to recommend it in generating new product ideas. It offers the potential of producing a great number of ideas in a relatively short time and at a very modest cost. However, not all companies have success with brainstorming. Often failure results simply from the inability to correctly adhere to the ground rules of the technique. Dissatisfied executives have complained of participants not preparing for brainstorming sessions. Others cite

<sup>\*</sup>Osborn, Alex F., *Applied Imagination*, 3rd ed. (NY : Scribner's 1963), pp. 286-87.

problems with using members of different organizational rank in the same sessions. These failures cannot be blamed upon the technique itself.

Detractors of brainstorming feel the technique itself is invalid. Principally, many doubt the "synergistic benefits" attributed to these group sessions. For example, "You can't put three individuals with 100 IQs together and expect to get the product of two persons with 150 IQs"

The essence of brainstorming is the attempt to produce ideas in quantity via the freedom of expression which comes with the deferment of judgement. Thus defined, "brainstorming" is an individual as well as a group technique.

In view of this, how should one handle brainstorming? Can the talents of a group be properly harnessed by this technique?

To salvage this potentially valuable tool from human foibles, several variations have been created. One such variation is the "Buzz Group", created by Dr. J. Donald Phillips. Phillips theorised that aggressive individuals will tend to dominate group sessions and thus cause their colleagues to hold back. To prevent this from inhibiting the expression of ideas, he subdivided the group into clusters of six and allowed each group only six minutes to come up with an idea. This subdivision isolated the "bullies" somewhat, and the introduction of time pressure caused the "timid" to be more vocal.

As with group brainstorming, the reaction to the Buzz Group is mixed. Critics point out that six minutes is often not enough time for effective ideation.

#### Activity 6

Conduct Brainstorming exercises to generate ideas regarding:

- a) A new approach to marketing of MBAs, and
- b) A model of marketing for the Indian seller.

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#### Focus Groups

The conducting of focus group interviews is very much like that of brainstorming. It is unstructured, to some extent, and it relies on the spontaneous interaction of the group. But the members of the group are consumers (rather than employees of the firm) and, usually, are decided on by a market research agency. That is to say, focus group interviews can be thought of as brainstorming with consumers/potential consumers.

As the name of the technique conveys, this type of group discussion focuses on some definite marketing/product aspect, such as a product's characteristics, a brand name, an advertising theme. The pivotal theme is necessary to keep the discussion revolving around the important questions or the issues. This also helps in cutting down the irrelevant and idle talk.

\*McGuire, E.P., *Generating New Product Ideas* (NY: The Conference Board, 1972), p. 15.

About eight to twelve potential and interested consumers can be invited to form a focus group. The group moderator's role is to lead the participants through an open and in-depth discussion on the subject area(s) in question in a non-directive and non-judgmental manner.

This technique is widely used by advertising agencies for guidance in creating effective advertisements. It is often employed in the testing stages of new product development – both in concept and product testing – also. But, when focus groups are used to generate new product ideas, they present some basic conceptual difficulties. Mainly for, firstly, consumers can hardly be expected to invent products – the need(s) may be latent and it may be difficult to conceive products which do not actually exist. If a typical consumer were asked about his entertainment needs in the early forties, he might not have an idea of picture screen, with sound right, there in his bed room, i.e., a TV. Or, if, in the early sixties, consumers were surveyed about their needs in handling numbers, who would have suggested a hand calculator? In other words, at best, focus group interviews can be used effectively for the existing products and their problems.

These groups should also be protected from lack of representation and the poor quality of response. At times, samples are mainly composed of housewives easily available and outgoing with lot of time and inclination to participate in such an activity. The worse, if they are articulate too. They may try to impress the panel with their smartness and tend to act like experts. Thus, the results may be exploratory in nature and may not be generalized for the entire population.

Another difficulty possible is related to interpretations. Even though recorded – audio/video – when analyzing a discussion, there may be as many interpretations as interpreters.

However, these points may not be valid when it comes to generating new product ideas, because the focus group interviews for generating new product ideas are not to be utilized in an evaluative manner.

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## 6.6 SCREENING OF NEW PRODUCT IDEAS

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Screening is essentially an elimination technique. If the purpose of idea generation is to have a large number of ideas, the purpose of screening is to reduce this number to profitably viable few.

Actual screening procedures vary from company to company and range from simple, yes – no checklists to elaborated scaling. In large companies, the screening process is usually a multistage procedure.

Screening of new product ideas is essential for costs and risk of developing new products run very high. Each project needs to be evaluated before funds are committed to its development. Once a product reaches the market place, what is done cannot be easily undone. It stands or falls on its merits. Back-tracking can be fatally costly for stakes get progressively higher as the new product approaches commercialization. Therefore, smart companies concentrate on appraisals very early in the life of a new product idea.

The rationale for what is basically a rejection technique stems from the fact that very few ideas end up as successful products; may be just 1% or 2%. But, as the experts believe, typical screening operation may yield about 25% productive concepts to work on for screening can check that good ideas are not discarded.

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## 6.7 CRITERIA FOR SCREENING NEW PRODUCT IDEAS

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Screening criteria are established as evaluative standards in new product development. They make arbitrary decisions less likely. They provide a unity of purpose. They provide a proper perspective for new product planners.

Screening criteria usually concern themselves with three factors – markets, products, and finances. More frequently used market-criteria are market size, share; market growth; market positioning; distribution features; etc. The 'product-criteria' are newness; technical feasibility; organizational support; servicing requirements; legal considerations; etc. The 'financial-criteria' are profitability; return on investment; cash flow; etc.

Because some considerations are of more significance than others, many firms have more than one set of screening criteria. The following sets of "Must have" and "Would like" criteria have been suggested for the planner of new products\*:

#### "Must have" criteria

- ① Fill a perceived need with a sufficiently defined group of heavy users for the product.
- ② Have unique product characteristics that offer distinctive benefits to the user.
- ③ Have sufficient trading profit contribution, e.g., 20% to 30%, in case of grocery products.
- ④ Be saleable in large, expanding territories.

#### "Would like" criteria

- ① Be compatible with and able to carry the company's brand name.
- ② Provide the basis for a continuing business, e.g., a minimum life span of three to five years, in case of grocery products.
- ③ Lend itself to mass media advertising.

The existence of a double standard – "must have" and "would like" criteria – suggests that screening be done in stages. It makes sense. Only if an idea passes the first test of compulsories would it progress to the next level of evaluative checks. Ideas that pass the preliminary stage are then appraised further for estimating their relative values, so that the best of the lot can be selected.

Whether a firm will adopt a multistage approach depends upon the number of ideas flowing from exploration to evaluation. A few ideas can easily be screened at a single session. But, for a continuous stream of ideas, a more elaborate procedure is required. Consequently, many small and medium-size firms do not have a multistage screening method, for resources are limited, new product ideas are not actively pursued, and formal organizing for managing the new product development function does not exist. On the other hand, screening in steps is quite common in large companies.

Ideas can also be screened one-by-one or in batches. Processing several ideas together, in one operation may offer certain economies. But, if this is not a significant consideration, the individualistic approach should be preferred to screening ideas in groups.

#### Preliminary Screening

Preliminary screening is the first, rather rough, attempt to judge the value of a new product idea. Some basic criteria are required for preliminary screening. For example, in case of a consumer goods company, the following statements can serve as primary criteria to screen new product ideas†:

- ① The item should be in a field of activity in which the corporation is engaged.
- ② If the idea involves a companion product to others already being manufactured, it should be made from materials to which the corporation is accustomed.

\*McGuire, E.P., *Evaluating New Product Proposals* (NY : The Conference Board, 1973), p. 27.

†Sachs, W.S. and George Benson, *Product Planning and Management* (Oklahoma : Penn Well Publishing Company, 1981), p. 231.

- The item should be capable of being produced on the type and kind of equipment that the corporation normally operates.
- The item should be easily handled by the corporation's existing sales force through the established distribution pattern.
- The potential market for the product should be at least Rs. ....
- The market over the next five years should be expected to grow at a faster rate than GNP.
- Return on investment, after taxes, must reach a minimum level of .....

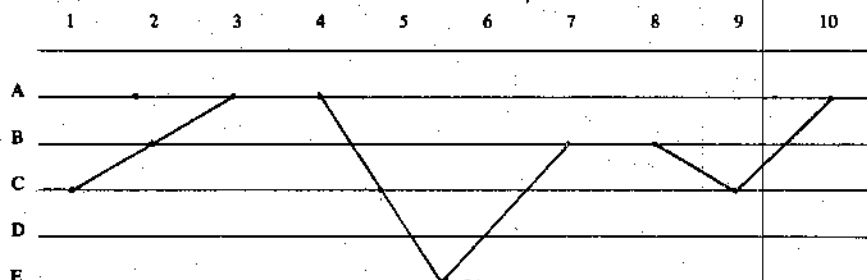
For majority of such check statements, a yes or a no answer should be forthcoming without spending much time to reach the point in question. Technical questions can be referred to the appropriate departments.

**Product Profile Ratings – Ranked Data†**

This technique basically calls for the ideas to be evaluated in terms of a number of key characteristics. One type of such a rating system is the simple ordinal measure wherein each characteristic is scored on a five-point scale. For example, each idea can be rated on ten different criteria from Very Good (A) to Very Poor (E), as shown below:

Criterion/Characteristic	Very Good (A)	Good (B)	Average (C)	Poor (D)	Very Poor (E)
1. ....			X		
2. ....		X			
3. ....	X				
4. ....	X				
5. ....			X		
6. ....					X
7. ....		X			
8. ....		X			
9. ....			X		
10. ....	X				

These ratings can also be shown graphically (as presented below):



This chart shows a (new) product profile in graphic form. Such profiles can be developed from all new product ideas and their comparisons can be made easily.

**Product Profiles – Summated Data\***

This method of screening new product ideas is very much like that of ranked data

† See Sachs, W.S. and George Benson, *Product Planning and Management* (Oklahoma : PennWell Publishing Company, 1981), pp. 233-35.

\*See Sachs, W.S. and George Benson, *Product Planning and Management* (Oklahoma : PennWell Publishing Company, 1981), pp. 235-39.

but there are some modifications:

- The ratings are in terms of numerical values. Scores by different people are averaged.
- Each criterion is given a weight in accordance with its supposed importance to the success of a new product.
- Scores and weights are multiplied and their products added to obtain a single overall rating for an idea. This total score facilitates comparisons of different ideas.

The overall rating is described as follows:

$$R = \sum_{i=1}^n W_i S_i$$

where,

- R is overall rating,
- $W_i$  is weight of the  $i$ th criterion
- $S_i$  is score of the idea on the  $i$ th criterion,
- $n$  is number of ideas used in screening.

To illustrate this method, we can use the data used in the previous method. Each criterion is to be given a weight, and numbers 1 to 5 will replace letters A to E. The total of all weights should come to 1.00 and, thus, the maximum score of any idea possible is 5.0 (Very Good). For a ready acceptance, the summated rating of an idea should be 4.00 and above. An idea rated between 3.5 and 4 is placed between acceptance and rejection. But, exact cut-off point is a judgmental decision arrived at by experience.

The results of using this method are shown below:

Criterion/Characteristic	Weight	Very Good (5)	Good (4)	Average (3)	Poor (2)	Very Poor (1)	TOTAL
1. ....	0.15			X			0.45
2. ....	0.13		X				0.52
3. ....	0.12	X					0.60
4. ....	0.11	X					0.55
5. ....	0.10			X			0.30
6. ....	0.10					X	0.10
7. ....	0.09		X				0.36
8. ....	0.09		X				0.36
9. ....	0.08			X			0.24
10. ....	0.03	X					0.15
	1.00						3.63

The basic reason why this method should be preferred to the previous method of rating product profiles is the advantage summated data have over the ranked data. In Product Profile Ratings, a Product profile with mostly A ratings can be rather easily distinguished from one with mainly B or C. But, when the patterns of ratings are not quite as distinct or when they take on irregular shapes, sorting of best ideas from a large lot can become difficult. That is why methods using mathematical manipulations are believed to give better picture of the product profiles.

Finally, in screening the ideas, as Philip Kotler\* says, a company must avoid two types of error – a DROP error and a GO error.

\* See Philip Kotler, *Marketing Management: Analysis, Planning, Implementation and Control*, (New Delhi: Prentice-Hall of India Private Limited, 1988), pp. 415-16.

A DROP error occurs when the company dismisses an otherwise good idea for the easiest thing to do is to put down others' ideas. If a company makes too many DROP errors, its standards are too conservative.

A GO error occurs when the company permits a poor idea to move into the stages of product development and commercialization. As a result, three types of failure can ensue. An 'absolute product failure' (sales don't cover even variable costs), a 'partial product failure' (sales cover all the variable costs and even some of the fixed costs), and 'relative product failure' (yields a profit that is less than the company's normal or target rate of return).

The purpose of screening should be to stop and drop poor ideas as early as possible. Otherwise, if the ideas reach later stages and get converted into ready-to-launch products, management may feel that after investing so much in the development of the product it is worth trying it in the market. But, that may be fatal. What happens when you let good money chase bad money?

## 6.8 DEVELOPMENT OF NEW PRODUCT IDEAS

For further progress in the process of new product development, screened ideas need to be converted into product concepts. "A product concept is an elaborated version of the idea expressed in meaningful consumer terms", says Philip Kotler."

We can see the method of idea development with the help of the following example\*:

A large food processor, say Cadbury India, gets the idea of producing a powder to add to milk to increase its nutritional level and taste. This is only an idea. Consumers, however, do not buy product ideas. Therefore, this product idea needs to be converted into a product concept. And, any product idea can be converted into several product concepts.

There is a need to ask some questions. First, "Who is to use this product?" (The powder can be aimed at infants, children, teenagers, young or middle-aged adults, or senior citizens). Second, "What primary benefit should be built into this product?" (Taste, nutrition, refreshment, energy?). Third, "What is the primary occasion for this drink?" (Breakfast, midmorning, lunch, evening, dinner, late night?):

From these questions, the following concepts emerge :

- a) A tasty midday snack drink for children.
- b) An instant breakfast drink for adults.
- c) A health supplement for elderly people at night.

For testing each of these concepts, elaborated version of each concept can be presented to sample consumers. For example, the elaborated version of product concept (b) above can be like the following:

A powdered product that is added to milk to make an instant breakfast that gives the person all the nutrition needed along with good taste and high convenience. The product will be offered in three flavours - choc: vanilla, and strawberry - and will come in individual packs - six in a box - at Rs. 20 a box.

Then, the consumers can be asked some questions like:

- Are the benefits clear to you?
- Are the rewards believable?
- Do you see this product as problem solving/need filling?
- Are there other products that meet the same need?

\* Kotler, Philip, *Marketing Management : Analysis, Planning, Implementation and Control* (New Delhi: Prentice-Hall of India Private Limited, 1988), p. 418.

- How do you rate it on satisfaction when compared to them?
- Is the price justified?
- Would you buy the product?

Respondents' answers to these questions can lead to the concept's 'communicability' and 'believability', the 'need level', the 'gap level' (between the new product and the existing products), 'perceived value', and the 'purchase intention' (definitely, probably, probably not, definitely not). A summary of these answers can tell if the concept has a strong and broad enough appeal. If the concept looks good, the information also tells the planner what products this new product would replace, what consumers are the best targets, and so on.

#### Activity 7

Suppose you are hired as a consultant for Bata India Limited to help them with the generation of new ideas for shoes (even ahead of Power and North Star).

- 1) Which idea generation technique(s) you will use and why?
- 2) Generate new ideas.
- 3) How will you screen the ideas generated?
- 4) Develop the screened ideas into product concepts.
- 5) Testing these concepts, arrive at the final/best new product idea.

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## 6.9 SUMMARY

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The unit discusses the generation, screening and development of new product ideas, as the first stages in the development process of new products. With the improvement in research and technology and the premium of innovativeness in modern management, the marketer has at his disposal, an average of idea generation techniques, each with its merits and demerits. The unit discusses a number of these techniques while idea generation techniques aim at multiplication of ideas for new product development, screening is basically an elimination technique to reduce the number of new product ideas to a viable few. The unit discusses the criteria for screening as well as the screening methods. The development of the idea into a product concept has also been discussed.

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## 6.10 SELF-ASSESSMENT QUESTIONS

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- 1) What are the sources of new product/service ideas utilised in your organisation, any other organisation that you are familiar with. Evaluate them with respect to their potential as good sources of ideas.

- 2) Compare and contrast the techniques of idea generation studied by you in this unit. Which method would you prefer for:
  - a) a consumer product
  - b) a service
- 3) How would you use Benefit Structure Analyses to generate new product ideas for:
  - a) a health drink
  - b) a disinfectant
  - c) a perfume.
- 4) What are the safeguards to ensure the effective use of brainstorming as a technique. What are the limitations of this technique.
- 5) Describe the important criteria used to screen new product ideas
- 6) How would you use product profile ratings to such a new product idea. Explain with the help of an example.
- 7) What are the steps involved in new product launch. Discuss with the help of a suitable example.
- 8) How would you select the right target market for your new product. Discuss the criteria for selection of a viable segment.
- 9) Describe the development of the components of product strategy for a new product.

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## 6.11 FURTHER READINGS

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# UNIT 7 ECONOMIC ANALYSIS – EVALUATION OF NEW PRODUCT IDEAS/CONCEPTS

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## Objectives

After studying this unit you should be able to:

- Explain the meaning and purpose of economic analysis for new product ideas
- Discuss the variables used in economic analysis
- Elaborate upon the process of estimation of first-time sales and repeat sales
- Describe the sales forecasting methodologies used for economic analysis of new products
- Discuss the various types of analyses used for evaluating new product ideas
- Utilize the Economic Analysis Summary forms to arrive at comprehensive economic analysis of new product ideas.

## Structure

- 7.1 Introduction
- 7.2 Purpose of Economic Analysis
- 7.3 Market Potential
- 7.4 Market Demand
- 7.5 Estimating Sales
- 7.6 Sales Forecasting Methodologies
- 7.7 Estimating Costs, Sales and Profits
- 7.8 Break-Even Analysis
- 7.9 Return on Investment
- 7.10 Economic Analysis Summary Form
- 7.11 Summary
- 7.12 Self-assessment Questions
- 7.13 Further Readings

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## 7.1 INTRODUCTION

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Product managers are involved, directly or indirectly in the preparation and presentation of investment proposals for new facilities, new markets, new products, or new projects. What are the financial calculations required to make the case? Essentially, the product manager needs to present a financial logic that demonstrates a financial return at least as attractive as other identified opportunities before the top management.

Economic analysis is sales, cost, profit projections of a product proposal. It is only after these projections satisfy the company's objectives, that the product concept can move to the product-development stage, as the incentive for new-product development grows. These projections should be made over a period of five to ten years. In addition, market shares, relative prices, and relative costs also deserve attention. A measure of relative value indicate how vulnerable the product or product type is to possible substitutes.

The total economic analysis, or a complete new-product business plan should include estimates from marketing, production, and accounting personnel. Marketers can provide sales and market share projections, advertising and sales promotion budgets, and pricing information. Engineering and production personnel can estimate research and manufacturing costs. And, accountants can project profit margins. Such thorough economic analysis is expensive and time consuming but also prevents disasters.

## 7.2 PURPOSE OF ECONOMIC ANALYSIS

Economic analysis is only a continuation of the evaluative process that began when the new-product idea was first generated. Once the product concept is developed, economic analysis can evaluate the business attractiveness of the proposal.

The purpose of economic analysis is to provide a structure of analysis that will require all the parties involved to recognize the full realities of the situation. The idea is to give the persons (who will provide the money for the ultimate commercialisation process) a full and objective statement of what is supposed to happen financially. And, it is also possible that this type of analysis exercise motivates all the parties concerned to be more objective and thorough in their efforts.

The major purpose of economic analysis is to serve as a basis for a decision as to whether the corporate resources should be committed to the development of new product. The key question is, "What will be earned from the amount of money spent to develop and market the new product?" The issue is essentially of cash inflows compared to cash outflows.

As per Sachs and Benson\*, the decisions of economic analysis hinge on the following considerations: demand, profitability, and return on investment. Will market demand be sufficient to meet the company's profit goals? And, how much investment will be necessary?

They suggest that one way of reaching a solution is to evaluate demand and supply factors\*. The demand side concerns itself with revenue, the supply side with cost. Demand must be large enough to justify cash outlays for bringing forth and marketing the necessary supply. Accounting for both factors implies calculations of probable profits and return on investment.

## 7.3 MARKET POTENTIAL

The starting point for any economic analysis should be an estimate of total market potential. It is not a projection of actual sales. Rather, it is the maximum quantity an entire industry can sell if its marketing effort is the utmost. For example, the market potential for baby food logically should be 'total number of infants' multiplied by (some estimated) 'number of feedings'. Or, the total market potential for books can be estimated by multiplying the 'number of buyers of books' by the 'number of books bought by an average buyer' and the 'price of an average book'.

But, different companies might define and estimate the 'number of buyers' in a specific product/market differently, even when the product is identical. One firm, for example, might view the market for a fluoride toothpaste as composed primarily of families with children and choose to ignore all others - the singles, the childless, the retired. Another firm might include young adults also. Yet, a third firm might stretch its definition of potential customers to include senior citizens also. Or, all the three firms might decide on the same age groups but assign different degrees of importance to each.

In case of industrial products, firms rather than people become the relevant units of estimation.

Irrespective of the product type, consumer or industrial, market potential estimation is easier when markets/industries are well defined. An industry with few manufacturers and products is an analyst's dream. How wrong can one be in delineating the parameters of the auto industry? But, products flowing into numerous channels of distribution create difficulties because each segment and submarket may have its own special characteristics and requirements.

\* Sachs, W.S. and Benson, G., *Product Planning and Management* (Oklahoma: PennWell Publishing Company, 1981), p. 249.

### Activity 1

Examine the method adopted by your company to define and estimate the number of buyers for its products/services. What are your reactions?

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## 7.4 MARKET DEMAND

“Market demand for a product is the total volume that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program”\*

The ratio of company to industry sales gives a company's market share. Estimating market demand involves two steps: projecting industry sales and projecting company sales.

If the new product is similar to one already in the market, estimates of market demand become easy. But, when the new product is very much different from existing ones, projections become subjective and uncertain. Practically all experts grossly underestimated demand for copying equipment in the formative period of plain paper copier (Xerox).

If an innovative product serves the same uses as conventional products, for example, the shaving foam, its demand will be governed by the rate at which it replaces the old.

In evaluating demand for a brand new product, the penetration patterns of an older product can sometimes be used. For example, demand patterns of Black and White TV in the sixties and seventies could have served as a model for the colour TV manufacturers, in the early eighties, to estimate sales.

Modified, revised, or altered products make the most predictable cases. The old product provides a customer base, a sales history, and a current demand. But products new to a company are less predictable as they have no past and no recorded body of information. They offer great uncertainty. Market demand depends on what a company does. But, the company's marketing effort, in turn, is affected by competition, customer preferences, and industrial growth rate. A new brand may have to spend relatively large sums of money to gain customers when brand loyalty runs high, or when the market is dominated by strong, established brands. On the other hand, rupee-per-new-customer expenditure may be relatively low in a market undergoing rapid growth.

If the new product is introduced for pre-emptive reasons—to prevent a competitor from making inroads—then the economic analysis takes on different dimensions. For example, Colgate planning to introduce the costliest, plaque fighting toothpaste (most probably, Appeal) to pre-empt the entry of Crest (by Procter and Gamble) in India. Or, Balsara Hygiene Products introducing Babool at Rs. 10 for every 200 gm pack (when they already have Promise doing pretty well—about 13% of the market share, at the last count) to pre-empt the launch of Nirma Toothpaste by Nirma Chemical Works. The new brand is expected to take away a portion of the existing brand's sales. At the same time, some of that could go to the competitors in the absence of the new brand. The net company gain, thus, is the difference between 'what would have been the sales without the new brand'

\* Philip Kotler in *Marketing Management: Analysis, Planning, Implementation and Control*, 6th ed., (New Delhi: Prentice-Hall of India Private Limited, 1988), p. 259.

and 'what would happen with it'. Here, the market demand estimation becomes very complicated, but a complete economic analysis must address itself to such complexions.

## 7.5 ESTIMATING SALES

A firm needs to estimate the minimum and maximum of sales to determine if the sales will be profitable. In other words, to learn the range of risk. The firm can benefit from examining the sales history of similar products and also by surveying the market opinion. There is a need to set the minimum sales level that will cover the fixed selling expenses.

Sales can accrue from one-time purchase of a product, infrequent purchases of a product, or frequent purchases of a product.

In case of one-time purchase, sales won't become zero so long as new buyers keep entering the product's market. Sales will come to zero when all one-time purchasers have bought the product (once). This can happen with any product, consumer or industrial, durable or non-durables.

Sales from infrequent purchases of a product, like an automobile, or an industrial equipment, include sales from replacement due to wearing out of the product or its obsolescence. Therefore, both the first-time as well as replacement sales should be estimated.

In case of sales from frequent purchases of a consumer or industrial non-durable, repeat-purchase sales also contribute. Repeat purchases prove that the product is satisfying to a per cent of the customers.

### Estimating First-time Sales

Bass\* has used an epidemic (sometimes called contagion) equation to forecast sales of appliances when they were first introduced, including room air-conditioners, refrigerators, black and white television, etc. He used sales data for the first few years of product introduction to estimate sales for the subsequent years until replacement demand became a major factor. His sales projection for room air-conditioners fit the pattern of actual sales with a coefficient of determination,  $R^2 = 0.92$ . The predicted time of peak was 8.6 years as against an actual time of 7 years. And, the predicted magnitude of peak was 1.9 m as against an actual peak of 1.8 m.

In this model, the probability of purchase at time  $T$  is:

$$P(T) = p + q [Y(T)/m];$$

where:

$p$  = probability of first purchase at  $t=0$ , or the coefficient of innovation,

$q$  = coefficient of imitation,

$m$  = total number of potential adopters,

$Y(T)$  = the number of adoption purchases by  $T$ , and

$Y(T)/m$  = the fraction of potential adopters who have purchased.

Bass defines an "innovator" as an "early adopter of a new product" and an "imitator" as a "late adopter of a product whose purchase decision is influenced by earlier buyers and users".

The number of adopters at  $T$  is:

$$S(T) = pm + (q-p) Y(T) - (q/m) (Y(T))^2$$

The maximum number of adoptions will occur at  $T^+$ :

$$T^+ = (p+q)/m (q/p)$$

\* Bass, Frank M., "A New Product Growth Model for Consumer Durables", *Management Science*, January 1969, pp. 215-17.

and

$$S(T^+) = \frac{m(q+p)^2}{4q}$$

Fourt and Woodlock\* developed a first-time sales model that they tested with several new consumer non-durable products. Their observation of new-product-market-penetration rates showed that (1) cumulative sales approached a limiting penetration level of less than 100% of all households, and (2) the successive increments of gain declined. The equations is:

$$q_t = \bar{r}q(1-r)^{t-1}$$

where,

$q_t$  = percentage of total households expected to try the product in period  $t$ ,

$r$  = rate of penetration of untapped potential,

$\bar{q}$  = percentage of total households expected to eventually try the new product, and

$t$  = time period.

Say, it is estimated that 40% of all households will eventually try a new product, or  $\bar{q} = 0.4$ . Also, in each time period, 30% of the remaining new-buyer potential is penetrated, or  $r = 0.3$ . Therefore, the percentage of households trying the new product in the first 4 periods are:

$$q_1 = \bar{r}q(1-r)^{1-1} = (0.3)(0.4)(0.7)^0 = 0.120$$

$$q_2 = \bar{r}q(1-r)^{2-1} = (0.3)(0.4)(0.7)^1 = 0.084$$

$$q_3 = \bar{r}q(1-r)^{3-1} = (0.3)(0.4)(0.7)^2 = 0.059$$

$$q_4 = \bar{r}q(1-r)^{4-1} = (0.3)(0.4)(0.7)^3 = 0.041$$

That is to say, as time moves on, the incremental trial purchase percentage moves toward zero. To estimate rupee-sales from new buyers in any period, the estimated trial rate for any period,  $q_t$ , is multiplied by the total number households times the expected first-purchase expenditure per household of the product.

#### Estimating Replacement Sales

The estimate of replacement sales begins with an idea of products' life, or survival age. The first replacement sales can then be guessed more accurately. But, when exactly the replacement will take place is a matter of alternatives before the customer and his economic condition, on one hand, and product's price and the company's selling efforts, on the other hand.

Practically, replacement sales are difficult to estimate before the product is actually in use. That is why marketers prefer estimates of first-time sales for launching a new product.

#### Estimating Repeat Sales

Both the first-time sales as well as repeat sales are to be estimated for a frequently purchased new product. Sales, in the long run, result because of repeat purchases and also after all first-time purchases have taken place. Repeat purchases also show customer satisfaction with the product. Repeat purchases are to be noted in different classes of repeat buyers: those who buy once, twice, thrice, four times, and so on. The product may be bought only a few times and dropped. Usage rates may differ from buyer to buyer. Initially, the potential market for consumer products like automatic washing machine are ill-defined and the useful life of a purchased product changes over time.

\* Fourt, Louis A. and Woodlock, Joseph N., "Early Prediction of Market Success for New Grocery Products", *Journal of Marketing*, October 1960, pp. 31-38.

## 7.6 SALES FORECASTING METHODOLOGIES

Sales forecasts for new products can be made using different techniques. The output of the most new products forecasting systems is 'sales' or 'share of market'. The systems also use variables that will determine the sales or market shares which demonstrate how purchasing units go through an awareness-trial-repeat purchase sequence. And, the systems also include causal forces that will determine sales.

Structurally, 'causal forces', like product, price, distribution, competition, etc., give 'forecasting behaviour', such as awareness, trial, and repeat purchase. And, then, sales can be forecast from behaviour through projections.

Sales can also be forecast directly from the causal forces by using judgmental estimates - judgment by executives, sales force, or users.

Thus, new product's sales forecasts can be made in two ways. First, by studying the causal forces to predict the awareness-trial-repeat factors, and calculating sales from those factors. Second, by going directly from causal forces to sales forecasts.

### Forecasting via Judgmental Estimates

In the past fifty years different methods of mechanically predicting sales have been developed, e.g., time-series analysis, and regression analysis. But, since there is a lack of historical data in case of a new product, judgment methods predominate. 'Executive judgment' is the most common - 90% of all sales forecasts on new products are principally executive judgments. Executives may use data, mechanical connectors or formulae, parallels, information, opinions, etc., to arrive at their judgments.

'Sales force judgment' is also used - sales people, sales managers, or even dealers can be asked to make forecasts for their respective market areas, and these forecasts can be totalled. This method is very reliable in case of new products that are close to the current line or that will go to the current markets.

'Users' can also be researched to know their intentions or for their judgments. This method works better in case of new industrial products.

### Forecasting via Awareness-trial-repeat Purchase

Say, for example, a market consists of 3 million customers. The purchasing rate per customer is 15 units per year. Also, say, the firm has the following data from controlled sales test:

Awareness = 40% of customers.

Trial = 30% of those who are aware.

Repeat purchase = 60% of those who tried.

The method suggests that the awareness trial and repeat data can be multiplied by the total market availability to get a forecast of sales.

$$3,000,000 \text{ customers} \times 40\% \times 30\% \times 60\% = \\ 216,000 \text{ customers who are repeat buyers.}$$

$$216,000 \times 15 \text{ units} = 3,240,000 \text{ unit sales per year.}$$

$$\text{Therefore, } \frac{3,240,000}{45,000,000} = 7.2\% \text{ market share.}$$

$$(45 \text{ m} = 3 \text{ m} \times 15 \text{ units per year} = \text{total unit market})$$

Necessarily, there are many assumptions in a calculation such as this for there have been no actual free market sales as yet and the awareness, trial and repeat data are always partly suspect

### Forecasting via Mathematical Models

The few simplistic mathematical models used to forecast new product sales are of almost no help. One method translates 'intent-to-buy' percentages directly into market shares. Another method does the same with 'rank order preference data'. A third method extrapolates from test market sales figures to national sales figures by extending test area 'share of market' percentages.

The more recent developments in the use of mathematical models vary greatly and it is difficult to classify them in a way that clearly and quickly indicates their differences. It is better to consult with experts in this field if you wish to try any of the models. However, it should be noted here that not all mathematical models are complicated and advanced. Some are simple representations of common issue in model form for ease of calculation and for consistency.

#### Activity 2

Which of the sales forecasting methodologies discussed in the section is/are used by your company or a company that you are familiar with? Why? What do you think, should ideally be used?

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## 7.7 ESTIMATING COSTS, SALES AND PROFITS

The next required estimates, after the sales forecasts, will be the expected costs and profits of the new product project. These estimates can be made by the finance, manufacturing, marketing and R/D departments. The following table\* shows a six-year projection of a (hypothetical) new product's costs, sales, and profits (in lacs of rupees):

	YEAR					
	0	1	2	3	4	5
1. Sales revenue	0	118	153	196	282	324
2. Cost of goods sold	0	39	51	65	94	108
3. Gross margin	0	77	102	131	188	216
4. Development costs	35	0	0	0	0	0
5. Marketing costs	0	80	64	82	118	136
6. Allocated overheads	0	11	15	19	28	32
7. Gross contribution	-35	-14	23	29	42	48
8. Supplementary contribution	0	0	0	0	0	0
9. Net contribution	-35	-14	23	29	42	48
10. Discounted contribution (15%)	-35	-12	17	19	24	24
11. Cumulative discounted cash flow	-35	-47	-30	-11	13	37

**Sales revenue :** The firm expects to earn about Rs. 120 lacs by selling about 500,000 units at Rs. 24 per unit. Sales are expected to grow by about 28% in the second and the third year; by about 47% in the fourth year; and come down to 15% in the fifth year. These projections are based on assumptions about the 'rate of market growth', the 'firm's market share', and 'price'.

\*Adapted from Philip Kotler's *Marketing Management: Analysis, Planning, Implementation and Control*, 6th ed. (New Delhi: Prentice-Hall of India Private Limited, 1988), p.425-28.

**Cost of goods sold:** This is arrived at by calculating the 'average cost' of 'labour', 'raw materials/components', and 'packaging' per unit: Here, in this case, it works out to be about 33% of sales revenue.

**Gross margin:** It is the difference between 'sales revenue' and 'cost of goods sold'

**Development costs:** These costs include the 'product development costs' (researching, developing, and testing the physical product); 'marketing research costs' (brand name testing, package testing, test marketing, etc.); and the 'manufacturing development costs' (new equipment, new plant and inventory).

**Marketing costs:** These costs cover advertising, sales promotion, and personal selling expenses, mainly. Marketing administration costs are also included. Initially, marketing costs are likely to be a high per cent of sales. But, over the years, it would lower down. For example, here, in this case, these are about 67% of the sales revenue in the first year, but come down to 42% in the fifth.

**Allocated overhead:** This covers the cost of executive salaries, electricity, office space, etc.

**Gross contribution:** It is found by subtracting the preceding three costs from the 'gross margin'.

**Supplementary contribution:** It is used to include any change in income from other company products caused by the introduction of the new product. This change in income may be a 'reduced' income on other company products (Cannibalized income) or may be an 'additional' income on other company products (Dragalong income).

**Net contribution:** It is the final contribution arrived at after adjusting the 'supplementary contribution' with the 'gross contribution'.

**Discounted contribution:** It is the 'present value'\* of each future contribution (discounted at 15% per annum). For example, the firm will not receive Rs. 48 lacs until the fifth year, which means that it is worth only Rs. 24 lacs today if the firm can earn 15% on its money.

**Cumulative discounted cash flow:** This is the cumulation of the annual 'discounted contributions'. It helps the marketer in deciding the fate of the new product project by showing the 'maximum investment exposure', or the highest loss that the project can create, e.g., in one year, the firm will be down a maximum of Rs. 47 lacs - this will be the firm's loss if the project is dropped after one year. It also helps the marketer decide better by telling the 'payback period', or the time by when the firm recovers all its investment, e.g., the payback period here is about 3½ years.

The marketer, therefore, has to decide whether he can expose the firm to a loss of Rs. 47 lacs and wait 3½ years for payback.

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## 7.8 BREAK-EVEN ANALYSIS

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Marketers use other financial measures also to evaluate the merit of a new-product proposal. The simplest is Break-even Analysis, in which the marketer estimates how many units of the product the firm will have to sell to break-even (no-profit, no-loss) with the given price and cost structure. If the marketer believes that the firm can sell at least the break-even number of units, he will like to go ahead with the project.

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\*The present value (V) of a future sum (I) to be received t years from today and discounted at r interest rate is given by

$$V = \frac{I_t}{(1+r)^t}$$

The break-even point, in terms of rupee-volume, can be derived from the formula

$$\frac{FC}{1 - \frac{VC}{SR}}$$

where, FC = Fixed Costs  
VC = Variable Costs  
SR = Sales Revenue

Thus, if the total fixed cost of the project is estimated to be Rs. 14 lacs, variable costs Rs. 33 lacs, and the total revenue Rs. 118 lacs, the break-even point will come to

$$\frac{14,00,000}{1 - \frac{33,00,000}{118,00,000}} = \frac{14,00,000}{0.72}$$

or Break-even point = Rs. 19,44,444.40

At a price of Rs. 24 per unit, the firm will have to sell about 81,019 units to be able to break-even

The unit volume at which the marginal contribution will just cover fixed costs can also be calculated by the formula,

$$\text{Break-even point} = \frac{FC}{MC} = \frac{FC}{P - VC}$$

Where,

MC = Marginal contribution  
P = selling price per unit of the product  
VC = variable cost per unit of the product

$$\text{or } \frac{14,00,000}{24 - 6.6} = \frac{14,00,000}{17.4}$$

$$= \text{Rs. } 80,459.77$$

or, about 3,353 units

The greatest value of break-even analysis in new product planning is its (indirect) suggestion of risk. It is an indicator of danger. How low the sales of the firm can go before it starts making any loss?

The analysis also indicates 'leverage': the marginal contribution signifies the incremental profits associated with incremental sales once the break-even point is reached. Such estimates of profits for various sales levels are extremely helpful in developing a marketing plan for a new product.

### Activity 3

Develop/Find out a formula for calculating the break-even point when a target profit is also to be covered along with fixed costs by the contribution.

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\*Total number of units to be produced and sold is assumed to be 500,000. Therefore, Rs. 33,00,000/500,000 = Rs. 6.6 per unit.

## 7.9 RETURN ON INVESTMENT

Profit is important, but not the end of economic analysis. Equally important is the capital expenditure as it may eventually be a sunken cost. Returns anticipated must be seen in relating to the investment involved. Large profits shown by a new product may be less attractive when compared with the capital outlays necessary in the beginning.

Return-on-investment (ROI) analysis involves four considerations: amount of return, duration, timing, and risk. The amount of return must be sufficiently large to justify the investment. Timing for a short-time project is of little consequence. But, for long-time projects, early inflows of cash are preferable, as early cash can be re-invested.

The most common methods of assessing return on investment are 'payback', 'rate of return', and 'discounted cash flow'.

### Payback

It is mainly concerned with how long it will take the firm to get back its initial investment. It adopts the commonsense rule that projects with shorter payback periods are more valuable than those with longer. This, at the same time, may be taken as a method that favours new product proposals with high short-term profits, while discouraging others whose impact may eventually be greater and more lasting. However, in an environment where cash inflows are uncertain, e.g., cosmetics and health-care products, a quick investment recovery means lower risk. A payback period of one year or even shorter is not uncommon in these industries

### Rate of Return

It relates net earnings to the cost of the investment. The average (annual) rate of return can be calculated as

$$\frac{\text{Average net annual income}}{\text{Average net investment}}$$

To illustrate the calculations in the simplest terms, suppose a Rs. 8 million investment is projected to produce a net annual income of Rs. 400,000, on an average. The average investment is derived by dividing Rs. 8 million by 2, which would roughly correspond to the midpoint of the life of the project. The average rate of return, therefore, will be

$$\frac{\text{Rs. } 400,000}{\text{Rs. } 4,000,000} \times 100 = 10\%$$

### Discounted Cash Flow

The discount method of handling cash inflow accounts for the time value of money. The idea is that the future value of an investment is enhanced by the cash accumulating at compound interest. Thus, the future value can be calculated by the standard compound interest formula,

$$FV = \frac{I}{(1+i)^n}$$

where,

FV = Future value of an investment

I = Initial sum invested

i = Interest rate for each period

n = Number of periods in which interest is paid.

However, the 'present value' method of evaluating an investment proposal has been more in use. The present value (PV) of a future sum (I) to be received n years from today and discounted at i interest rate is given by the formula

$$PV = \frac{I_n}{(1+i)^n}$$

The present value of an investment can also be arrived at by conversion from future value,  $PV = FV (1/i + i)^n$ . The expected cash flow from the new project is discounted to the present time at a compound rate of interest and then compared with today's investment. Present worth tables are normally used to aid calculations. The choice of interest rate to discount the annual cash inflow can be made in two ways. A firm can take the prevailing interest rate in the money market (as its cost of capital), or it can use the rate currently earned on its invested capital (as an opportunity cost).

In the final assessment, the new-product proposal should be acceptable only if the total of present values of annual earnings is equal to greater than the present value of the investment as, otherwise, the project does not meet the firm's capital cost requirement (of a particular per cent).

## 7.10 ECONOMIC ANALYSIS SUMMARY FORM\*


Table 1 contains the basic preparation sheet which precedes the financial summary (Table 2) statement and permits calculations in whatever mode is preferred by the firm. In actual use, formats of the tables can be simplified to cover only what the firm wants. The given forms are comprehensive and cover all options.

Table 1

Proposal : .....
Date of this analysis : ..... Previous analysis: .....
1. Economic conditions prevalent:
2. The market (category) :
3. Product life : ..... years
4. List price: Rs. .... Other discounts: .....
Distributor discounts ..... Promotion : .....
Net to factory : Rs. .... Quantity : .....
Average rupees per unit sold: Rs. ....
5. Product costs:
Applicable rate for indirect manufacturing costs: .....
Explanation of any unique costing procedures being used :
6. Future expenditures, other capital investments, or extraordinary expenditures:
7. Working capital : ..... % of sales
8. Applicable overheads :
Corporate : ..... % of sales
Division : ..... % of sales

\* See Crawford, C. Merle, *New Products Management* (Illinois: Richard D. Irwin, Inc., 1983), pp. 433-53

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9. Indirect benefits to be included in the calculation, if any (e.g., support to product line) :																									
10. Indirect costs to be included in the calculation, if any (e.g., early closing of plant being caused by cannibalization) :																									
11. Net loss on cannibalized sales, if any, expressed as a percentage of the new product's sales : .....%																									
12. Future costs/revenues of project abandonment if that is done instead of marketing the new product: Rs. ....																									
13. Tax credits, if any, on new assets or expenditures : Rs. ....																									
14. Applicable depreciation rate(s) on depreciable assets: ..... % on %....., ..... % on .....																									
15. Central/State income tax rate applicable: ..... % Comments:																									
16. Applicable cost of capital : ..... % ± Risk premiums or penalties : ..... % Required rate of return : ..... %																									
17. Basic overall risk curve applicable to the Net PV :  Standard of .....																									
18. Key elements to be given sensitivity testing (e.g., sales, price cuts):																									
19. Sun costs : Expenses to date : Rs. .... Capital investment to date : Rs. ....																									
20. Elements of new product strategy that are especially relevant on this proposal (e.g., diversification mandate or cash risk):																									
21. Basic sales and cost forecasts:																									
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%; text-align: center;">Year</th> <th style="width: 25%; text-align: center;">Unit sales</th> <th style="width: 25%; text-align: center;">Direct production cost per unit</th> <th style="width: 35%; text-align: center;">Marketing expenses</th> </tr> </thead> <tbody> <tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr> </tbody> </table>	Year	Unit sales	Direct production cost per unit	Marketing expenses	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	
Year	Unit sales	Direct production cost per unit	Marketing expenses																						
.....	.....	.....	.....																						
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.....	.....	.....	.....																						
.....	.....	.....	.....																						
22. Other special assumptions or guidelines:																									

The following terms used in Table 1 are intended to mean as given:

**Economic conditions** = Differences from the on-going economic forecasts, if any.

**The market (category)** = The defined market for the new product, the growth rate assumption, and the total current market in unit as well as rupee volumes.

**Product life** = Number of years used for the economic analysis of the new product.

**Pricing** = The intended selling price of the new product.

**Future expenditure** = Every future outflow of money. Any expenditure that will not be covered by the regular Income Statement.

**Working capital** = An estimate of cash, inventories, and receivables that will be needed to support the sales volumes.

**Applicable overheads** = Overheads causally related to the new product, e.g., an expanded sales force.

**Indirect benefits or costs** = Any special benefits or costs that are of significant size and are fairly easy to quantify.

**Tax credits** = Any central or state incentives for the new-product activity in the public interest.

**Basic overall risk curve** = The curve of possible outcomes around a profit mean.

**Sensitivity testing** = Effects of changes in the input element which require special consideration in the analysis.

**Elements of strategy** = Strategy that prompts the new product proposal

Table 2

		Date.....					
Proposal : .....		Years on the market					
		0	1	2	3	4	5
1.	Unit sales						
2.	Rupee sales						
3.	Productions costs:						
	(a) Direct						
	(b) Indirect						
	(c) Total						
4.	Gross profit						
5.	Direct marketing costs						
6.	Profit contribution						
7.	Overheads (excluding R&D) :						
	(a) Division						
	(b) Corporate						
	(c) Total						
8.	Other expenses/incomes						
9.	Depreciation						
10.	Indirect benefits						
11.	Indirect costs						
12.	Loss on cannibalization						
13.	R&D (yet to be incurred)						
14.	Extraordinary expenses						
15.	Project abandonment costs/revenues						
16.	Salvage						
17.	Sunk costs						
18.	Total overheads and expenses						
19.	Income before taxes						

contd.

20. Tax effect:									
(a) Taxes on income									
(b) Tax credits									
(c) Total									
21. Income after taxes									
22. Cash inflow:									
(a) Income after taxes									
(b) Depreciation									
(c) Production facilities									
(d) Working capital : Inventories									
(e) Working capital : Receivables									
(f) Net cash inflows									
23. Discounted cash inflows									
24. Net present value : Rs. ....									
25. Internal rate of return : .....%									
26. Accounting rate of return : .....%									
27. Payback : .....years									

**Activity 4**

Try to select a company that has a Financial Summary statement on a new product project ? Compare it with Table 2/1 and see what are the similarities and differences. Would you like to prepare it again?

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**7.11 SUMMARY**

Once the screening process has forwarded the seemingly viable new product ideas, it becomes necessary to choose the best ones through a process of economic analysis. The process of economic analysis enables the study of sales costs and profit projection of a new product proposal. Economic analysis therefore would involve a study of the market potential and market demand as well as on estimation of sales and costs for future periods. The unit discusses the methods of estimating costs and forecasting sales analyses like the break-even analysis and return of investment have also been discussed. Summary form of economic analysis have also been discussed to enable an overall framework for economic analysis.

**7.12 SELF-ASSESSMENT QUESTIONS**

- 1) It is said that economic analysis is a continuation of screening. As practiced by some firms, it may be difficult to determine when one ends and the other starts. How, then, does economic analysis differ from screening and what does it seek to achieve?
- 2) Since market potential is a theoretical concept more than an actual forecast, how is it useful for economic analysis?

- 3) Examine the difficulty of formulating an initial sales forecast for:  
(a) a product markedly different from the existing ones, and  
(b) a "me-too" product.
- 4) How do the sales history of existing products guide the new product's sales forecast?
- 5) What is the purpose of doing break-even analysis in economic analysis?

#### Project Questions

- 1) Compare a consumer goods manufacturer's approach to estimating market potentials with that of an industrial goods manufacturer.
- 2) If the economic analysis stage ends with a "go" decision, a new product project proposal will be prepared vide a report to top management. This report will provide guidance for the firm's future efforts. Prepare a proposed outline of such a report indicating the type of information to be included.

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### 7.13 FURTHER READINGS

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## UNIT 8 TEST MARKETING AND NEW PRODUCT LAUNCH

### Objectives

After studying this unit you should be able to:

- Define the purpose of the rationale of test marketing
- Discuss the major test marketing strategies
- Explain the concept of simulated test marketing
- Elaborate upon the process of new product launch.

### Structure

- 8.1 Introduction
- 8.2 Purposes of Test Market
- 8.3 Test Marketing or no Test Marketing?
- 8.4 Test Marketing Strategies
- 8.5 Simulated Test Marketing
- 8.6 New Product Launch – the Marketing Plan
- 8.7 Defining and Selecting the Target Market
- 8.8 Product Strategy and Product Positioning
- 8.9 Pricing the New Product
- 8.10 Advertising the New Product
- 8.11 Putting it all together
- 8.12 Summary
- 8.13 Self-assessment Questions
- 8.14 Further Readings

### 8.1 INTRODUCTION

Coming just before commercialization or launch, test marketing is the final stage of new product development process. This is also the final chance to evaluate the new product and its marketing plan before its full-scale distribution in trade channels. A limited supply of the new product is produced and distributed for sale in one or two markets with all promotional support given. Sales measurements are taken. In this way, marketer can learn what might happen in actual marketing of the new product and make an informed and final decision about launching.

Today, an increasing number of companies are turning to test marketing as it can indicate the best segments for the new product, the market potential, the products' performance under actual operating conditions, the key buying influences, how the buying influences react to alternative prices and sales approaches, etc. Experts, however, contend that test marketing's real value is not in sales forecasting but in knowing about unsuspected problems and opportunities connected with the new product.

In the Indian context, test marketing is being used more and more and not only by giant corporations. Earlier only Hindustan Lever and Tatas went in for test marketing. But, more recently, TTK group test marketed Yummies, their new snack food, and Lipton test marketed a chocolate spread with the brand name Covo. Vazir Sultan had test marketed Charms cigarettes before full-fledged launching. McDowell had test marketed Sprint in Bombay before going national, as Pure Drinks had done with Campa Cola in Delhi and Parle had done with Thums Up in Bombay. Metropolitan test marketed their brand of shirts for a period of six months in Bangalore before going in for full-scale production and marketing. And, most recently, Nirma Chemical Works have test marketed their toilet soap and toothpaste, and Eonfield India test marketed the 22 cc moped. That is to say, more recently, test marketing has become a popular marketing technique in India.

## 8.2 PURPOSES OF TEST MARKETING

The objective of test marketing may be an investigation of buyer characteristics, trial and usage rates, purchase frequencies, product applications, results of altering marketing inputs, response from the trade, etc. But, the major purposes of it are:

- 1) To obtain reliable forecasts of sales volume.
- 2) To obtain information that can help correct any problems with the new product or its marketing plan.

The first objective is far more important. The role of test marketing is in planning a national introduction and setting capital budgets. Therefore, projection of national sales takes primacy.

At the same time, marketers need diagnostic information to revise and refine the new product or the marketing strategy. The problems may be seemingly minor but must be resolved. For example, an industrial firm developed a very complex new technology, gave it thorough technical testing, and went into a regional test marketing. Only then did the firm discover that the new system could be blocked by a group of consulting engineers who had not been included in the marketing plan. In another case, a camouflage cosmetic worked well in concealing scars, as planned, but a much greater market opened up when women decided to use it for concealing minor blemishes.

Thus, both the purposes are of critical importance to the test marketer.

### Activity 1

Does your company test market? Why? What is the experience? List down the products/services test marketed and the major experiences therein.

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## 8.3 TEST MARKETING OR NO TEST MARKETING?

An examination of both the advantages as well as disadvantages can help us answer this dilemma.

The basic reason why test marketing is flourishing is the belief that results are obtained under realistic conditions and can, therefore, be generalized. There is also a belief that test marketing is the only tool that comes close to predicting ROI.

The most notable advantages of test marketing are:

- a) marketers can pretest alternative marketing strategies,
- b) the firm may get valuable clues to various market segments of the new product and its distribution management,
- c) besides identifying sales potential of a new product, it highlights the sources of sales,
- d) it brings out all the unsuspected product faults, difficulties and problems in time for them to be taken care of, and
- e) it exposes the ideas and concepts of marketing planners and developers to the reality.

At the same time, the most obvious disadvantages of test marketing are:

- a) it is time consuming and delays the start.
- b) it is costly and the value of additional information may be nil,
- c) competitors may deliberately disrupt and tangle the results,
- d) it may be exploited by the competition to strengthen their products and position, and
- e) if not done properly or rushed through, the results may prove to be suicidal.

However, not all products are suitable for test marketing. The nature of product is also a factor in testing decision. Modifications, for example, don't require test marketing. Also, the products with expected low sales volume.

In India, test marketing may be used more frequently for consumer products than for industrial ones, as most of the industrial products are highly customized and the firms can obtain new-product feedback by user-to-user sampling – a more personalized and informal way.

The decision to test market or not also depends upon the degree of perceived risk and estimates of comparative costs. As a generalization, test marketing is desirable when risk is high and costs of a new product introduction are large. When opposite conditions prevail, there is less reason to test market\*. For example, industries such as autos and steel have high investment needs regardless of production volume, then, what is to be gained from test marketing? Test marketing is really useful when it can help defer substantial investments until sales can be forecast with greater assurance.

That is to say, the most compelling reason for test marketing should be risk reduction. But, not just the monetary risk. A national failure is very much capable of ruining the channel relationships, lowering the morale of the sales force, and reducing the confidence of investors.

At the same time, test marketing should also identify ways to improve profit. A carefully structured test marketing can identify how to improve product, price placement and promotion. The channel relationships and production facilities can be put to acid test. Things can go wrong, but test marketing helps them to be corrected before full-scale launch.

### Activity 2

State advantages and disadvantages of test marketing the following products: a hand calculator, a week-end magazine, a high-priced cosmetic (night) cream, and an information catering service.

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\*Cadbury, ND, "When, Where and How to Test Market", *Harvard Business Review* (May-June, 1975), pp. 96-98.

## 8.4 TEST MARKETING STRATEGIES

Before deciding on any procedure of test marketing, the issues of 'test markets', 'duration', and 'information' are to be settled.

### Test markets

Selection of test markets becomes a critical factor, especially when the purpose is to derive a national sales estimate for the new product. The issue involves two major concerns: of what type and how many markets should be selected for testing.

Test markets selected must be representative of the universe of the customers envisioned in the marketing plan. They should typify target groups, sales outlets, media patterns, and the competition. No outside influences should be able to affect sales within the test markets.

It is possible that a new product fails in test marketing not because of itself or its marketing program but because of the improper selection of the test market. For example, long back, Hindustan Lever chose the eastern region of India to test market its "Pepsodent" brand of toothpaste. The results were not of much promise, and the firm decided to drop it. But, today, they have second thoughts. "Pepsodent" may be back.

If it is difficult to find a good representative city or region for test marketing, then the most critical factor to be aware of is by how much does the city or region selected vary from the national format. With the help of this information, behavioural factor specific to each city or region can be developed which can be used for extrapolating national sales.

The second concern, in the selection of test markets, is regarding the number of test markets to be chosen. Experts opine that much depends upon the objectives of test marketing and it is largely a function of reliability expectations. If, by test marketing, the marketer wishes to predict the results of a national launch, then one or two representative cities or metropolitan areas can suffice. But, if, from test marketing, the marketer intends to assess the relative effectiveness of his plans, he should choose as many comparable test markets as the number of plans he has for testing.

At the same time, if the cities are found very heterogeneous, or no single city is found typical of the entire market, more cities may be needed to predict results accurately. Also, if the number of variables to be tested is large, it may be necessary to increase the number of test markets. But, the test marketing costs also go higher with the increase in the number of test markets.

In India, because of inadequate nation-wide transportation facilities, markets are mainly local or regional. Therefore, most of the marketers are more interested in regional launches. Hence, two or three comparable cities in the final-launch-region should suffice for test marketing. For example, if the marketer wants to launch a new product in the southern region, then two/three cities from among Bangalore, Hyderabad, Madras, and Trivandrum can be selected for test marketing.

### Duration

As such, there is no required time period for an appropriate test market. Marketers prefer to shorten the test period to minimize competitive reaction, but, for consumer products, time may be required to build retail distribution, to develop consumer interest, and to provide opportunities for repeat purchase.

In case of certain products, such as with high purchase frequencies, early sales may be a poor indicator of eventual performance, for their triers may build up rapidly at first and then decrease exponentially in succeeding times. Hence, such products, with short buying cycles, may often display "humped" sales curves. Therefore, such products should be test marketed for long enough time for the trial rate to level off and for repeat purchase patterns to take effect. That is to say, if the new product is a consumer non-durable, then test marketing should include at least two or three (repeat) purchase periods to study brand loyalty.

If the competition has resources and desire to launch the (new) product itself, then test marketing should be very short. The very first green signal should induce national/full launch. Also if the test marketing costs are high or increase with the duration of testing, then cut short the test time as soon as the value of an additional unit of time in terms of extra/new information is low.

At the same time, sufficient time should be allowed to take care of the deficiencies discovered in the product or the program before the test marketing is called off. For example, if the packaging is not as attractive or advertising is not as communicative as desired, a new packaging or a new advertising copy should be tried before the close of test marketing.

#### Information

“What type of information is to be collected in test marketing?” is the next major issue in the strategy of test marketing. The type of information to be collected is related to what constitutes a marketing program. If the test marketing mix has different levels of advertising, then reaction to advertising theme should be elicited from each sample respondent, and their recall should be measured.

The new product can be shown to the respondents and their reactions to its concept, design, size, price, etc., can be sought. Then, the respondents should be encouraged to buy the new product. After trial, once again reactions to its concept, design, size, price, etc., should be elicited. After some repeat purchases also, a further cross-checking should be done on the same attributes of the new product.

To check the performance of the test marketing program at retail outlets, number of outlets, their size, shelf space, display, sales volume, stocks, prices, etc., should be noted.

Test marketing data collection should begin after the new product has been there in the market for some weeks. For example, in case of the one month test marketing programming of a new consumer non-durable, the following information may be collected during 5-10 weeks: product awareness, product usage/non-usage reactions, product advertising recall – un/aided, frequency and volume of purchase, other brands used before and during test marketing, rating of each brand, repeat purchase pattern, product perception, etc.

#### Activity 3

Suppose the marketing manager of your firm recommends that the new product be test marketed before going national. But, the CEO argues that time should not be wasted as “getting the jump” on competition was all important. What would be your argument?

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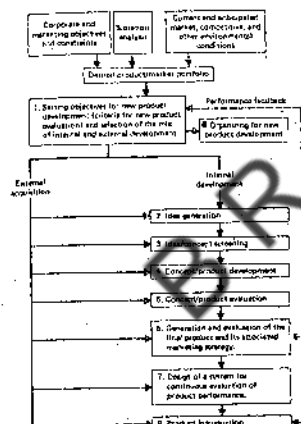
## 8.5 SIMULATED TEST MARKETING

Simulated test marketing (STM) was introduced in the early 1970s as an alternative to traditional test marketing and has been greatly refined during the 1980s. In a simulation, a few hundred consumers are exposed to ads for a new product – often at a shopping centre – and are given either free samples or an opportunity to purchase the product. The consumers are then questioned (over the telephone) regarding their reactions to the product and their repurchase intentions. Using the data developed through such interviews, the producer's potential sales volume can be predicted.

Many marketers use this technique in combination with the more traditional approach, especially in case of packaged goods. It is, partially, because the traditional test marketing is viewed as very expensive, time consuming and open to spying by competitors. The cost difference can be amazing: less than one-tenth. A time period of three months is considered good enough in the simulated technique. Still, it is yet to win wide acceptance for the experts opine that simulations are able to identify potential product failures more than predicting the upside potential of products.

## 8.6 NEW PRODUCT LAUNCH – THE MARKETING PLAN

When the test marketing results are positive, the new product is ready to enter the final battleground – the market. In this part of the unit we shall look at the factors and steps involved in developing marketing plan for the launch of a new product. The marketing plan for launch is simply a statement of the course of action to be followed for the products introduction into the market. It should clearly specify the marketing objectives, strategies and programmer. Though this section is placed towards the end of the product development process, it is not to imply that marketing planning for launch can be left till the end to commence just prior to the launch. Marketing planning is a continuous activity in the new product development process and informally may start at the time of idea development itself. Formally, it should commence as soon as the product development stage begins. Like all important plans, marketing planning for launch is an iterative process.



**Setting objectives for new products:** The statement of marketing objectives for new products represents a decision criterion – a goal that the team strives to achieve. A statement of clearly defined, measurable, time-bound objectives is critical, specially if the new product team is large and diverse. Marketing objectives clearly written down and communicated can have a synergising effect on the activities of the new product team. Typical marketing objectives for the new product should contain:

- Unit or Rupee value sales of the product by the year
- Market share by the year
- Product profitability in terms of percentage margins and payback.

In the early stages of the new product development process, the information at the disposal of the marketer may permit only rough estimates. As more information starts coming in as a result of market studies and test marketing feedback, as well internal cost data, the objectives can be refined and made more realistic.

**Situation Analysis:** An analysis of the environment, surrounding the new product is critical to its success and usually is one of the early steps in the development process. It is here being discussed only as an ingredient of the marketing plan. The situation analysis in this respect would comprise of the macroenvironmental analysis, the market analysis and the internal analysis

The macroenvironmental analysis involves the study of variables that lie outside the firm and may have implication on the products market and the company. Specifically, it would include a study of the economic situation, the political-legal situation, the demographic and social trends as well as the technological developments. The analysis gives a useful framework for the marketing plan to be developed.

The market analysis is essentially undertaken to provide an input in designing a successful marketing strategy. It should include:

- Market overview – An assessment of the quantitative and qualitative aspects of market size and growth.
- Segment overview – What is the target segment? How are the segments distinguished, and defined in terms of size and growth trends?
- Consumer overview – A definition of who are the buyers, the purchase influencers? What, when and how do these target consumers buy? Why do they buy? What are their preferences, needs and wants?
- Competition overview – A definition of the competitors and their relative strengths and weaknesses segmentwise. A critical assessment of their products and consumers's perceptions of their products, Competitors, strategies for pricing, advertising, distribution, an assessment of their marketing position.

Time invested in market analysis usually gives rich dividend at the time of planning the positioning strategies of the new product.

The internal analysis pertains to an assessment of the company's resources with reference to the new product. In respect of the marketing plan one must specifically analyse:

- The sales force – How do you assess the present sales force in terms of their capabilities of selling the new product? Would they require additional training inputs? Do you require a new sales force?
- Promotional set-up – Do you require significant changes in the advertising and promotional set-up?
- Distribution system – How do you evaluate the service and distribution system with reference to new product? Do you require significant modification? What needs to be done to assure dealer support to the new product?

The internal assessment must also consider the strengths and weaknesses of the other functional areas that have a direct bearing on new product development. As pointed out in Unit 5, the integrated approach presupposes a critical assessment of manufacturing, research and development, finance and marketing strengths, and weaknesses.

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## 8.7 DEFINING AND SELECTING THE TARGET MARKET

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Market segmentation, the definition of clusters of consumers within a market such that there is relative homogeneity within each group, can utilise several bases. You have already studied these in MS-6. Perhaps the most prevalent method of segmentation for new products is benefit segmentation. Benefit segmentation recognises that people seek different benefits from their purchases and have different motivation to purchase. Using this approach it is possible for the market to define the benefits and attributes that must be built into the new product and communicated to the consumers. In fact, the positioning and communication strategies are largely defined by the benefit segment selected.

Any segmentation analysis would yield a number of potential segments and present alternative attribute packages that can be built into the product to make it more suited to a segment. It is, therefore, important to identify criteria used to select an appropriate market segment for the new product. Some commonly used criteria are:

- Segment attractiveness in terms of market size, growth and future potential.

- **Ease of access** in terms of selling effort distribution channels etc.
- **Degree of fit** in terms of the closeness of match between needs and preferences of each segment and the attributes and possibilities of the new product.
- **Competitive situation** in terms of where the competition is lowest, weakest or most vulnerable.
- **Relative advantage** in terms of the differential advantage that you may have relating to product features and benefits as well as entry strategy. Fit and ease of access only suggest adequacy of the segment. In order to be desirable a segment must offer possibilities of competitive edge.
- **Profitability** in terms of offering you to the greatest possibility of meeting your profit and sales targets.

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## 8.8 PRODUCT STRATEGY AND POSITIONING

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Product strategy takes shape side by side with the definition of target markets. Product strategy in the context of new products would mean finalisation of the product benefits features and attributes and developing growth strategy.

The product benefit distinct from a feature, which forms part of the physical design of the product, is a character that is of some value to the consumer. It helps to list your product benefits as they become important determinants of your positioning. For example, a benefit of a new lawn-mower may be that it can be easily operated by elderly people. This benefit may be translated into a product feature in the form of rotorwheels to give easy maneuverability and relatively lighter weight material used. Feature and attribute definition in detail may bring you very close to the defining the product specification but it does help to bring the product profile into a sharp focus.

**Product Positioning:** Positioning in the market-place means deciding how the product will be perceived by potential customers. A product positioning statement should clearly show the end-use, and the benefit sought to be delivered. For example, a possible positioning statement for a light commercial vehicle could be "a tough, long lasting, durable, reliable, premium-priced vehicle designed for fast and easy loading and maintenance". The specific consumer benefit offer by a product is an integral part of the products position, but position is a more comprehensive concept. Positioning reflects the fusion of product class, product proposition and distance from competing brands to enable the best possible approach to the target consumers. Perceptual mapping and other marketing research inputs are used to map positions in consumer perceptions and products are targeted at these. A statement of product positioning should define how the product will be placed in the market and in consumer perceptions relative to the competitor's products. Consider the following example for the positioning of Eveready Super, Union Carbide's premium brand. In order to meet the demand for a battery less prone to leakage, for cassette tape-recorders, cameras, calculators and battery-operated toys, Union Carbide developed a battery in 1985 using Zinc chloride technology. The product was priced at 20% higher than Red Eveready after considering value to the consumer and price elasticity.

The company considered the following positioning options:

- The most leakproof battery available in India:** This position would force comparison against Union Carbide's own "Red Eveready" and may eat into its sales. Again, 100% leakproof performance could not be guaranteed.
- The Superior Modern Technology position:** A valid positioning, but it would again force comparison with Red Eveready and the competitive edge will be lost once competitors like Novino and Nippo follow suit.
- Performance Positioning:** This positioning more than any other would hurt Union Carbide more than its competitors as it would have implied inferiority for the entire standard range (red, white, blue) of Eveready batteries which comprise 45% of the total battery market.
- End-Use Positioning:** Market research studies conducted for batteries had clearly indicated that consumers had a definite hierarchical perception of

quality relative to the end-use for battery. Since a transistor is perceived to be a superior equipment as compared to a torch, a battery designed specifically for a transistor is perceived to be superior to that made for torches. Research also showed the hierarchy order of quality equipments to be photoflash equipment, CTR's motorised gadgets, transistor and torches in that order. It was therefore, decided that positioning Eveready Super as the product for modern machines i.e. photoflash equipment, Cassette tape-recorder and other motorised equipment would make consumer beliefs regarding the equipment hierarchy to rub off on to the new product and would ensure a top-of-the-line battery positioning without harming Eveready Standards market share. It was also felt that communication of the product positioning should contain some reference to the reason why consumers should believe the claim – the Zinc chloride technology would give the reason. The positioning statement for Eveready Super ultimately emerged as 'No other Battery can deliver such exceptionally high power and life for your power hungry high drain devices because it is made with the breakthrough, first time in India, Zinc chloride technology'.

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## 8.9 PRICING THE NEW PRODUCT

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There are two basic approaches to pricing a new product, the cost plus pricing and the market oriented pricing. The former involves estimation of all cost elements and adding of the targeted rate of return to arrive at the price. Market oriented approach on the other hand centres on estimation of consumer's valuation of the product. Some basic guidelines could be:

a) **Use the products target market and positioning strategy:** If the product is arrived at a niche market, one with specialised needs and if the positioning is a highly differentiated one, in essence you have a mini monopoly situation. A premium price strategy would be a good route to follow. Conversely if the product is not well differentiated from competitive products and if the target market is also served by others, a competitive pricing policy would be more appropriate.

Low price makes a good weapon to apply when you have a real and sustainable advantage. Similarly, a low price strategy makes sense when it is a part of a long-term strategy to sacrifice profits to cultivate market share.

b) **Skimming versus penetration pricing:** As you have already studied in a skimming pricing policy the product is aimed at the market segment for which the product has most value and which will pay a premium for it. Profit per unit will therefore be high but volume, lower. The strategy makes good sense when the product is something of a novelty and those who are aware of the product are willing to pay a high price for it. Skimming is also used when the firm expects potential competition and wants to build up brand preference.

A rapid penetration strategy aims at launching the product at a low price and spending heavily on promotion to lower buyer resistance, and bring about a fast penetration. The strategy may lead to a readily growing market share especially when the market is large with a fair reaction of the target market being price sensitive and the company is expecting growing potential competition. The underlying assumption of the penetration strategy is that units costs fall with the scale of production. The aim in this case is to attain market dominance and high market shares as a key to profitability.

A combination of the two strategies over time is also possible. Initially a skimming strategy, attracting the high value markets can be adopted, keeping the initial risk low. As the product gains acceptance and when the investment is partly paid back then production is increased, prices are lowered and a dominant share of the entire market is sought. In such cases timing is the critical factor, the shift should be timed before the competitors have had a chance to develop similar offerings.

c) **The product pricing needs to be in line with the corporate strategy as no new product is a stand-by itself item, it is a part of the larger gameplan. In keeping**

with the long-term corporate plans, high profits and high margins may be sacrificed in return for the effective corporate market development.

d) **Promotional pricing:** When there is a certain degree of perceived buyer resistance, an introductory promotional pricing may be used to induce first sales. This generally takes the form of coupons offering money off deal. In case of industrial goods it simply takes the shape of an introductory low price offer. The advantage of promotional pricing is that it allows the normal price to be retained as the consumer is fully aware that the low price is only introductory in nature.

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## 8.10 ADVERTISING FOR THE NEW PRODUCT

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Advertising usually represents the thrust of communication efforts in case of a new product. The new product management is a new line of venture for the company and may involve approaching different markets. A very close interaction with the advertising agency therefore, is the norm in case of new product advertising. Developing the advertising plan in case of new products involves the following decisions.

- Deciding upon the advertising objective – The firm should clearly define what the advertising for the new product would/should focus on:  
generating awareness, interest, or favourable attitude?  
establishing a unique image?  
promoting trial  
promoting repurchase (trial having been accomplished through free sampling)?
- Determining the advertising budget – In the absence of precise information about market definition, determination of advertising budget is a difficult task. Normally the objective and task method is utilized, in conjunction with estimates of expected expenditures on the new product.
- Deciding on the advertising strategy – Advertising strategy decisions closely follow the positioning decision and are designed to establish the communication components of positioning.

Pre-communication research is used to provide inputs to the positioning by segment decision, and also to provide guidelines for copy development. The generation of a number of messages instead of just one has now become the rule rather than the exception in the development of new product campaigns, all focussing on the same theme/positioning. Examples are the Maggie noodle and Milkmade ads, featuring varying messages on the same theme.

**Media Selection** – Done in the light of the definition of target market segment, media selection should enable the enhancement of communication effort through specific media characteristics like media image and editorial content. A related decision is that of media scheduling, for new products the media schedule should take into account the time response function to the introductory advertising as well as the likely competitive reactions.

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## 8.11 PUTTING IT ALL TOGETHER

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To weave together all that you have read of the new product launch, let us consider two new product launch examples.

**New Product Launch** – Binnie's Potato Chips  
Jagatjit Industries an established manufacturer of alcohol and malted foods, had decided to make a foray into food processing in 1986 and work on the Binnie's project had commenced then. Following is the story of the Binnie's launch as told in 'Advertising and Marketing' (August, 1990).

The product with which the company chose to make its entry into the food processing sector was the potato chips. The reason seemed obvious. The market appeared to be a very promising one. The few brands that were around at that

time – Gold 'n' Krisp and Uncle Chips mainly had seeded the market and weren't doing too badly. Also, it was generally felt that the business was a profitable one. Said Vice-President, Sanjiv Bhakat, 'It looked like a good proposition. We only wanted to make sure that our project planning was perfect'.

But when the planners at Jagatjit put pen to paper, a slightly different picture emerged. From a long-term point of view, the company would have to take into account the plethora of brands that were bound to appear on the shelves. Also, there was the major threat of a renowned manufacturer, Pepsi, entering the market. Being just another chip wouldn't do the brand would need a definite USP

What could it be? 'Being a relatively new concept the selling of branded chips, involved re-defining the eating habits of families, and to find a special position for the product one had to look at this aspect very closely'. The company knew that being a high-priced product (consumers are bound to compare its price with that of potatoes), the brand had to offer something more than chips made either by the local halwai or the housewife. The competition after all, wasn't with just other branded chips. In fact, today one guesstimate says that the market for unbranded chips is – at 2,000 tonnes per month – ten times the branded variety.

Research provided a clue to the problem. It was found that neither the halwai nor the housewife could season the chip. In other words, they could provide only plain salted potato chips. If the company could provide a range of chips with different flavours, it would give it an edge over all chips – branded or unbranded.

Besides, Indians are known to favour spicy flavours. And the diverse cultures that exist across the country have only created a multitude of tastes. If Jagatjit could capture these tastes in its products, it could have a winner.

"Food is like a religion in most Indian homes", "If we could give the housewife enough variety in terms of taste, the chance of our product entering homes was much higher than that of our competitors". Plus, the taste strategy looked a very effective way of blocking Pepsi as the 'Yanks would take some times to figure out Indian tastes'.

Surveys were conducted in different regions to identify the most popular tastes specific in each area. Says Bhakat : "Once we had a shortlist of flavours, our scientists were told to simulate them in the form of edible flavours"

After deciding in on the flavouring aspect, the company's attention, turned to packaging. Here too, the company aimed to differentiate its product. "In this case, we had to strike a balance between economy and flavour. The packaging had to prevent the flavours from flying away, and at the same time it had to be cheap".

After considerable deliberations, the company chose to opt for a two-layered biaxially oriented polypropylene packaging with reverse printing on the outer layer. Other manufacturers were using an outer layer of metallised polyester and either a high-density or low-density polypropylene film for the inner layer. Moreover, the outer layer was surface printed leaving the possibility of the printing wearing off.

There was a certain logic behind the design of the pack too. "We used a white base since it is the most reflective on the shelves. The pack is fully covered except for a small window so that a consumer can see what he or she is buying", says Bhakat. He explains that consumers still tend to be suspicious of anything that comes in a closed pack.

The question now was of finding the right communication platform. Says Account Manager, Srinivas Balram of Mudra, the agency handling the account, "since the product was a me-too one, the parameters of the brief were simply based on budget and targets that the company had set for itself". The agency was told that Jagatjit initially wanted to introduce the product in the north and was offering four flavours – Regular Salted, Pudina Punch, Masala Munch and Tomato Tickler.

The initial choice for the launch strategy lay in either highlighting the product range or the brand itself. The first option, it was felt, was better left alone since

customers would take their pick of the flavours only over time. The second route of projecting the chip as crispier, tastier and better-than-the competitor, the agency felt, was suspect as a consumer may not be persuaded that the new brand was indeed substantially better. "We had to clearly establish a brand image that would become a permanent point of difference and none of these attributes served that purpose". Permanent because brand loyalty is notoriously low.

So where did the communication answer lie? Research revealed that around 50 per cent of consumption was accounted for by youngsters in the 18 to 25 years age group. Another major segment was young housewives. Says Balram: "We, therefore, had to coin a phrase that had to identify with the language of youth". Additionally, this phrase had to be sustainable if it was to create long-term loyalty. All this logic culminated in the spectacularly popular line, 'Humko Binnie's Mangta'.

There is little doubting that the advertising has been able to capitalise on the effort that has gone into product development. Today Binnie's claims to be number one with sales of between 45 and 60 tonnes per month. The total offtake of branded chips has been estimated at around 150 to 200 tonnes per month which in value terms is between Rs. 1.5 crore and Rs. 2 crore. The initial success has also spurred the company to enter markets in the west and east (the launch in the south is due in the near future). And the company is continuing with its strategy of offering a wide choice. It has already launched six more flavours.

But there is also a downside to this rush of flavours. While it has succeeded in pulling in buyers, the company found that its regular salted version's share was a mere 5 per cent of total sales. And since the range offers the highest profitability (because flavouring costs are not involved), the company has tried to rectify the situations. A few months ago, it introduced indirect flavouring in the form of an *imli* dip. The company hopes this measure will raise its share of plain salted chips to a higher level.

**Lehar Pepsi Launch**— End of May 1990, Pepsi, the maker of the world's most popular soft drink entered the Rs. 800 crore Indian soft drink market despite protracted delays and intense opposition by competitor Parle.

Moving cautiously in the face of tough competition, Pepsi launched its product selectively in Rajasthan, Punjab, Haryana, Maharashtra and the South. Two months after the entry, it launched its 90 second television advertisement on the national network, the longest among Indian commercials. While Pepsi is framing aggressive marketing strategies to take on its giant competitor Parle, the latter is reacting by bringing out new products and improving dealer terms.

Pepsi is trading cautiously in a competitive market, says Ravi Dhariwal, Vice-President of the company: "we would be happy with a 3 per cent market share this year. We plan to build our shares slowly. It is too early to be anywhere remotely near Parle". Pepsi is now busy finalising its plans for an October launch in major markets like Delhi, Bombay and Calcutta which constitute 40 per cent of the country's soft drinks market. By the year-end they plan to be all over the country. We are planning to come out with Indian flavours and with plastic bottles, an orange flavoured drink too and even cans".

Yet that does not mean that everything is hunky-dory for Pepsi. It is setting up merely 10 bottling plants which is no match for Parle's 60. Due to a nine-month delay in getting clearance, Pepsi was forced to enter the market only by end-May—when the peak soft drinks season (nearly 70 per cent of soft drink sales are between March and June) was about to be over. According to a conservative estimate the company has already lost Rs. 8 crore, as a result of the delay, on an investment of Rs. 50 crore.

That obviously bothers Pepsi, however, it is now trying to overcome bottlenecks by attacking the market. Asserts Ravi Dhariwal: "Our first task was to get people to try a new product in an innovative way, secondly to provide better services to the retailer and also build loyalty to the product". Backed, of course, by a media coverage whose budget is a closely guarded secret.

Pepsi has tried all stratagems from the marketing lexicon. Consumers were prodded to cut the newspaper advertisement of the Pepsi Launch in their city and exchange it for a free bottle from any shop. The company claims the offer was a resounding success and reached as much as 25 per cent of the households in each of these cities. At least 1 lakh consumers drank Pepsi free in Madras. In order to woo the dealer Pepsi has introduced plastic crates instead of the wooden one in Bangalore and is offering specially designed plastic ice-chests which will cut down the ice costs by as much as 30 per cent for the retailer. In Madras retail outlets are serviced twice daily in order to keep retailer investments on storage low. In Rajasthan, Pepsi adopted Amer Village near the historical fort by painting the entire market with Pepsi hoardings and stocking the product in virtually every shop in the market.

To encourage retailers to push Pepsi in Punjab the company introduced a scheme by which the retailer would be given one crate of cola free if on being asked for a cold drink by name he would recommend Pepsi. The company sent mystery buyers to various shops to check up on this. In order to mop up margins to the retailer in Rajasthan, the company launched a refill scheme for every crate sold, two bottles would be given free of cost virtually giving the retailer an extra 8 per cent margin. Says N. K. Gupta, Director of Jai Drinks, a Pepsi bottler in next season, "The company has already spent Rs. 20 lakhs on hoardings in the last two months".

#### Activity 4

Describe the procedure for test marketing and launching a washing machine: Which cities would you select for test marketing and how many? How long will be the test run? What type of information will be collected? What other factors/decisions will be considered?

## 8.12 SUMMARY

The unit encompasses the final stages of the new product development process, namely test making and product launch. The section on test marketing explains the rationale for test marketing and discusses the strategies used to test market. The section on product launch gives a detailed description of the marketing plan for new product launch and the steps needed for defining and selecting the target market. The product strategies including product positioning, pricing and promotional strategy have also been explained.

## 8.13 SELF-ASSESSMENT QUESTIONS

- 1 What is the rationale for test marketing. Discuss situations where you think test marketing is not need/desirable.
- 2 How would you evaluate test marketing results for use as inputs in marketing planning.
- 3 Describe the steps involved in new product launch.
- 4 Discuss the concept of product positioning with respect to a new consumer product and a service

## 8.14 FURTHER READINGS

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BRAOU

## **BLOCK 3 BRANDING AND PACKAGING DECISIONS**

Branding and packaging from important aspects of the product policy.

This Block Branding and Packaging decisions consists of two units covering these two aspects. Packaging dates back to primitive times when it was used essentially as a protective measure. As the concept of marketing has shifted from a selling orientation to a marketing orientation packaging has also come to occupy an important place as a tool of market cultivation. Unit 9 discusses the basic principles associated with packaging as well as marketing uses of this tool.

Branding represents an effective way to impart product identification. It also leads to creation of a distinct product image often leading to cultivation of brand loyalty.

Unit 10 discusses the rationale for branding, gives a model for brand name selection and explores the concept of brand positioning in detail.

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# UNIT 9 PACKAGING DECISIONS

## Objectives

After going through this unit you should be able to :

- Relate the importance of packaging in the present day competitive environment
- Comment upon the functions of packaging
- Describe the different packaging strategies
- Discuss the legal and social aspects of packaging.

## Structure

- 9.1 Introduction
- 9.2 Importance of Packaging in Marketing
- 9.3 Packaging as an Art
- 9.4 Packaging Concept
- 9.5 Packaging and Product Differentiation
- 9.6 Science and Technology of Packaging
- 9.7 Packing Notes and Packing Lists
- 9.8 Trends in Packaging Machinery
- 9.9 Functions of Packaging
- 9.10 Packaging Strategies
- 9.11 Legal Aspects of Packaging
- 9.12 Cost Effectiveness of Packaging
- 9.13 Social Aspects of Packaging
- 9.14 Summary
- 9.15 Self-assessment Questions
- 9.16 Further Readings

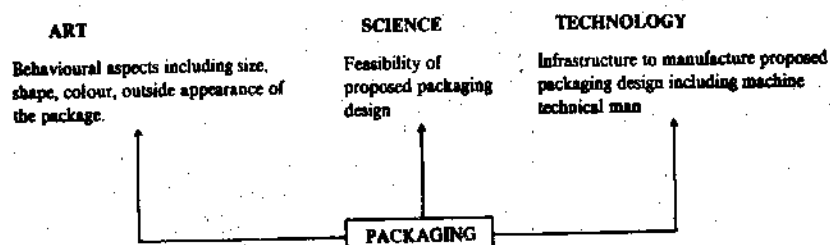
## 9.1 INTRODUCTION

The Websters compact dictionary describes "package" to be items bundled together and "packaging" to mean the activity of enclosing in a package. This is the simplest way of defining packaging.

The fortune executive encyclopaedia defines packaging to be planning and fashioning the complete form and structure of a products' package. A products package generally includes aspects like size and shape, colour, closure, outside appearance protection and economy, convenience, labeling and the packaging materials designed to safeguard the product from the effects of the environment.

Another definition available on packaging describes it as the art, science and technology of preparing goods for transport and sale. This can be highlighted through the following diagram.

Figure 9.1 : Definition of Packaging



We shall take up each of the above mentioned aspects of packaging in the following sections.

## 9.2 IMPORTANCE OF PACKAGING IN MARKETING

Historically, packaging was a production oriented activity in most companies, performed mainly to obtain the benefits of protection and convenience. Today, however, marketing

significance of packaging is fully recognized, and packaging is truly a major competitive force in the struggle for markets. The widespread use of self-service selling means that the package must do the selling job at the point of purchase. Shelf space is often at a premium, and it is no simple task for manufacturers even to get their products displayed in a retail outlet. Most retailers are inclined to cater to producers that have used effective packaging.

In addition, the increased use of branding and the public's rising standards in health and sanitation have contributed to the importance of packaging. Safety in packaging has become an especially important marketing and social issue in recent years.

New developments in packaging, occurring rapidly and in a seemingly endless flow, required management's constant attention to packaging design. We see new packaging materials replacing the traditional ones, new shapes, new closures, and other new features (measured portions, metered flow). These all make for increased convenience for consumers and additional selling points for marketers. One new development in packaging that will be particularly interesting to watch in the coming years is the aseptic container—a "paper bottle" made of laminations of paper, aluminium foil, and plastic. Its airtight feature keeps perishables fresh for 5 months without refrigeration, and it costs about one-half as much as cans and 30 per cent as much as bottles. Specifically both packaging and labelling are useful for :

- Creating customer satisfaction
- Protecting the contents inside
- Communicating the product attributes
- Helping in product handling
- Identifying brand name and seller
- Promoting the product with attractive design and colours
- Keeping costs down
- Telling the ingredients of the product
- Offering customer convenience.

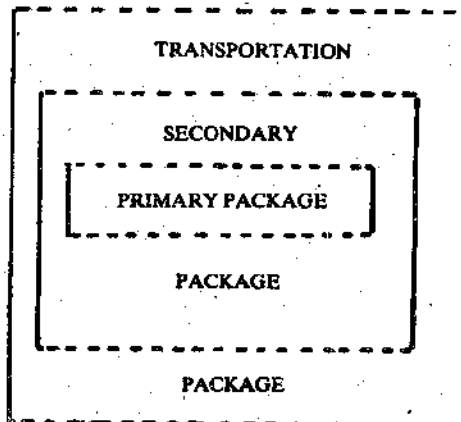
### 9.3 PACKAGING AS AN ART

Packages go all the way back to the primitive times when people used animal skin and grass baskets as containers to carry wild berries and other fruits from forests to caves. Materials like earth and glass were used to design containers to store and transport liquids. Later newer materials for packaging were discovered and as of today packaging has emerged as a potent marketing tool. It is this aspect of packaging which constitutes its artistic parameter.

Packaging has now come to be defined as the fifth P of marketing. It gives an enhanced value to the product per se. At this stage, it is important to understand that a package may include three levels of material :

- i) A primary package which is the products immediate container;
- ii) A secondary package which refers to additional layers of material that protect the primary package and which are discarded when the product is about to be used;
- iii) The transportation package which refers to packaging necessary for storage and identification of the packaged products. This can be illustrated as :

Figure 9.2 : Levels of Packaging



Let us take a simple product like a toothpaste to understand the levels involved in packaging. The extruded aluminium tube which holds the toothpaste is its immediate primary package. The cardboard container which holds the tube is the secondary package. The carton/box which consists of a number of cardboard containers will be transportation package used for distribution purposes.

#### Activity 1

For the products given below identify the primary package, secondary package and transportation package.

Product	Primary package	Secondary package	Transportation package
1. Biscuits			
2. Coal			
3. Shampoo			
4. Oil for Cooking			
5. Plant & Machinery			

It is evident from the above exercise that the importance of packaging largely depends upon the type of product. The different levels of packaging, type and importance would vary with the type of product whether consumer product/industrial product/bulky product/light product/solid product/liquid product. It would also vary with the distance over which it has to be transported. Let us take each type of product separately and study the importance of different levels of packaging for each.

#### Consumer Packaged Goods

These are defined as consumer products packaged by manufacturers and sold through retail outlets. Food, tobacco, toiletries, health and beauty aids and household products are typically involved in this product classification. Thus, goods available in a typical provision store like tea (Brooke Bond, Lipton etc.); coffee (Nescafe, Gold Cafe); chips (Gold 'N' chip, Ruffles, Aloos); soaps (Cinthol, Lux, Pears); detergents (Surf, Nirma); medicines included in the OTS (Over The Shelf) category like Vicks, Burnol, Band-Aid, Dettol, Iodex Spray, and other household products like pressure cooker, iron, gas stoves, all constitute consumer packaged goods.

Most of these products belong to the "me-too" category i.e., there exists very little differentiation as far as the actual physical product and its properties like colour, size, texture, and taste are considered. Consider the case of refined groundnut oil used as a cooking medium. Several brands like Postman, Dalda etc. exist which are similar in the chemical properties. Earlier these were available in aluminium tin packs of different sizes. However, market research conducted by the respective companies revealed that the consumer was finding pouring oil from aluminium tin a messy job. At the same time the tin pack also resulted in problems with respect to lifting it and wastage due to spillage. Another drawback of the pack was that it was not reusable as it tended to rust or dent and hence was more often than not disposed off as scrap. A new packaging in the form of moulded plastic jars with handles and conveniently designed nozzles to facilitate pouring was introduced. These containers also lend themselves to be reusable for storing liquids like kerosene, petrol and other such liquid products. They are leakproof and odourless. Yet another packaging design introduced for refined cooking oil are the Pearl PE bottles. These are transparent unlike opaque moulded plastic jars, they are odourfree, can be reused for storing water in the refrigerator and other such multipurpose uses; convenient to be placed near the gas stove as they require less standing place and can be used directly to pour oil while cooking. The consumer of today who is more inclined towards hygienic products available in small economy packs is very much influenced by such innovative packaging offering multiple benefits. The introduction of refined ground nut oil in PET bottles by POSTMAN has largely contributed to its higher sales and market leadership.

## 9.4 PACKAGING CONCEPT

The above example clearly illustrates motivation research and the art of packaging. Packaging is largely used as a potent tool for differentiating products which are essentially

similar. Developing a package requires primarily to establish a packaging concept. The packaging concept is a definition of what the package should basically be or do for the particular product. Other component elements like size, shape, materials colour, text and brand mark also need to be tested for various alternatives and combinations. To understand the testing of a packaging concept let us consider the packaging of "CHARMS" brand of cigarettes. Cigarettes also belong to the "me-too" category with a number brands competing in the market place. They are all similar with respect to all the four P's of marketing viz. product, price, place and promotion. They all cater to a variety of consumers including working men, college students and executives. At this point of time a cigarette targeted towards the younger college going consumer was to be introduced. Other things being essentially the same, it was the fifth 'P' viz. packaging which could match the product with the target consumer. The behavioural aspect of the consumer was studied. A package which would symbolise youth and freedom, which would be easy to carry around and reasonably priced to purchase needed to be created. This was the packaging concept. The package which emerged finally was blue in colour, depicting the texture of the denim jeans. A red brand in the centre contained the brand name "CHARMS". The packet was of smooth and soft blue paper, instead of the thick carton like package available in general. The correspondence between the packaging design and benefits of the consumer can be drawn out as under :

Package	Design	Benefits
1. COLOUR	DENIM BLUE	Matches with the free life style of youth. Jeans are a symbol of youth.
2. TEXTURE	SMOOTH BLUE PAPER	Economic as well as glossy look.
3. PACKET	SOFT	Can be conveniently placed in the pockets of the shirt/jeans/etc.
4. DESIGN	Two white birds flying towards the sky	This symbolises a release from the tensions for the young generation.

**Activity 2**

For the two products given below, identify the packaging concepts and the need/benefits offered by the new packaging over the earlier packaging.

i) **Fruit Drinks : (Frooti etc.) introduced in Tetra Pack**

Earlier Packaging

.....  
 .....  
 .....

New Packaging Concept

.....  
 .....

Benefits offered by new packaging

.....  
 .....

ii) **Paints : Introduced in Aerosol Spray cans**

Earlier Packaging

.....  
 .....

New Packaging Concept

.....  
 .....

Benefits offered by new packaging

.....  
 .....

## 9.5 PACKAGING AND PRODUCT DIFFERENTIATION

Another aspect of consumer packaged goods category is the use of packaging to brand a hitherto generic product. A case which aptly illustrates this is the phenomenal success of 'SMART FOOD'—a brand of cheese popcorn.

Popcorn which was otherwise available in conventional see through polyethylene bags in regular and spiced flavours and marketed through super markets, groceries and other retail outlets was branded and packaged differently.

The product per se was premium quality white popcorn seasoned with aged cheddar cheese. It was wholesome and natural with no artificial preservatives or colouring. This was packed in a bag which featured a coal black background with a bright green cornstalk and neon-yellow Kernels spilling out of the top—a piece of true pop art. To this was later added a note on the back from the founders "unlike naughty junk-food companies who do mean and nasty things to their popcorn we treat our kernels with the love and respect that real food deserves."

The zany packaging really stood apart—for shopkeepers who stocked the product it was the disappearing Black Bag Syndrome. Packaging in its artistic form can be understood through this product success. Super market chains fell in love with the shiny black bag. Smart foods thus innovated the obvious advantage using packaging concepts.

Another distinguishable feature of the black popcorn bag was that it was resealable. It was in the form of a Tug-N-Tie bag which could be reclosable was cheap to produce and easily adaptable to existing technology. The popcorn acted as a mere filler to this innovative packaging idea of a resealable bag. The benefit it offered to the consumers was that even if the contents of the bag could not be devoured in a single sitting it could be resealed and used again without the popcorn getting soggy.

Of course, since then, many other snack-food companies have jumped on to the bank-wagon with similar black bags of popcorn but smart food still remains one of the largest selling snack-foods in the U.S.

### Activity 3

Can you think of a traditional Indian snack, which can be packaged suitably to appeal to the consumer? What would be the factors required to make it a success?

## 9.6 SCIENCE AND TECHNOLOGY OF PACKAGING

Till now we have been talking mainly about non-perishable consumer packaged goods with longer shelf lives. Let us now turn to packaging of perishable products like fresh fruits and vegetables, which are transported over long distances.

Transport packages are employed in order to facilitate manual handling and to collect and contain fixed quantities of produce. Normally more than one transport package is used during the total distribution of a particular item—one package may be used for collecting of the produce from the field to the packing house, one for the transit from the producing country to the importing country (in case of export order) and one for transport from a prepacking centre to the retail outlet.

- i) Prepacking of fresh fruits and vegetables is generally carried out using :
  - wraps of plastic film such as polyethylene or PVC, often in the form of shrink wrap, stretch film or cling film.

- bags made of paper, perforated polyethylene or polypropylene film, plastic net or cotton;
  - shallow trays of moulded pulp, cardboard, thermoformed plastic or expanded polystyrene covered with plastic film;
  - baskets with handles, made of wood veneer, moulded pulp, cardboard, thermoformed plastic or injection moulded plastic, covered with plastic film or other types of closure.
- ii) Transport packaging for fresh fruits and vegetables is dominated by :
- A) Closed boxes made of wood and corrugated or solid fibreboard;
  - B) Sacks made of plastic or paper.

**A) 1) Wooden Boxes**

Materials used for manufacture of wooden boxes include natural wood and industrially manufactured wood-based sheet materials. These are plywood, hardboard and particle board. Whatever wooden materials are employed, the components have to be assembled into a box. Wooden packages need to be fastened securely using nailing, stapling or wire stitching. Wooden packages also require lining with paper or corrugated fibreboard when used for produces having delicate skin.

**2) Corrugated Fibreboard Boxes**

Boxes and trays of corrugated fibreboard are made from a wide range of paper materials. The selection of raw materials to be used for corrugated boxes is extremely important. Unbleached, virgin coniferous kraft is most appropriate for liner materials. It has a high tearing resistance and stiffness and a low rate of moisture absorption from the air. The quality of the fluting material is crucial to the performance of the corrugated board. The most appropriate material for fluting is semi-chemical deciduous paper which combines good production and functional properties.

To permit the ventilation necessary for most distribution modes, ventilation holes are usually provided in fruit and vegetable boxes. Careful attention must be given to the number, size, shape and position of these holes to ensure that the box retains sufficient strength while the required ventilation is provided.

**B) 1) Sacks**

Sacks are traditionally made of jute fibre or similar natural materials. These have been replaced by sacks made of synthetic materials and paper, due to cost factors, appearance, mechanical properties and risk of infestation and spreading of insects.

Thus an ideal packing is one which ensures safe arrival of goods at destination. It must be strong enough to protect its contents against hazards like dampness, rough handling, stacking, improper storage and pilferage. However, packing should not be such as to add unnecessarily to freight expenses or to import duties in countries where these are levied on the basis of weight of goods.

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## **9.7 PACKING NOTES AND PACKING LISTS**

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While a pack note refers to contents of one individual pack, the packing list is a consolidated statement of contents for a number of cases or packs. These are prepared in the following manner :

**Packing Note**

1. Packing Note No.
2. Date of Packing
3. Name and address of exporter
4. Name and address of importer
5. Order No.
6. Date
7. Shipped per S/S of Air Freight by Flight No.
8. B/L or Air Way Bill No. and Date
9. Marking numbers say 1/10 to 10/10
10. Case No. to which this Note relates
11. Contents



- 1) Pneumatic Chuck Screw Capping
  - 2) Mechanical Chuck Screw Capping
  - 3) Roller Screw Capping
  - 4) Gas Flushing and Vacuum Sealing
  - 5) Press-on Capping
  - 6) Plugging
  - 7) Roll-on Capping
  - 8) Heat Seal Capping
  - 9) Cap Feeding
- C) **Coating and Laminating Machines perform the following functions :**
- 1) Flexographic Coating
  - 2) Rotogravure Coating
  - 3) Extrusion Coating Processes
  - 4) Laminating with Water Borne and Solvent Borne Adhesives
  - 5) Laminating with 100% Solid Adhesives
- D) **Coding, Marking and Imprinting : The techniques available on different machines are :**
- 1) Flexographic Imprinting
  - 2) Offset Imprinting
  - 3) Stamping
  - 4) Non-Contact Imprinting
  - 5) Embossing, Perforating and Notching Maintenance Requirements
- E) **Conveying, Accumulating and Unscrambling operations performed through machines like :**
- 1) Belt Conveyors
  - 2) Roller Conveyors
  - 3) Chain Conveyors
  - 4) Air Conveyors
  - 5) Elevating Conveyors
  - 6) Accumulators
- F) **Form—Fill—Sealing**
- 1) Vertically Formed Pillow Pouches
  - 2) Tetrahedron Shaped Pouches and Flat Bottom Bags
  - 3) Horizontally Formed Pillow Pouches
  - 4) Liquid and Semi-Viscous Product Filling
  - 5) Dry Product Filling
- G) **Labeling : The techniques included here are :**
- 1) Spot Labeling with Water Soluble Glue
  - 2) Wrap-Around Labeling
  - 3) Pressure Sensitive Labeling
  - 4) Sleeve Labeling
  - 5) Bag Labeling

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## 9.9 FUNCTIONS OF PACKAGING

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On the basis of the readings, so far, we can draw out a list of functions performed by packaging:

- i) **Protection**  
The primary function of packaging from times unmemorial has been protection of the product from being destroyed or spoiled through environmental hazards. These include breakage/damage due to rough handling, protection from extreme climatic conditions such as heat, cold, monsoons; protection from contamination or absorption of moisture etc.
- ii) **Differentiation/Positioning**  
In recent times when more and more products belong to the "me-too" category it is packaging which leads a different positioning to the product. It offers consumers newer benefits enabling differentiation of the product.

### iii) Packaging for Promotion

Packaging is largely used as a promotional tool. Several schemes like offering of discount on purchase of certain number of packages, offering accessories for the product along with the package are introduced by the marketer to make the product more appealing for e.g., children's products like chocolate offer certain gifts like games, toys etc. on collection of a certain number of wrappers. Small samples of new products are often offered along with existing product of the company e.g., offer of Lux Supreme premium soap with a large pack of Surf by Hindustan Lever. Also at times the package is made attractive by making it reusable e.g., jugs offered by Cadburys for drinking chocolates etc.

### iv) Packaging for Pricing

When a company plans to launch a product in the premium market it can do so by giving it in a premium package. The package enhances the value of the product which if placed in an ordinary package would not be as appealing to the target consumer. Also, at times, a package smaller than the regular size and shaped oddly may be priced higher and yet achieve the desired effect e.g., selling of Ketchup by Maggi in 400 gm. bottles compared to the usual 500 gms.

### v) Packaging for Convenience

The package is designed keeping in mind the distribution channel it has to pass through. It tends convenience to the producer, wholesaler, retailer as well as the final end-user with respect to stocking, displaying, occupancy of shelf space, reusability and disposal.

Packaging has thus emerged one of the most potent marketing tools in recent times. Product successes have come to be closely related with new packaging successes rather than new product innovations.

## 9.10 PACKAGING STRATEGIES

### Changing the Package

In general, management has two reasons for considering a package change—to combat a decrease in sales and to expand a market by attracting new groups of customers. More specifically, a firm may want to take advantage of new materials. Some companies change their containers to aid in promotional programmes. A new package may be used as a major appeal in advertising copy or because the old container may not show up well in advertisements.

### Packaging the Product Line

A company must decide whether to develop a family resemblance in the packaging of its several products. Family packaging involves the use of identical packages for all products or the use of packages with some common feature. Shahnaz Herbal, for example, uses virtually identical packaging on its famous line of beauty products. Management's philosophy concerning family packaging generally parallels its feelings about family branding. When new products are added to a line, promotional values associated with old products extend to the new ones. On the other hand, family packaging should be used only when the products are related in use and are of similar quality.

### Reuse Packaging

Another strategy to be considered is reuse packaging. Should the company design and promote a package that can serve other purposes after the original contents have been consumed? Glasses containing coffee can later be used to serve fruit juice. Baby food jars make great containers for small parts like nuts, bolts and screws. Reuse packaging also should stimulate repeat purchases as the consumer attempts to acquire a matching set of containers.

### Multiple Packaging

For many years there has been a trend toward multiple packaging or the practice of placing several units in one container. Dehydrated soups, custard packs, golf ball building hardware, chocolate, towels, and countless other products are packaged in multiple units. Test after test has proved that multiple packaging increases total sale of a product.

## 9.11 LEGAL ASPECTS OF PACKAGING

The labeling laws require safe packaging and warning labels on hazardous materials such as person and other substances. A package must necessarily give complete information about :

- 1) Date of manufacture
- 2) Date of expiry
- 3) Guarantee period
- 4) Batch No.
- 5) Volume/Weight of contents
- 6) Name of manufacturer
- 7) Instructions how to open it
- 8) Trademark of manufacturer
- 9) Price

as the case may be.

For certain edible products a standard size of package is to be used. In India food products are often compared to AGMARK standards and if a product conforms to one it should be notified on the package. Other products are compared to ISI standards which should again be mentioned on the package.

It is illegal to copy the packaging design of the competitor but there are several instances of similar looking designs of a successful product being copied by competitors. The recent HTA V/S Lintas war for Cinthol (Lime) V/S Liril clearly brings out packaging wars between competitors. Both, Cinthol (Lime) Soap and Liril (Lime) Soap have been introduced in similar light green wrappers with identical pictures of lime. The case about who has copied whom has not yet been solved.

## 9.12 COST EFFECTIVENESS OF PACKAGING

While packaging is essential for a product it should not become an unnecessary evil. It is important to study and compare the costs involved in packaging against the benefits generated additionally. The various alternatives to be considered are:

- i) Whether to have an ordinary packaging or an expensive one;
- ii) Whether to package goods oneself or give an outside contract;
- iii) Whether to purchase packaging machinery or package manually, in certain cases;
- iv) Whether the benefits available to the consumer through the packaging are really tangible or not i.e., whether or not they would be ready to pay additionally for the benefits.
- v) According to the marginal curve there exists an inverse relationship between packaging costs and increase in sales. After certain point it is no longer beneficial to incur more packaging costs. It is necessary for the marketer to determine this limit.

## 9.13 SOCIAL ASPECTS OF PACKAGING

1) In an economy like ours which requires every rupee for its development unnecessary packaging to attract consumers can be considered a waste of resources. Fancy expensive packaging not only raises the cost of the product to the consumer but also at times the cost of the package is higher than the cost of the contents. Packaging should be limited to functions of protection and holding rather than a tool for advertisement. Another stream of thought, however, is that ordinary packaging would necessarily diminish the edge of competitiveness and the drive for innovation would no longer exist. Thus, packaging up to a certain limit can be used as a marketing tool but its excessive use would be self-defeating.

### 2) Pollution

Disposal of consumer packaged goods after they have been utilised results in piling up

of solid waste. This creates unnecessary pollution in the environment resulting in ecological imbalance. Certain type of packaging material is difficult to destroy and is not reusable also. In the present day situation when each drop of water is precious and every space of land is important it is a crime to pile up unnecessary scrap of tins, cans, and boxes.

Some socio-economic criticisms of packaging are :

- Packaging depletes our natural resources. This criticism is offset to some extent if packagers increasingly make use of recycled materials. Another offsetting point that effective packaging reduces spoilage (another form of resource waste).
- Packaging is excessively expensive. Cosmetic packaging is often cited as an example here. But even in seemingly simple packaging—tinned fruit for example—half the production cost goes for the container. On the other hand, effective packaging reduces transportation costs and losses from product spoilage.
- Health hazards occur from some forms of plastic packaging and some aerosol cans. Government regulations have banned the use of several of these suspect packaging materials.
- Packaging is deceptive. Government regulation plus improvement in business practices regarding packaging have reduced the intensity of this criticism, although it still is heard on occasion.

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## 9.14 SUMMARY

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Dating back to primitive times when it was used primarily as a protective device, packaging has evolved as the fifth P of marketing. The unit discusses the basic concept of packaging, the functions and the strategies of packaging. Legal and social aspects of packaging have also been discussed.

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## 9.15 SELF-ASSESSMENT QUESTIONS

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- 1 Discuss the importance of packaging as a tool of market cultivation.
- 2 Packaging has been criticised as being expensive, giving no additional value and often deceptive. How would you justify marketers use of packaging.

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## 9.16 FURTHER READINGS

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Robert G Cooper, *Winning at New Products*, Kogan, Page 120 Pentoville Road, London, 1989.

G.L. Urben and J.R. Hauge, *Design and Marketing of New Products*, Englewood Cliff, J.N. Prentice Hall, 1980.

# UNIT 10 BRANDING AND BRAND POSITIONING

## Objectives

After going through this unit you should be able to :

- Discuss the rationale for branding
- Evolve a framework for brand name selection
- Describe the concept of brand positioning
- Explain the positioning strategies for market leaders and followers.

## Structure

- 10.1 Introduction
- 10.2 Branding
- 10.3 Brand Name Selection Process
- 10.4 Positioning of a Brand
- 10.5 What do you do when you are first
- 10.6 The Mind Eliminates vs. the Mind Ranks
- 10.7 Positioning : Product Differentiation
- 10.8 Some Classic Positioning Examples
- 10.9 Ingredients of a Leadership Position
- 10.10 Positioning of a Follower
- 10.11 Repositioning the Competition
- 10.12 Summary
- 10.13 Self-assessment Questions
- 10.14 Further Readings

## 10.1 INTRODUCTION

In the last unit, we have dealt with you the role that packaging plays in the marketing of a product. Let us now discuss why we need to brand a product? How can one go about selecting a suitable brand name for a product? What positioning of a brand is all about? How can we apply this concept of positioning to a brand in practice to establish a meaningful communication for our brand with the target audience—the brand is intending to target or the brand is actually targetting.

## 10.2 BRANDING

Before we really start talking on this subject pause for a moment, to recall the process that your mind went through before you chose to become a student of this university vis-a-vis other institutes which offer distance learning programmes. Obviously the first thing that must have struck you is the NAME of the programme, thereafter the NAME of the university—followed by the image that you associated with each of them. Obviously the image would have been influenced by what you would have seen and heard about these NAMES. Well, the process of any image creation in the mind starts with the NAME and comes back and ends at the NAME. Well, the process and success of an image creation task is what positioning is all about. What are we hinting at? — That communication, identification, differentiation, distinction and positioning (this is a name given to a powerful systematic and scientific approach to communication) all start at the name.

There was a time in USSR, when all the products being produced by different units did not carry a name (an identification). Consumers were expected to pick up a product (produced from any unit) and be happy about it.

Soon experience taught the consumers that the same product purchased at different points of time, differed in their quality. Sometimes these differences were so sharp, that consumer decided to go without a product rather than bear with a substandard product. This suppressed demand and the economists were forced to recommend the system of



### 10.3 BRAND NAME SELECTION PROCESS

We will now attempt to give you realistic and operational basis for the art of brand naming. Presented below is an approach for the formulation of a name for a product and the selection of the most suitable from amongst the various alternatives at hand. You have seen that a brand name should be checked for certain qualities. The task of systemizing the choice of a brand name calls for more than a knowledge of these qualities. What is required is to develop a systematic base for useful and realistic evaluation of different suggestions for adaptation. For a rational decision in this regard a mathematical approach has limited application. Therefore we suggest an 'audit' cum 'mathematical' approach. The major steps in this process are presented here.

*Step 1—Preparing checkpoints for the different values to be contained in the name.*

A marketing executive should first lay out the objectives he wants to fulfil through the name that he is trying to design. For this he should prepare lists of checkpoints using the Jackson Martindell's method. It may be broadly classified on the basis of certain recognized values.

*Associational Value:* (a) Pick upon the qualities of the product, the association of the name to which, are likely to increase the sales; (b) List the satisfactions that the consumer wants to achieve through the product. Caution : the product is meant to serve a target audience of potential consumer; thus only those satisfactions should be listed which are desired by the target audience. The satisfactions should be listed in order of priorities; (c) Now prepare a combined list of the desirable qualities and satisfactions and list them in order of priorities for example :

*Qualities and satisfactions to which associations of name is to be sought*

*Impact in terms of profit and/or market share  
(% of potential consumers desiring an attribute)*

- Attribute A
- Attribute B
- Attribute C
- Attribute D
- Attribute E

It should be remembered that consumers with a preference for, say, attribute A can overlap the consumers desiring attribute B. This means that the combined market share of attribute A and attribute B will not be the cumulative of the market shares of both but *something less*. The attributes should be listed in a descending manner so that as one goes down the list, the cumulative market share of the attributes increases. Also, the overlapping of the set of consumers of attribute A with that of attribute B should be less than that of the set of consumers of attribute C with that of attribute B or A. The same thing should be true with consumers of attribute D (as that of attribute C) in regard to consumers of attribute A, B and C and so on.

*Memorization Value :* List the words to which the name can be made to resemble in rhyme, meaning etc. and which are in common use by the target audience of potential consumers.

*Descriptive Value :* Follow the same procedure as laid down under the heading associational value. List the product qualities that need to be described according to consumer preferences. Also, include those qualities which are preferred by the target audience and are present in the product but are missing in competitive products. Prepare a list of checkpoints on the following design :

*Descriptions*

*Impact on the profits and/or market share  
(% of potential consumer desiring an attribute)*

- Attribute A :
- Attribute B :

*Motivational Value :* Follow the same procedure as above and list the product qualities that would motivate the consumers to make the purchase. Against each product quality indicate the proportion of potential consumers that are motivated by it. Also list the factors which, if developed in the product, would motivate purchase.

Quality X :  
Quality Y :

**Repurchase Value :** If the name is checked against the checkpoints prepared for associational value, memorizational value, descriptonal value, and motivation value, it will by itself contain the required repurchase value. Hence no separate list of checkpoints is required. For the same reason the foregoing procedure will take into account only the first four values.

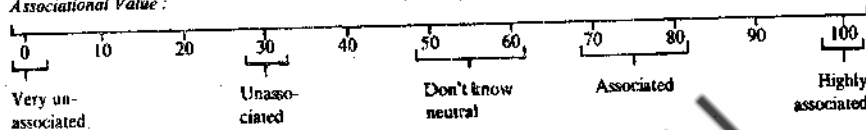
**Step II—Making a search for names**

The next step is to search for possible names that can be given to the product. Such names are listed that fulfil the objectives laid down in Step I, i.e., they contain the required values. A great deal of creative imagination is required for this job. An attempt has to be made to formulate such emphasis is on the required qualities. At this stage, primary emphasis is on the required values the name has to contain; the objective evaluation comes later.

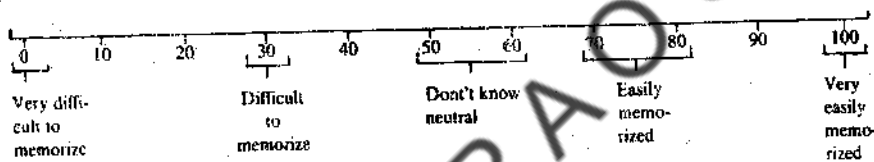
**Step III—Assigning differential ratings to the names formulated**

A proforma of the rating scales for all the four values can now be drawn.

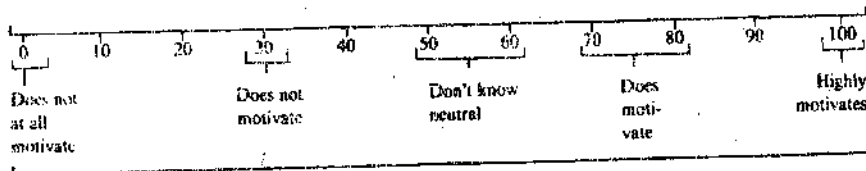
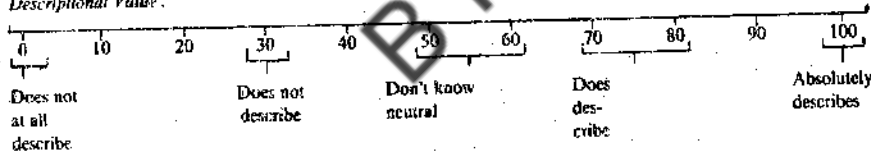
**Associational Value :**



**Memorizational Value :**



**Descriptonal Value :**



Now a representative sample of the potential consumers is picked up and is given a series of tests.

**Associational value tests :** The names formulated in Step II are haphazardly arranged and listed on one side and the qualities or attributes laid down in the list of checkpoints for associational value in Step I along with other product attributes are listed in a random manner on the other side. The participants are then asked to associate names with attributes.

In this manner the extent of relationship of a name with the attributes of the associational value can be determined. Ratings are then allotted to these names on the associational value scale. The judgement is based on the comparison of the results of the associational test, with the list of checkpoints prepared in Step I under the head associational value. If the test indicates that a name has been exactly associated with the attributes of checkpoints, it would represent the highest degree of association the name has with these attributes. This

particular name would then be allotted a rating in between 80 and 100. It should be noted that the ratings allotted to different names have to be relative in nature.

*Memorizational value tests* : Brand names listed in Step II after being properly shuffled with such similar names and related names (shuffling is done to reduce the error that might creep in because of the association of the names with each other) are listed and then given to the participants for a specific time. They are asked to read them over, again and again, say 5 to 10 times. Then another list of names containing the names for the product in the first list shuffled along with other similar names i.e. similar in spelling and rhyme etc. is given to the participants. They are then asked to locate the names of the first list. In this way the names can be allotted rating on the memorizational value scale.

*Descriptive value tests* : The list of names is given to the participants. Each participant is then asked to list under each name a few attributes that he thinks the product with that name may contain. The attributes listed by the participants are then checked against the checkpoints prepared under the heading Descriptive Value in Step I. Ratings are then allotted to the different names on the descriptive value scale in a similar manner as they are done for associational values.

*Motivational value tests* : Names formulated in Step II are listed on one side after shuffling them with a few other names that are not being considered. Purchase motivators that are listed under checkpoints prepared under the heading motivational value in Step I, are shuffled up with non-motivators and listed on the other side. The participants are then asked to associate the names with the purchase motivators. There being no restriction on the number of purchase motivators that may be linked with a name and the number of times a purchase motivator may be used. After having done this on the basis of the results obtained and with the help of checkpoints for motivational value, ratings can be allotted to the names on the motivational value scale.

*Step IV—Quadrivalent analysis for separating undesirable names from desirable ones and measuring the marketing potency of the different names*

The marketing potency of a name in its most ideal sense depends on all the four values that have been discussed above in the preceding step. However, in practice you may need to rely on a **Few of the Above Qualities**. It is also possible that you just can't find a name which can strongly reflect these qualities. If that be the case, you will have to be content with a hard choice — giving up something for something better. If you are compelled to do this — look at your total marketing programme and find a solution to what you have lost in some other element of the mix at your command. We can express the marketing potency by a simple mathematical expression as under :-

$$MP = (An) (Mm) (Dp) (Mt)$$

MP —Marketing potency of a name, An—Associational value, Mm—Memorizational value, Dp—Descriptive value, Mt—Motivational value.

The marketing potency of a name or the extent to which the name helps in capturing the market is assumed to be a function of multiplicative relationship among the four variables multiplicative because theoretically reduction of any of the four variables to zero would sharply bring down the marketing potency of the name. In this general formulae, you will also notice that we have assigned equal weights to all the four values.

In practice, the scenario may be totally different. You may not be intending to describe the product at all through your name in view of the marketing strategy you have in mind. What do you do in this kind of a situation, how would you deal with the mathematical expression stated above? You will need to do some transformation of the expression or assign some arbitrary value to the descriptive value. We suggest that you assign this descriptive value a value equivalent to unity. Again it is quite possible that the associational value of the product is two times more important than the descriptive value of the product. Again you would need to transform your expression. You will need to assign weights and we suggest that you assign a weight of two units to associational value in relation to descriptive value. At the time of determining the marketing potency the ratings for this value will have to be divided by two to give it the desired weightage.

The graphic representation shown in Fig. 1 consists of 3 axis all perpendicular to each other, two lying in the horizontal scale and one in the vertical scale. The two variables, associational value and memorizational are represented on the horizontal axis and

descriptonal value is represented on the vertical axis. After ratings for a name have been plotted on the associational and memorizational value axis (scales), its rating on the descriptonal value axis helps in assigning the name a position in the space. The rating for the motivational value of the name is indicated in parenthesis. Positions are located for all the names on this three dimensional graph.

Three planes are then made to divide this three dimensional brick resulting into 8 quadrants. A horizontal plane is drawn so that half the names lie above the plane and half below the plane. A 2nd plane, which is vertical and parallel to the associational value axis is drawn so that half names lie on one side of the plane and half on the other side. A 3rd plane, vertical but parallel to the memorizational value axis is drawn in a similar fashion. This process gives rise to 8 quadrants. The upper right hand quadrant farthest from the memorizational value axis (Quadrant I) will have those names which are more desirable than those in other quadrants. Figure I shows that brand names A & B lie in quadrant I and hence they are more desirable than those in other quadrants.

The 4th rating on the motivational value scale should be indicated in parenthesis. This is indicated in parenthesis because if the name has the other three desired values it would contain some motivational value too; however, this is not true of the other values. Names falling in the upper right hand quadrant farthest from the memorizational value axis can be compared with each other, their ratings for motivational value too can be compared.

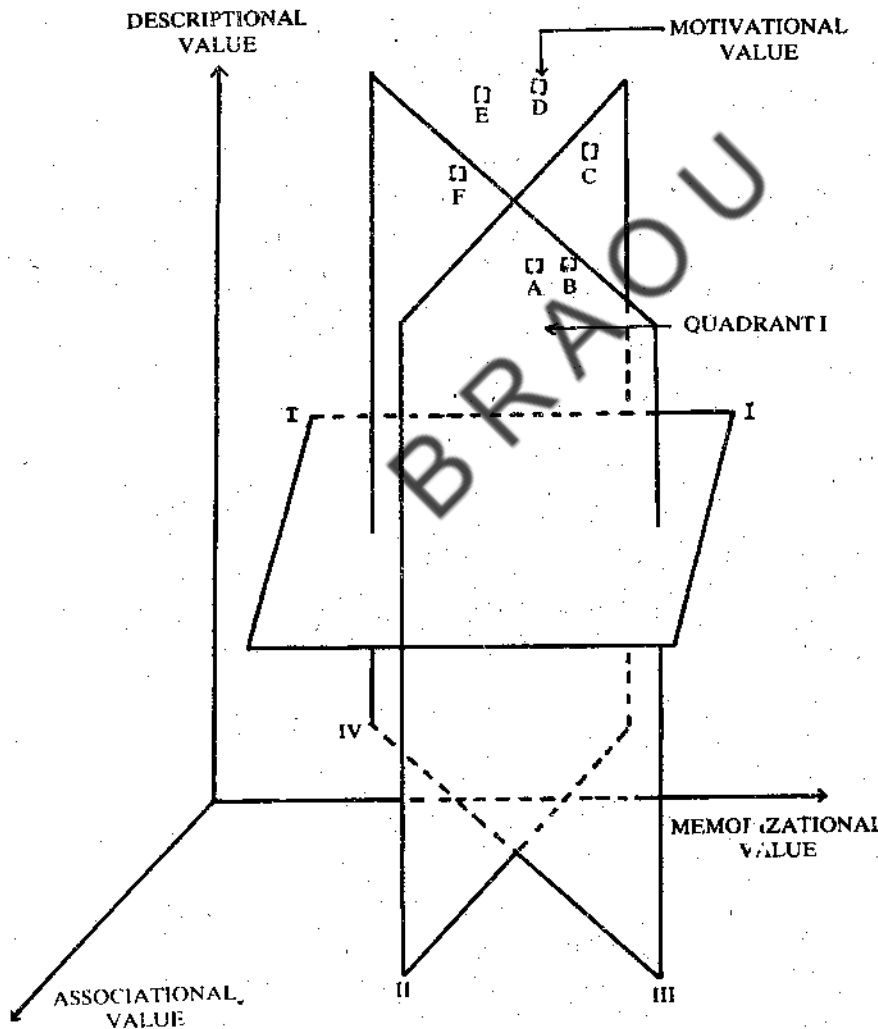


Fig. I—The three dimensional graphic representation shows the extent of different values each name. It also depicts the elimination of undesirable names from the desirable ones by inserting three axis at right angles to each other in the graphic representation. The three planes divide the 3 dimension brick into eight quadrants, quadrant I has the desirable brand names—brand names A & B.

If there are a large number of names lying in quadrant I, further elimination of undesirable names can be done. Divide quadrant one into still small quadrants. This is done by using the same procedure. This means that quadrant I is divided by 3 planes to give rise to 8 miniquadrants. The inception of planes to bring about division of quadrant I is done in a similar manner as that followed for dividing the whole graph. This would give rise to another quadrant I' which would contain a still smaller number of names. Thus it would be easy to make choice from among these names.

Controlled experimentation can also help in determining the marketing potency of the few names that emerge from the above method (say 2 to 3 names) from which the final choice has to be made. Redetermination of the marketing potency can be done not only by taking into consideration the results of this controlled experimentation but also by resubjecting them to the tests designed in Step II and checking them up with the help of checkpoints in Step I.

**Step V—The final choice**

We can afford to go a step further. The 2 or 3 names that we have are listed on separate cards. On each card the total market share generated by each of the four values is determined. We shall take as example the associational value. Check the name against the checkpoints listed under associational value in Step I. List those attributes to which the name has been associated by the sample of potential consumers at the time they were given association tests in Step III.

Attributes to which name was associated : A & B

Now look into the number of potential consumers who associated the name to attribute A. Find the ratio of the number of these potential consumers to the whole sample. This ratio gives the market share that is being generated by this attribute. Similarly, determine the market share generated by attribute B. Find out the number of potential consumers who have associated the name both to attributes A & B. Next step is to determine the following ratio :

No. of potential consumers who associated the name

to both the attributes A & B.

No. of potential consumers who associated the name to attribute A.

Proportion of consumers for attribute A associating the name to attribute B.

Similarly determine the proportion of consumers for attribute B associating the name to attribute A. With the help of market shares for the two attributes and the above ratios, a venn diagram can be constructed. The total market is represented by the universal set, on it are drawn the market share generated by attribute A (set of consumers who associate the name to attribute A) and the market share generated by attribute B. The intersection of two subsets A & B is shown. The union of the two subsets A & B shall represent the actual associational value of the name (Figure 2). Next, determine the market shares generated for each of the four values. Now construct a venn diagram for each name in which the universal set is represented by the total market of the product. On this universal set is shown the union of the set of consumers, for associational value, memorizational value, descriptitional value and motivational value. The interlaps among these sets is determined by the same type of procedure as outlined for determining the intersection for market shares of different attributes for their associational value in (Fig. 1). Figure 3 shows such type of a venn diagram.

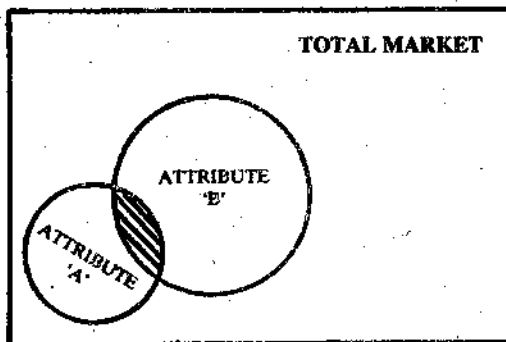


Fig. 2

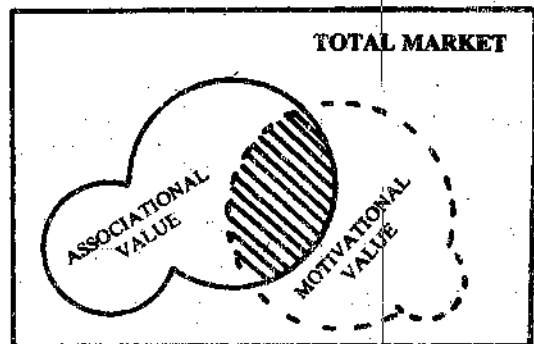


Fig. 3

A comparison of the venn diagram constructed for the different names will help in picking on the right name—the falls in line with your marketing strategy. This depends on two things (I) the total area covered by the union of the four sets viz, set of consumers for associational value, memorizational value etc. (II) the interlaps or the intersections of these sets

Today, a few marketing research specialists have developed a variety of mathematical techniques to help in brand name selection. This should not baffle you, because the logic does not change. These mathematical techniques are only tools to help marketers give expression to their logic and to assist them in applying their logic in more precise terms. Logic obviously remains supreme and reigns.

The various steps and tests involved in “brand name selection process” as described above needs an exercise on the pattern discussed. Thus, a proper brand name chosen for the product, keeping consumers’ point of view in forefront would make marketing effort easy and rewarding as it introduces the element of rationality in an otherwise wholly subjective decision.

#### Activity 2

Assume that you are developing

- a) A new perfume
- b) A new remote controlled by car
- c) An automobile servicing station

How would you find an appropriate brand name for your product using the model described above.

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## 10.4 POSITIONING OF A BRAND

You have just learnt, why we need to brand a product and how we go about selecting a suitable brand name for a product.

There is another very important decision which a marketer has to take in regard to a product — the way you will like your product/brand to be perceived by your consumers.

In order to be successful a marketer has to effectively communicate his product to his prospects. You have to make sure that through your communication, your product is **Seen, Heard and Accepted** by your consumers.

The art and science of making your message seen, heard and accepted by another human mind is what positioning is all about. When you apply this concept to your communication messages for your brand/product so that your brand/product is **Seen, Heard and Accepted** by the human mind of your prospect, you are actually **Positioning** your product/brand. Naturally if your message about your product/brand has been seen, heard and accepted by your prospect, you have succeeded in building the desired perceptions about your product in the mind of your prospect which has led him to accept your product/brand.

While you have already been exposed to the concept of positioning in Unit 8, let us study in detail about the concept of brand positioning to build and the importance of this concept in product and advertising management.

Positioning is a powerful approach to communication. It is a concept which is as old as product differentiation and market segmentation. However, it was only in 1972, when two advertising practitioners Al Ries and Jack Trout paid attention to this phenomenon of positioning. They tried to highlight its importance in communication and attempted to give it a conceptual base. Therefore researchers and practitioners alike have probed into this subject to develop it further and to give it a more comprehensive conceptual base.

Positioning is a way of determining and achieving a place in the perceptions of the consumer, relative to the competitors.

In fact, you will not be able to appreciate the *Importance* of this approach or the *Advantages* of using this approach till you are able to understand what is the nature and degree of problem that you are faced with, when you wish to communicate with another human mind, to influence with another human mind about your product so that your product is not only seen, heard but accepted by this other human mind.

Today what we have is an **over communicated society**. If you were to switch on your television set before the famous serial "The Sword of Tipu Sultan" you have anywhere from 25-35 minutes of advertising built out of 10 seconds to 20 seconds commercials. We had on an average about 30 minutes of advertising before the serial 'MAHABHARAT'. A few years ago this was not the case. As time progresses, the amount of communication, we have to receive, continues to grow.

With such a heavy usage of advertising, some of us might even turn down the volume of our T.V. set, during the commercials and wait for the actual serial to start.

Well, anyway this is how the **Human Mind Functions**—when attacked indiscriminately with the stimuli from outside, it shuts itself off (**Perceptual Blocking**). The human mind could probably be compared to a dripping sponge which cannot absorb any more and if it must, it has to be at the cost of what is already there. We suggest you go back to Block 3 (Understanding Consumers) of course MS-6 (Marketing for Managers) on page 11. As you know, mind selects only a tiny fraction finally gets in (**Selective Exposure** and **Selective Retention**). Mind distorts information that is not consistent with their needs, values and beliefs (**Selective Distortion**). You see what you expect to see — Take two suit lengths from a roll of a famous brand say 'Raymonds'. On both put the same price — let one of them carry the famous brand name 'Raymond' on the other invent and put a name. Ask your friend to choose one of them — you know what he will choose!

Mind goes by first impressions, by recommendations (**Opinion Leaders**). People like to jump to conclusions.

If you are presented with an incomplete idea, your mind has an urge to complete it according to your beliefs, values and motives (see the latest Hindi commercial of Cibaca Tooth Paste — "Daddy Aadha Kya Hai?"... Aadha...) and the commercial ends— obviously consumers will complete it, some might say that the tooth paste has the quality element where as other might say it works out cheaper!

When a number of stimuli attack the mind — how does the mind cope up with it? It will group them and perceive them as unified wholes. Say you have been on a holiday for a few days to a hill station. When you come back and someone asks you how was the holiday— pat comes the reply 'very exciting' — 'good or merely alright'. There may have been a 1-2 exciting days, when you say 'alright'. Thus, mind goes by generalities.

To understand the problem of communication further, just sit down and think for a moment the number of media options, we had in India about a decade ago and what we have today. A few years ago, we had only one channel on TV today we have two and tomorrow... **Media Options are Multiplying**. The number of manufacturers and products offered by them are multiplying. Computers is relatively a new field in India, today we have approximately 200 computer companies offering a variety of software and hardware. There is virtually a **Product Explosion**. To cope with this situation what we get in more and more of **Advertising Input**. Ironically as the use of advertising goes up, its effectiveness goes down. How do you cope with this virtual **Media, Product and Advertising Explosion?**

How do we make a lasting impression on such a mind?

The best approach to take against this back drop in order to communicate effectively is to **Over Simplify Your Message**. Make your message more and more clear, remove the confusion from them. "Don't use Greek and German, when you want to talk to an English Man." Use **Simple Words**. Talk in the language of people you want to communicate to — if it is a common man, use common man's language and so on. Don't **hide your idea in words, be clear about it**. To highlight this statement, we draw your attention to two watch/clock advertisements which have appeared in HINDUSTAN TIMES DAILY in the beginning of October 1990, end of September 1990.

The Titan Quartz advertisement's headline which is set out in simple type reads as :  
**"Next time he offers to buy you a Saree, Suggest Titan Quartz Instead"**

While Jayco Quartz watch advertisement reads

**"A beautiful Puja and Diwali Gift for someone you Love Jayco Quartz Watches, Alarms and Clocks"**.

It shows an alarm clock in the advertisement and a man with suitcase in the hand. The copy which is set in opt (very small) starts with.

**"The Jayco 1515 is ideally suited for travellers as it is tiny, light and compact with a luminous dial and sweet alarm."**

The manufacturer JAYNA TIME INDUSTRIES LTD., has the traveller in mind. It wishes to position its clock for travellers, ironically it says nothing about this in the headline. Chances are the travellers may not read the advertisement. Again while the headline says it is a beautiful Puja and Diwali Gift, the copy does not at all touch this point. At least partially, opportunity is lost in both segments, if not completely.

**You have just a few seconds**

As a marketer, you could probably write a book on your product for your consumer. Don't worry, you will not need to do so, your customer is in a hurry. That's not all, you also need to be quick if you want to create an impact. On the television, you probably will have a shot of 10 seconds or may be 20 seconds to talk to your consumer, while going through the print media may be just a split of a second to be seen, a few seconds to be heard and may be a few more seconds to be accepted or rejected by the consumer.

You therefore in order to effectively place your brand have to communicate carefully — **choose the message which has best chance to get into your prospects mind** — which your prospect can understand, which beholds his attention, gives him a reason to read. It should also provoke a thought process in his mind and should create a distinct image, a position for your brand in his mind.

The message can create an unfavourable position or a favourable position. A favourable position is one which changes his attitude towards your brand leading him to accept it. Say Al Ries and Jack Trout, when you start viewing your communication task in this way, you tend to get valuable leads.

To communicate successfully we need to touch the base with realism about what is already there in the mind of the prospect. What matters is what really gets in and what impression it builds in your prospects mind. Therefore what you should do is, **you get into your prospect's mind and start concentrating on what is really getting in into his mind rather than what you are actually sending**. To effectively communicate you look for the solution to your problem not inside the product, not even inside your mind. "You look for the solution to your problem inside prospects mind. In other words, since so little of your message is going to get through anyway, you ignore the sending side and concentrate on the receiving end — You concentrate on the prospect.

You try to understand the perceptions in the mind of the prospect about your product, about the competing product or may be even the prospects general perceptions about life, other persons and other objects and the perceptions he has about himself as a person. You thereafter see the possibility of various permutations and combinations of these perceptions which when merged and enhanced through your communication can result into distinct, sharp images for your product in the prospect's mind thus making a favourable position for your product. Thus you reaffirm the connections that already exist in the mind but also enable your message to stay in your prospect's mind, creating a position for your brand. To advertise effectively or to communicate effectively.

Easy way to get into the mind and the hard way to get into the mind.

The easy way to get into the mind is when you are first. If asked to recall your first day to college, you will be able to do it. Actually when something is first, it leaves an imprint in your mind—the experience is something like the first encounter between a new born baby and its natural mother. First impression have a way of staying. The hard way to get into the mind is when you are next. And if your brand is not the first brand in a product category, only by using the concept of positioning can it successfully get into your prospect's brand choice set.

'MAGGI NOODLES' was first to get into the mind, the easy way. The hard way was for it's competitor 'FAVY NOODLES'.

## 10.5 WHAT DO YOU DO WHEN YOU ARE FIRST?

The first thing you do, when you are first is, you should be prepared to tell others, about it. The next thing you should do is to communicate the fact to others. Only when you do these two things will you be First to enter your prospect's mind. We would like you to recall the story of Amerigo & Christopher Columbus — As you would know Christopher Columbus was first to discover America but he kept his mouth shut because he wanted to hunt for gold. Amerigo was the second person to discover America, but he was quick to do two things :

- i) He called his new discovery of land as a **Separate Continent** — This is equivalent to getting prepared to tell others, how you are first.
- ii) He advertised about his new discovery by writing a lot about it. In fact his writings about this got translated into 40 languages — This is equivalent to your communicating your message of being first to others.

### Coping with the product explosion

You have learnt, how our over simplified mind functions and how, it would cope with the assaults from the outside stimuli. How does such a mind cope with the virtual product explosion that continues to take place? Earlier, we have mentioned for instance that in a relatively new field like computers, in India, we have about 200 companies operating each one with a product range. How would a consumer go about choosing a brand of Television with about 20 options on land?

The process is simple — he will group, he will eliminate, and he will rank — till he can narrow down options to his final choice. Let us try to understand this process through two Figures 4 and 5.

If you intend deciding to buy a television. The focus of your mind will move on to televisions and not washing machines and televisions. In this sense your mind has grouped televisions into ONE CATEGORY. Brands you have not heard about get eliminated on their own (1).

Your mind vaguely moves over the brands you have heard of and are shown — those that your mind cannot recall get eliminated further (2).

The process continues and you send a few brands into a penalty box — those that are not acceptable to you on the prima facie (3). The mind narrows down on a few brands, how would it deal with them?

Typically the human computer ranks the brands, if we were to imagine a ladder inside the mind (figure II). Each brand could be imagined placed on a rung. The one which is acceptable on the top most rung and others follow the order in which the human mind has RANKED THEM. We have earlier said that the human mind cannot deal with more than 7-8 units at a time.

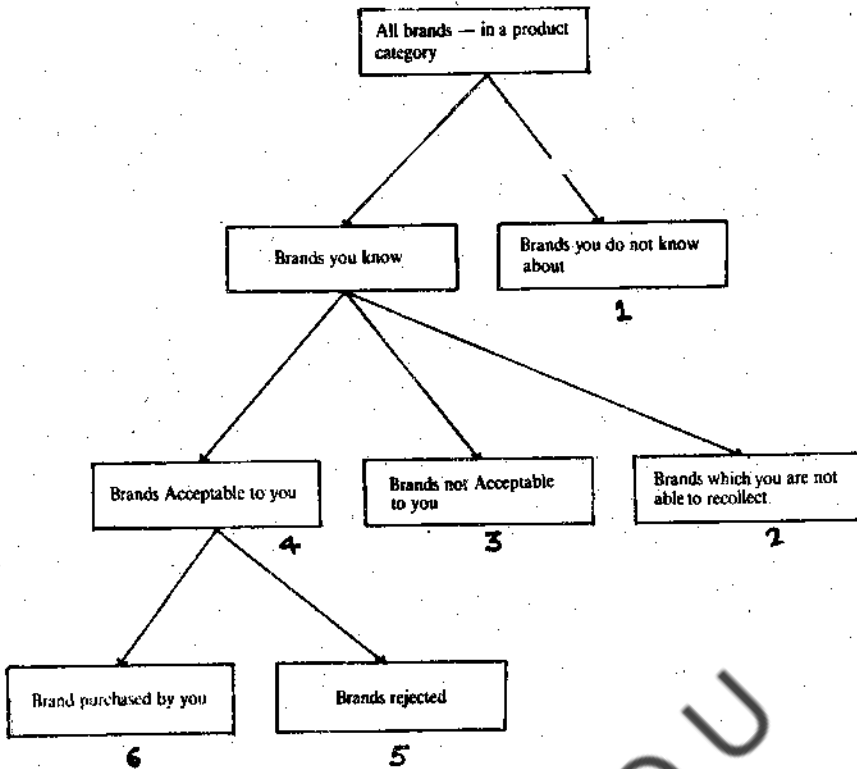


Figure 3

**THE MEDIA EXPLOSION-THE ADVERTISING EXPLOSION-THE PRODUCT EXPLOSION  
IMMAGINING THOSE LITTLE LADDERS IN YOUR HEAD**

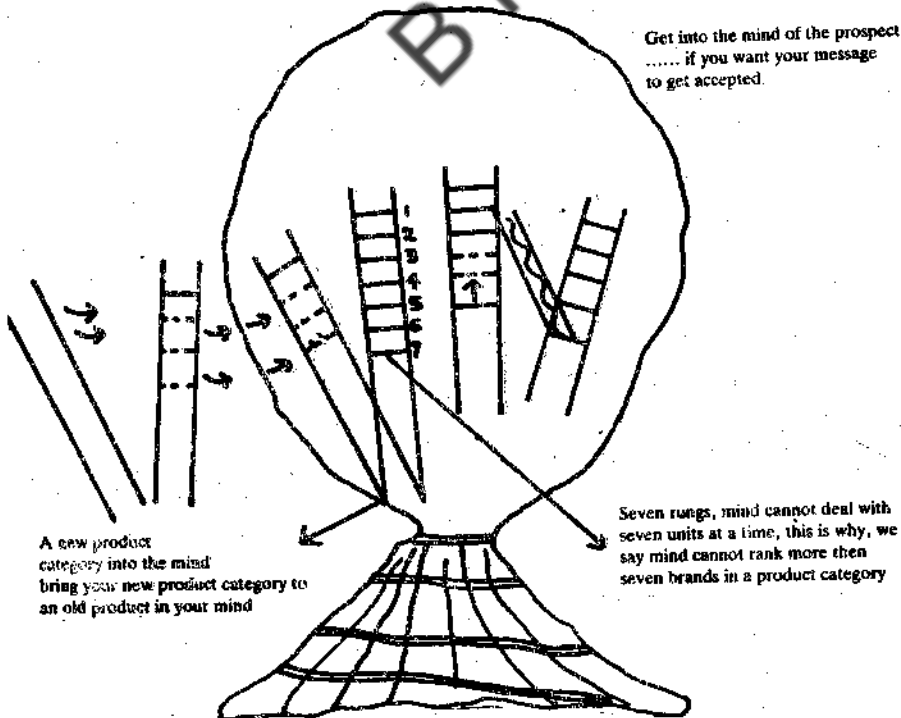


Figure 4

Assume that the mind cannot deal with more than seven units at a time. If you have fourteen brands to choose from and you are consciously made aware of them, how would your mind react? One simple way is to eliminate the brands — may be your mind will permit seven brands to enter. The other way is group them on some basis. You may land up with groups of two brands each. The process will not stop — between the two brands in each group you will land up having 1st choice and the 2nd choice.

Therefore we say the mind groups, the mind eliminates and the mind ranks.

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## 10.6 THE MIND ELIMINATES VS. THE MIND RANKS

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We think, you will agree with us that for a brand to get eliminated is a riskier situation than its falling into your mind ranking. If the brand is in box 4 of Figure 11, it has a better chance to get to box 6.

Now, if your brand is in box 1, we think it has the best chance to go to box 6, provided you have the resources skill to **Position** it.

**The point that we are trying to drive home is — “That once your mind is set it is very difficult to change it”.**

People in communication business and advertising business look at this statement with respect and humility. When finding a way to communicate i.e., when they are trying to ‘position’ their brand they are careful. They recognise that there are some images and some perceptions they probably will not be able to change, and there are some ‘positions’ they really cannot capture or let us there are some ‘positions’ which are difficult to capture. It is this logic that makes advertising people not go “**Head on**” with competition and if they must, they know that it is an uphill task.

Getting back to imagined ladders figure 4 — and applying the logic stated above, we say that sometimes it is nearly impossible to dethrone the leader i.e., it is difficult to dislodge the brand which is on No. 4 rung. Sometimes when it is possible it is not worthwhile because of the enormous amount of advertising blast required or the risk involved.

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## 10.7 POSITIONING : PRODUCT DIFFERENTIATION : MARKET SEGMENTATION

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Before we continue to build the concept process of positioning with you, let us spend sometime to understand the degree to which the three concepts : Positioning, Product Differentiation and Market Segmentation relate with each other?

### 1) Positioning Creates Product Differentiation

Positioning creates a ‘**Position**’ a place for your brand in the mind of your prospect. Your prospect is going to recognise your brand in the basis of the position you create for it in his mind. He is going to distinguish your brand on the basis of this position. Your prospect is going to distinguish your brand from the other competing brands on the basis of the ‘**Positions**’ each one of them has in his mind. In other words your prospect is differentiating brands on the basis of positions. We therefore say, **Positioning Creates Differentiation**.

Next time you tune your television set, watch out for the ‘Salora’ commercial. An Angel answers your questions “**Sound as clear as Salora TV**”—“**Picture as Sharp as Salora TV**”.

The positioning strategy for **Salora TV** is creating a position on the basis of sound and picture. If the position is secured in your mind — you will differentiate this brand of TV on the basis of positions.

Now a word with you over here—Is **Salora TV** the only TV that has a clear sound and a sharp picture? Of course the answer is No. But probably **Salora TV** is the first TV to **Forcefully** build that position.

What should be understood is that while the manufacturer/the Agency’s has identified that position should be built on the basis of **Sound & Picture**. **The Creative People** have

added **Immense Creativity to the positioning idea to make the commercial stand out.** As has been said earlier, don't hide your positioning concept in words, be clear.

### 2) **Product Differentiation Helps Positioning**

Product differentiation can be created in a research development laboratory. You can have a well differentiated product from the works, but if communication does not work for it, you can have an "undifferentiated position" or may be no position at all in the mind of your prospects. David Ogilvy the world known celebrity in advertising has said "The more you know about it (your product), the more likely you are to come up with a big idea for selling it". He goes on to say that "when I got the Rolls Royce account, I spent three weeks reading about the car and came across a statement that 'at sixty miles an hour, the loudest noise comes from the electric clock'. This became the headline, and it was followed by 607 words of **factual copy.**"

In effect David Ogilvy, the advertising practitioner is telling us that product differentiation helps in positioning the product. He is also hinting that positioning relies on one or two perceptions, the strong perceptions, as marketers we must search them in the mind of your prospect.

### 3) **When you talk to a group - it becomes a segment**

Through our course material, we are talking to you. We are communicating with a group of about seven thousand students, this becomes a **Segment**. Every communication/ advertising has to address a **Segment**. Naturally when you have to communicate with a group of prospects—a segment, you have to get into their minds to know how they perceive you, your competition and your messages. Segment is not a component of positioning, segment is what you are communicating with using the powerful and scientific positioning approach.

### 4) **Intensity increases with narrow targets—segmentation and fragmentation**

Well, if you were to address only **WOMEN** for a product—you can show the advantages she can derive out of your product **You are 'Talking to her' — only.** If you were to address **Men and Women** for a product you have to be careful to at least avoid highlighting something for women which can put your 'men' customers off.

What we learn from above is that as you narrow down your targets, as you continue to segment the audience you continue to increase the intensity of your messages. In a very competitive situation, the only way to win perhaps would be to narrow down your focus which shall afford to create a 'distinct position'—a 'separate position' perhaps for a narrowed down target.

You may have seen the recent commercial on TV for **SOLIDAIRE TV**—they show the television being used in a rural kind of a setting. They have not only a rural setting in mind but also the 'middle class'. They have narrowed down this niche, at the same time they have been actually suggestive, not permitting the urban customer to be lost. However the emphasis is on a 'rural middle class' customer.

If your competition has a big pie i.e., big market share—the way to grab the share is to **Fragment** his pie by identifying a subsegment in his segment and increasing the intensity of your messages through targets.

### 5) **Same product can be positioned differently for different segments**

'Milkmaid' the condensed milk from Nestle was been targeted at different segments at different times. The point to note is that **PRODUCT** and **THE PACKAGING** have remained unchanged. Without changing the product and the pack an advertiser has established communication with different segments by using the positioning concept.

They have created '**Different Positions**' in the mind of prospects for their product through positioning and repositioning the product.

- i) **MILKMAID** at one point of time was positioned as creamer for tea and coffee. They managed to create discrete image a position in the mind of prospects by using the following headline :

'Rich and creamy'  
makes the tasty difference  
**MILKMAID**

They have shown a 'cup of tea' and a "mug of coffee" in the advertisement.

What have they done in effect through this advertisement?

They have created a 'distinct image' for this product as a creamer. They have created a 'POSITION' for milkmaid in the mind of prospects that of a CREAMER.

- ii) "Milkmaid" was at another point of time positioned as a substitute for milk.
- iii) It was also positioned as a 'Topper on fruits and puddings'. The advertisement shows sweet dishes with condensed milk poured on them. The headline reads "Top it with Milkmaid". At the bottom of the advertisement they write

"RICH and Creamy  
Milk-maid"

and below this in smaller type they mention the words "makes the tasty difference"

- iv) In the advertisements that followed the above, they pronounce the use of milkmaid in sweet dishes. They show 'Souffle' a sweet dish in a bowl which is not just Topping with Milkmaid, but actually milkmaid gets into the sweet dish. Also the copy "Rich and Creamy" are dropped and the copy "Make the tasty difference" gets replaced with "You can do wonders with Milk-Maid".

Through this advertisement the advertisers are aiming at enhancing the perception in the mind of prospects for milkmaid as a product to be used in making sweet dishes they are building a perception that milkmaid can do lot more in sweet dishes than just using it as a topper. They are enhancing the 'Position' of milkmaid in the mind of prospect from a 'Topper' to a 'Position' of a sweet dish ingredient. They have thus successfully Repositioned the brand.

#### 6) Rematching Product to position

Supposing you are about to launch a new brand of bath soap and your research reveals that you can comfortably carve out a niche amongst the middle class urban women in the age group of 25-30 years, who are very sensitive about their skin. You want to position the soap as "which keeps the skin young". You might like to turn back to your R & D team asking them to add something in the soap which can reinforce your position. You may also ask your packaging people to design the packaging to match your position. Rematching product to a position is good marketing.

We have a classic example from U S A in cigarettes 'The campaign of the century' as it has been called—the campaign for MARLBORO CIGARETTES. In 1954, with six filter cigarettes in the country, the share for filter cigarettes added up to 10%. Filter cigarettes were not in vogue and 'MARLBORO' a filter brand of cigarette was perceived as a brand for women. The filter of the cigarette even had a red tip, so that lipstick marks may not be noticed. The package looked pink and had a feminine look.

Phillip Morris, the company who owned the brand wanted to explore the male segment market with this cigarette. The agency now wanted to reposition the brand and wanted it to be perceived it as a Virile Masculine Brand. They developed an advertisement with a 'cowboy' smoking the cigarette. To match this positioning change they changed the pack to red colour and used a more Aromatic Blend of Tobacco. In effect they rematched the product to position. The 'cowboy' advertisement said "you get a lot to like in Marlboro—Filter, flavour, slip-tap box". The cowboy in the advertisement projected and suggested the virile, rugged masculinity. Incidentally from 1/4% market share in 1954 in the USA today Marlboro is the largest selling cigarette in the world.

#### 7) You Need a New Position—when you invade into another product category to expand your market

We would like you to take a look at the new advertisement of Lakme Winter Care Lotion. The headline of the advertisement reads—"Read this ad and discover why you will never use Cold Cream again"

It carries on to say-

#### New Winter Care Lotion

The non-greasy way to fight winter dryness' and it ends saying 'so much more than cold cream'.

They show a young girl in the advertisement with a look of concern. They show the pack also and next to pack the copy reads "Costs no more than the Cold Cream". In the body

copy they say "It is a cold cream moisturiser in one". In the copy they reason out how it is superior to a cold cream. What are they doing through this advertisement, through this communication? They are trying to reposition the Lakhme winter care lotion as a better alternative to cold cream. They are invading into the cold cream to expand their market.

### 8) Matching Position to Segment

Sometimes your product does well in a segment for which it was originally not meant or not conceived for. Well if this happens, you need to reinforce this through good positioning. You will like to create or strengthen the position in the mind of the prospect. We will like you to recall the launch of MARUTI 'VAN' (as it was initially positioned). This vehicle was initially positioned and advertised as a 'VAN'. It was a product developed to compete with the vans. The Standard and the Bajaj. However, it was found that it was being bought as a substitute for a car and thus it was actually competing with the Ambassador and the Fiat. Maruti Udyog responded to the position customers gave in their mind to their Van. They renamed the product as 'OMNI' and repositioned it as the most spacious car on the Indian roads.

### The Horseless Carriage—The car

When you want to move in on a new idea, you need to relate it with something that is already in the mind. Creating something altogether new in the human is very difficult, if not possible. When the first car was developed it was called "The Horseless Carriage". By calling it as "The Horseless Carriage" the car was related to a carriage, by calling it 'horseless' the inventors of the name succeeded in telling the prospect that it did not require a 'HORSE' to pull.

Could they have not simply called it 'car'? Well the answer is they could have. But then imagine the effort that must have gone in explaining as to what a car is. In advertising terms it would have required a heavy budget. Pause for a moment to think over the confusion it would have created. They would have had to beat around the bush and would have again gone back to relate it to a carriage.

**When you want to move something new in the Human Mind, don't forget to relate it, to something that is already there.**

Please go back to Figure I. We have shown as the left side a ladder being moved into the mind, the base of this ladder is standing on the base of another ladder show that when you are moving in a new product category altogether—in terms of ladders, it is like moving in a ladder which on the base of another ladder. The first brand which moves in along with a new product category obviously has a great advantage.

## 10.8 SOME CLASSIC POSITIONING EXAMPLES

Let us take a look at some classic positioning examples. This will help you to develop a deeper understanding of how positioning works.

### The "UNCOLA" Position

It is being named as the uncola position, this kind of a positioning strategy first used in the USA by 7-UP, which was not a Cola Drink.

Originally 7-UP was used as a mixer with hard drinks. However the market for mixers is much smaller than the soft drink market. In the soft drink category Coke and Pepsi put together commanded a 70% market share. Obviously for any soft drink a dent into this 70% share of Colas could give enormous boost in sales. 7-UP was positioned as an Uncola drink i.e., as an alternative to Colas. Thus if you have tried a cola and you want to break the monotony try an 'uncola', try a 7-UP.

**What are you trying to do, if you were to imagine the above in terms of ladders?** (Figure III). You are actually jumping from the ladder of mixers on to the ladder of Colas.

### How are you doing this?

You are linking your product to what is already in the mind of the prospect. In this case by saying that 7-UP is an Uncola Drink, you are making it to be perceived as an alternative to a cola drink.

Where is 7-UP today?

Today 7-UP ranks third in soft drink sales in the world.

**CITIBANK'S unfixed deposit scheme**

We have an Indian example of this strategy 'Citibank's Unfixed Deposit' Scheme. Citibank keeps advertising this scheme quite regularly, we believe you have seen the advertisement (for a quick look at the advertisement, you may refer Hindustan Times newspaper on page 15 of 17th September 1990).

The headline reads "Don't let the Money Lie Lazy in a savings or Current Account"

The subheadline reads "Earn higher interest and the freedom to withdraw with Citibank's Unfixed Deposit." The copy says "Citibank's unfixed deposit doesn't let you money laze around. It earns interest as high as a fixed deposit. While you continue to operate it like your savings or current account."

Now by linking the "Unfixed Deposit" scheme to the 'Fixed Deposit' scheme, you are actually jumping from the 'Current Account and Saving's Account ladder (category) to the 'Fixed Deposit' ladder (category). Your original product is a saving's account which is now going to be perceived as a 'Deposit' as a better alternative to the 'Fixed Deposit'.

**The "Against" position**

Sometimes in the terms of imagined ladders, you are on a bottom rung. The gap between you and the next brand above you is enormous. You would wish to reach right on the first rung of the ladder, but then this may require a leavy budget. It is also possible that even when backed up by a leavy budget, the chance of dislodging the brand above are bleak. The brand above has a very strong position.

Let us say you are a poor third or a poor second and the gap between you, 'the poor second' and 'the rich first' is enormous say you have 20% market share and the leader commands 80% market share. Closing the gap is a big aspiration for you. How do you do it?

Climbing up the ladder to close the gap between you and the next brand above you — by moving the rung itself i.e., 'Rent a Cars' Market in the U.S.

There can be a number of ways, of closing this gap. Let us discuss classic example from the 'Rent a Cars Market in the US'. We sincerely hope that this will enhance your imagination for applying positioning to real life marketing situations.

'Avis' was a poor second in Rent a Cars. Hertz was the undoubted leader with a major share and a strong position. Avis came out with a novel advertising campaign — in fact this was the beginning of using comparisons with competition in advertising.

The headline of the advertisement read "Avis is only No. 2 in rent a Cars. So why go with US?" The first line of the copy said "we try harder" and then they went on to explain how they tried harder and then they ended the copy by saying "the line at our counter is shorter."

Now what are the important elements of this positioning strategy?

- i) We call this as against position, because Avis has recognised the strength of Hertz position and has not gone ahead with a "Head on" attack with Hertz.
- ii) 'Hertz' the No. 1 brand has a very strong position and an enormous market share.
- iii) Avis has 'Related itself to Hertz'. Related itself to something what is already there. The mind has not going accept something which is absolutely new. The mind is more receptive, if what you say is related to a previous experience, is related to a belief inside the prospect's mind, is to a motive or an expectation inside the prospects head.
- iv) 'The line is shorter at our counter'. Turning your weak point into a source of strength. Obviously, if you are not No. 1 and put No. 2, the line has to be shorter at your counter is the common man's logic. This is what he expects. After all, the mind gives by generalities.

Now can Hertz turn around and say that the line is also shorter at their counter? It may be—but who entered 'first' in your mind with this idea—obviously Avis.

Well if Hertz turns around and says him is shorter at our counter also—how does the over simplified react back—on Hertz loosing business.

- v) It is a difficult task to dispute this statement of Avis by the communication specialist of Hertz, not that you cannot dispute it, but you do not know in which direction the water will ultimately flow. Avis has done something which Hertz cannot Easily React Back to.
- vi) Was Avis really trying harder? Don't make us laugh—Even if they were trying it would not have helped them. What helped them was that they built that perception, that image and that position. What matters is not objectively reality, what matters are the perceptions of your prospect.

## 10.9 INGREDIENTS OF A LEADERSHIP POSITION

How do you get to be a Leader?

### Firstest with the mostest

At least nine leaders out of ten, became leaders in their product category because they were the 'firstest with the mostest'. They were first to enter the prospects mind. With their heavy resources at hand and clear communication strategy, they not only managed to enter the mind first but so built the **First Strong Position** in the mind. When you first, recall what we told you earlier:

- i) be prepared to tell others, how you are first;
- ii) communicate to others how you are first, be clear have an over simplified message;
- iii) don't forget to relate it to something what is already there in the mind;
- iv) to occupy the 'first position' is one thing to make it a 'first strong position' is another— for this you need resources and the skill to use these resource—this is what we mean by the term 'MOSTEST'.

### The instability of equality

If you are first to launch a product and if very close to your heels, there is another brand being launched—it is a different kind of a marketing situation.

The situation could be called as 'fluid'. While you are the first to launch the product, close to your heels is another brand. This brand could steal the march from you. Sperry Rand was the first company to launch a computer, close behind their heels was IBM. IBM managed to steal the march. How? They put in a little extra effort, when the situation was fluid, before Sperry Rand could actually Strengthen their First Position. History tells us that in such a situation the brand which puts in a little extra effort, the brand which runs a little faster, will get ahead. History also tells us that when you steal the march, in this kind of a fluid situation you have an enormous advantage.

When two brands are close, one or the other sooner or will get ahead and the gap between the two widen and the brand which got ahead could remain the King for years. Therefore we say that amongst equals, the situation is instable.

### How do you maintain your leadership?

Recently Philips India has made a strong effort to maintain their leadership. The author thinks it is a classic example of maintaining your leadership. Philips India has a run a special campaign for this and have released a series of advertisements in the dailies recently. For your benefit we quote some dates and page numbers on which these advertisements have appeared in Hindustan Times.

#### Hindustan Times Daily

- i) 17th September 1990 (page 7);
- ii) 20th September 1990 (page 17) and
- iii) 21st September 1990 (page 19).

Philips India talks through each advertisement, about one of their significant achievements. In advertisement No. (i) the head line reads "Every Body Knows Who Gave The World The X-ray, Right?—they give you a few choices, mind you all international names, calling you to guess the right name. They end the advertisement, with a very brief copy exploding the myth for you—than it was Philips who invented the X-Ray tube. They end the copy with a sub-headline "for years, we've been inventing the future."

They continue to re-strengthen in your mind the leadership position, through a number of advertisements, each time talking about a new invention by them followed by the same

pattern of copy. Finally they released a full page advertisement in Hindustan Times on 24th September, 1990 (page 13), summing up their significant achievements. In this ad, it is interesting to note that the last subheadline of their copy "For years, we've been inventing the future" becomes the headline. The copy ends with a subheadline "I am Philips. I am tomorrow."

**Hindustan Times Daily**

- i) 25th September, 1990 (page 17);
- ii) 26th September, 1990 (page 16);
- iii) 27th September, 1990 (page 5);
- iv) 28th September, 1990 (page 17) and
- v) 29th September, 1990 (page 16)

Philips India to reinforce their leadership position, released the above five advertisement—all different but with the same concept. It is interesting to note that in these advertisements, "I am Philips. I am Tomorrow" becomes the headline—this was a subheadline of the full page advertisement in which they summed up their significant achievements.

In each advertisement, they bring a spokesperson to talk to you is what Philips today and how the future lies in Philips. The copy is brief. Four out of five spokespersons are their employees and the fifth is one of their dedicated dealers. The first advertisement shows the Chairman and President of their parent company at Netherlands—in the next ad the Chairman of the Indian company talks to you.

We have taken you with us through a part of the campaign being run by Philips India to maintain their leadership—the undoubted leader in quite a few product categories.

We now come back to our original question as to how do you maintain your leadership position. When we discuss this with you, we sincerely hope, you will relate the concept to the Philips campaign already discussed with you.

When you are a leader—

**You Rub it in :** See how Philips is rubbing their leadership position into your mind. Indirectly by saying we are the people who invent the future. They do not say they are No. 1, they just rub it in.

**React Rapidly :** Philips India is reacting rapidly as the other campaigns attempt to close the gap. They don't sleep, they react.

**Cover All Bets :** You might say that what Philips invented was not invented by Philips India in your mind. So what they do they cover the bets—they bring in the human element, they start with the chairman of their parent company talking to you and then the people behind Philips India in India talk to you. A definite attempt to make you associate them with their parent company.

**Do not disturb the enormous mental space already occupied**

Nirma is a name associated with detergent. Nirma bath soap, the recent launch is bold move, it can disturb the mental space that Nirma occupies your mind as a detergent. Some questions that are bound to be asked by the consumer in his mind and if they go unanswered convincingly, the mental space shall get disturbed. How can a soap, 'Nirma' bath soap be a good detergent?

A dangerous proposition. It is safe to avoid such a game for a marketing man, if he has a choice.

**Enhance Your Product Category**

If you are a leader, cutting into a very poor second will not really give you growth. Growth will come if you consciously attempt for the growth of the market as a whole. We suggest that you ponder of over the 'Lakme Winter Care Lotion' example quoted earlier. Think over what Maggi is doing in the noodles category and you would get to understand this idea a little better.

**Change can Dethrone the Leader**

How did 'Nirma' managed to get into the detergents market against the giant 'Surf'?

Nirma responded to the changing needs while Surf slept. Before Surf could think of acting, it was too late, Nirma had already captured the position and build the strength around it to hold that position.

The market was growing at the low price end. There were consumers who wanted to use a detergent instead of a soap but could not afford. The market was changing, Surf could have launched a low price detergent and obviously it would have succeeded—Nirma would have been nowhere:

**Strength of a Brand — Size of Market Share**

The strength of a brand lies in its market share and not its size. Noodles is a small market compared to biscuits. Britannia may have a longer turnover than Maggi but Maggi as a brand is stronger than Britannia—it is the leader.

**10.10 POSITIONING OF A FOLLOWER**

If you are not a leader, nine chances out of ten, it would be a better strategy to build the No. 2 position for yourself **FIRST**.

Well, if you are also not the No. 2 brand, someone else has already occupied that position, then what do you do? Nine out of ten chances, it would be a better strategy to fragment you leader's pie or find a 'hole' in a 'creneau' which the leader has left and has not covered it up.

There is no point going head on with the leader until you have a strong reason, a very strong reason in your product to make the consumer switch over. Even if you have a strong reason behind your product—there is no point going head on with the leader until unless you a big resource of money and talent to back you up. Even if you had all this, we still say there is no point going head on with the leader until unless you have the guts to take a defeat because the element of luck will probably favour the giant. Do not get disappointed, you can go head on with the leader. If you have all and a great **Positioning Idea**, we will discuss this a little later with you. Let us discuss what you can do when you are a follower.

**Do you copy the leader?**

If you do, you are not making a mistake, you are not falling into a trap, you probably are making a **Fatal Mistake**—Ninety-nine out of hundred times the consequences will be fatal. Your marketing noise, your advertising **Hangama** will probably be remembered and recalled for the benefit of the leader.

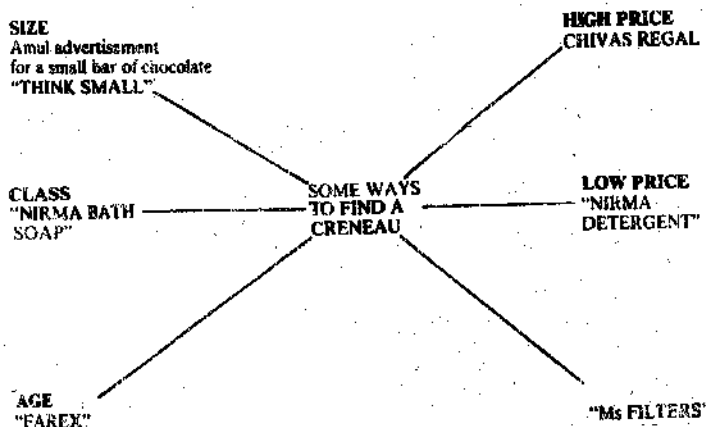
**Can you afford to copy a leader?**

Yes, when the situation is fluid. When the battle is between equals. When the consumer has still not awarded that No. 1 position to anyone. You have the capacity and guts to pour in far greater than your competition and your competition cannot or does not react back. But then, if you are equals, in all probability your competition will react back and with probably equal noise if not more. Therefore it will be a better strategy to do something better, differently faster and stronger and cover the bets to take the head. There is no point getting into a betting game.

If you are a follower a better strategy as we said is to find for a creneau, which your leader has left uncovered. You will have to **Scan the Brand** already there in the market. You will have to **Scan the Consumers Mind**. You will have to get into the mind of the consumer, know his perceptions and find a weak point, where you build a **Strong Small Fortress** for yourself.

Figure IV shows a few ways to find such holes, it also gives some examples, study these. Do not close your mind there can be many more ways:

Figure IV



BRAOU

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# UNIT 11 PROMOTIONAL SCENE IN INDIA—THE MEDIA

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## Objectives

After having gone through this unit, you should be able to :

- Give a complete overview of media scene in India
- Discuss the rationale and inputs for the media selection decisions
- Give a comparative evaluation of media in India
- Describe the media habits of Indian consumers
- Evaluate the marketing implications of these media habits.

## Structure

- 11.1 Introduction
- 11.2 Media Selection
- 11.3 Media Status in India
- 11.4 The Press Medium in India
- 11.5 Television in India
- 11.6 Radio
- 11.7 Cinema
- 11.8 Video
- 11.9 Aerial Advertising
- 11.10 Railways Advertising
- 11.11 Off-the-Wall Media
- 11.12 Summary
- 11.13 Self-assessment Questions

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## 11.1 INTRODUCTION

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Thus far, you had been exposed to the availability, design and usage of promotional media in terms of conceptual strengths and weaknesses. This will have helped you in identifying your media options and strategic directions for your product(s) or services; company and the industry that you belong to.

Nevertheless, you need to know something else too — i.e., an introduction to the world of realities of media scene in a country that you are working. Thus, the media manager of Hindustan Lever Ltd. (HLL) will have to be familiar with what are the major characteristics of promotional vehicles in India because the company even though multinational in character, cannot expect to implement all its media plans in India in view of inherent limitations and peculiarities of media scene in India. The same is true for a new company/product entering the Indian market for the first time, to know media availability through facts and figure.

The aim of this unit is to provide substance to media planners 'dreams' and 'expectations' as to what they can do and what they cannot possibly do.

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## 11.2 MEDIA SELECTION

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From the user's point of view let us first try to assess the requirements that a media manager would have of a suitable medium. Table 1 provides a checklist of question needed to be asked for a media selection. A good media manager decides on how he/she expects the media to work, by measuring a given medium on some evaluative criteria. The following table gives one such guide.

Table 1 : Checklist for Media Selection

Considerations	Objectives			
	Reach	Frequency	Continuity	Pulsing
<b>1. Message needs</b>				
● New or highly complex message, strive for		#		
● Dogmatic message, surge at beginning, then	#		#	
● Reason-why messages, high frequency at first, then				#
● Emotionally oriented messages			#	
● When message is so creative or product so newsworthy, they force attention	#			
● When message is dull or product indistinguishable, strive for		#		
<b>2. Consumer purchase patterns</b>				
● To influence brand choice of regularly purchased products		#	#	
● As purchase cycle lengthens, use		#		#
● To influence erratic purchase cycle, strive for		#		#
● To influence consumer attitudes toward impulse purchases		#	#	
● For products requiring great deliberation, alternate	#	#		
● To reinforce consumer loyalty, concentrate on	#		#	
● To influence seasonal purchases, anticipate peak periods with	#	#		
<b>3. Budget levels</b>				
● Low budgets, use				#
● Higher budgets, strive for			#	
<b>4. Competitive activity</b>				
● Heavy competitive advertising, concentrate on		#		
● When competitive budgets are larger, use				#
<b>5. Marketing objectives</b>				
● New product introductions to mass market	#			
● To expand share of market with new uses for product	#			
● To stimulate direct response from advertising		#		#
● To create awareness and recognition of corporate status	#		#	

Source : "Media Planning & Selection" in p. 469

Besides checklist, media selection is often a creative art in which imagination and uniqueness of approach is always viewed with respect and admiration.

Table 2 provides creative advantages and disadvantages in selecting a certain medium.

Table 2 : Media Selection : From Creativity Perspective

	Creative disadvantages	Creative advantages
<b>Newspapers</b>	: Loss of identity, especially in reproduction of halftone illustration. Too many ad-format variations among newspapers. Variance in column widths. Difficulty in controlling ad position on page.	Almost any ad size available. Impact of black against white (still one of the most powerful color combinations). Sense of immediacy. Quick response; easy accountability. Local emphasis. Changes possible at short notice.
<b>Magazines</b>	: Size not as large as those of newspapers or posters. Long closing dates, limiting flexibility. Lack of immediacy. Tendency to cluster ads. Possible difficulties in securing favourable spot in an issue.	High-quality reproduction. Prestige factor. Accurate demographic information available. Graphic opportunities (use of white space, benday screen, reverse type). Color.
<b>Television</b>	: No time to convey a lot of information. Air clutter (almost 25 percent of broad casting is nonprogramming material). Intrusiveness (TV tops list of consumers' complaints in this respect). Capricious station censorship.	Combination of sight and sound. Movement. A single message at a time. Viewer's empathy. Opportunity to demonstrate the product. Believability : "What you see is what you get."
<b>Radio</b>	: Lack of visual excitement. Wavering attention span (many listeners tune out commercials). Inadequate data on listening habits (when is the "listener" really listening?). Fleeting nature of message.	Opportunity to explore sound. Favourable to humor. Intimacy. Loyal following (the average person listens regularly to on about two stations). Ability to change message quickly.
<b>Direct mail</b>	: Damper of state, federal, and postal regulations on creative experimentations. Censorship often unpredictable. Formula thinking encouraged by "proven" direct-mail tract records.	Graphic and production flexibility, such as use of three-dimensional effect (folding, die-cuts, pop-ups). Measurable. As scientific as any other form of advertising. Highly personal.

**Posters** : Essentially a one-line medium with only a limited opportunity to expand on the advertising message. Inadequate audience research, especially in transit advertising.

Graphic opportunities. Color. Large size. Highfidelity reproduction. Simple, direct approach. Possibility of an entirely visual message.

**Point of sale** : Difficulty in pinpointing audience. Failure of retailers to make proper use of material submitted to them.

Opportunities for three-dimensional effects, movement, sound, and new production techniques.

Source : Advertising Media in p. 478

**Activity 1**

a) What creative disadvantages and advantages can you suggest to add to the list?

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b) Select one leading advertiser and explain why the primary medium they use is specifically advantageous for their product from a creative point of view.

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**Activity 2**

Identify one ad each in a Sunday supplement of a newspaper and a weekly magazine and review if they have the same differences as brought out by Table 3.

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To get a degree of understanding of the relative attractiveness of different media on these criteria, let us see how different media rate on important media consideration. Table 3 provides a comparative evaluation of media in India.

Table 3 : Comparative Evaluation of Advertising Media

	Network television	Spot radio	Network radio	Consumer magazines	Business publications	Sunday supplements	Daily newspapers	Weekly newspapers	Direct Mail	Outdoor	Transit	Points of purchase
<b>Audience Consideration</b>	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt
Attentiveness of audience	ttt	tt	tt	tt	tt	ttt	tt	ttt	tt	tt	tt	tt
Interest of audience	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt
Avoids excess selections by audience	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt
Offers selectivity to advertiser	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt
Avoids waste	ttt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt
Offers involvement	ttt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt
Avoids distraction	N	N	N	N	N	N	N	N	N	N	N	N
Avoids resistance	V	V	V	V	V	V	V	V	V	V	V	V
Provides impact	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt
Offers prestige	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt
Good quality of audience data	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt
<b>Timing factors</b>	ttt	ttt	ttt	tt	tt	tt	tt	tt	tt	tt	ttt	tt
Offers repetition	t	tt	tt	tt	tt	tt	tt	tt	V	ttt	ttt	tt
Avoids irritation	ttt	ttt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	tt
Offers frequency	ttt	ttt	tt	V	V	tt	tt	tt	V	N	N	N
Offers frequency of insurance	ttt	ttt	tt	V	V	tt	tt	tt	V	N	N	N
Offers flexibility in scheduling	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt
Long life	t	t	t	tt	tt	tt	tt	tt	tt	tt	tt	tt
Low mortality rate	t	t	t	tt	tt	tt	tt	tt	tt	tt	tt	tt
Avoids perishability	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt
Allows long message	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt	tt
Provides product protection	tt	V	tt	tt	tt	tt	V	tt	ttt	tt	tt	tt
<b>Geographic Conditions</b>	t	ttt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
Offers geographic selectivity	t	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
Offers proximity to point of sale	t	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
Provides for local dealer "tags"	ttt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
<b>Creative considerations</b>	ttt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
Permits demonstration	ttt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
Provides impact	ttt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
Permits relation to editorial matter	ttt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
<b>Competitive factors</b>	ttt	tt	ttt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
Light use of medium by competitors	ttt	t	ttt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
Low amount of total advertising	ttt	V	ttt	V	V	tt	tt	tt	ttt	ttt	ttt	ttt
<b>Control consideration</b>	tt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
Advertiser control of media content	tt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
Favourable environment	tt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
Advertiser control of location	N	V	N	N	N	N	N	N	ttt	ttt	ttt	ttt
Amount of government regulation	t	t	t	V	V	tt	tt	tt	ttt	ttt	ttt	ttt
<b>Mechanical and production factors</b>	ttt	tt	ttt	ttt	ttt	tt	tt	tt	ttt	ttt	ttt	ttt
Ease of insertion	tt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
High reproduction quality	tt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
Flexibility of format	N	N	N	N	N	N	N	N	N	N	N	N
Avoids vandalism	t	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
<b>Financial considerations</b>	tt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
Low total cost	tt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt
High efficiency	tt	tt	tt	tt	tt	tt	tt	tt	ttt	ttt	ttt	ttt

Note : N = not a factor for this medium, V = varies from one vehicle to another within the medium, t = weak, tt = medium, ttt = strong. Source : "Media Planning and Selection" Ibid., p. 479



Media scene in India is illustrated by Table 4, which attempts to show considerations of exposure, habits, income and other media—features in the context of demographic variables like age and income. Table 5 gives a very general view of Metro media habits, especially useful to those media planners targeting at metro markets.

Table 4 : All India Media Scene

Particulars	Press	Cinema	Radio	Others
<b>Exposure by Sex %</b>				
Men	67.8	67.0	41.5	85.8
Women	40.0	55.4	35.4	70.4
<b>Habits by Sex</b>				
Men	58.6	50.6	34.1	
Women	32.6	34.6	31.2	
<b>Habits by Income</b>				
Up to Rs. 750	45.3 (194)*	47.4 (30.5)*	28.5 (23.2)*	
Between Rs. 750-1500	75.2 (491)*	55.2 (39.4)*	42.2 (42.9)*	
Rs. 1500 +	88.5 (71.4)*	66.4 (46.0)*	44.7 (55.1)	
<b>Habits by Populations Strata/Sex</b>				
Below 1 lakh	50.2 (23.1)*	49.8 (32.7)*	65.8 (42.7)*	
1-5 lakhs	59.9 (31.2)*	55.4 (37.5)*	48.8 (34.5)*	
5 lakhs +	65.8 (42.7)*	27.3 (21.7)*	49.1 (49.9)*	
<b>Habits by Education/Sex</b>				
Below SSC	54.2 (41.5)*	86.8 (80.5)*	96.3 (91.4)*	
Between SSC & Graduate	48.9 (40.3)*	61.8 (83.8)*	60.2 (55.7)*	
Graduation and above	32.9 (36.9)*	48.1 (53.0)*	45.1 (57.1)*	
<b>Habit by Occupation</b>				
Clerks/Salesmen	62.3	48.4	34.1	
Professionals/Business/Self	88.2	51.2	39.6	
Skilled & Unskilled workers	37.3	46.1	28.9	
Students	82.7	69.0	48.7	
Non-working Women	27.3	31.7	29.8	

\* Figures relating to women

Source : Compiled from the Press & Advertisers Year Book, 1987.

Table 5 : Metro Media Habits

	Bombay	Calcutta	Delhi	Madras
Press	63.1	49.9	50.2	64.2
Television	44.7	18.7	51.4	42.2
Cinema	32.7	37.8	38.2	54.8
Radio	54.2	46.9	56.2	69.2

Source : The Press and Advertisers Year Book, 1987. p.375(c)

#### Activity 4

A market of premium products in cosmetics and beauty aids, wishes to allocate funds for Delhi Media. Advise him on the budget allocation.

## 11.4 THE PRESS MEDIUM IN INDIA

The medium of print has always held the pride of place in the world and India is no exception. The power of written word has been recognised since the era of shared information. In the recent years, when press and print medium in general felt threatened by the onslaught of 'visual' medium, in particular the television, several leading exponents of print medium began on concerted exercise to woo back its audience and, by implication, advertisers and advertising revenue.

Nonetheless, press still enjoys top position as a promotional/media vehicle. In the subsequent pages, it will be evident that no media planner can afford to ignore print medium in his media plans.

Print media habits in India are surveyed and articulated at several regular intervals through the National Readership surveys in India. Exhibit 1 provides major findings of 1989 survey.

#### Exhibit 1

#### Media Habits of Hindi Belt in India : The National Readership Survey, 1989

#### Findings

- 8% of rural populace read newspapers as against 46% of the urban counterparts.
- 2% of the rural women and 12% of the rural men read newspapers.
- 40% of the readers of newspapers and magazines are in the 15-24 age group.
- 10% of the urban adults read english newspapers as against less than one per cent of the rural. This percentage of Hindi daily is 42% and 5% respectively.
- While approx 10.7 lakh adults restricted to urban areas read urdu publications, about 16 lakh people in both urban and rural areas read punjabi.
- 22.7% of the adults are regular Doordarshan viewers (four times a week or more). Half of these viewers are in 15-35 age group.
- 20% of the populace listen to All India Radio. About 17.6% of rural adults listen to Vividh Bharati against 29% of the urbanities.
- 15.6% of the rural women and the regular Vividh Bharati listeners— the english for any media that has reached rural women.
- Only 10% of the adults go to a commercial hall for a film.

The survey covered Punjab, J&K, Delhi, UP, Bihar, Haryana, Madhya Pradesh, Rajasthan and Himachal Pradesh.

Figures 1 and 2 provide the figures pertaining to exposure and reach of print media in 1990.

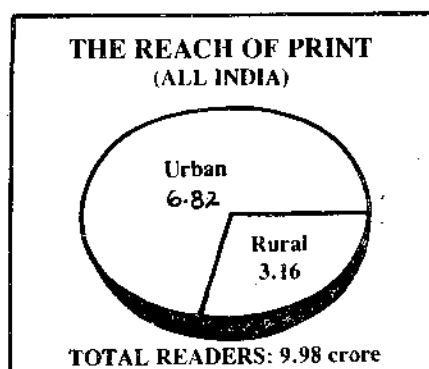
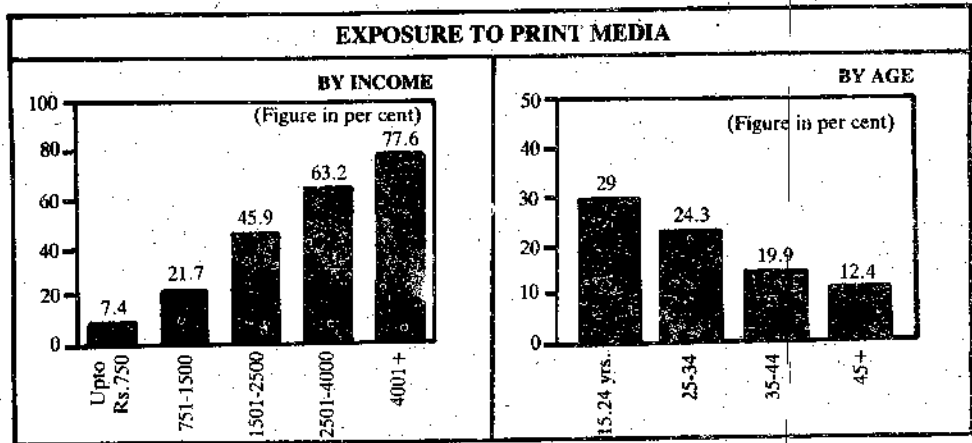


Figure 1



Source ORG: 1990

ADVERTISING AND MARKETING  
JULY 1990

Charts by DINESH MAIDASANI/QPC

Figure 2

A study conducted by Operations Research Group (ORG), reported by the Press Trust of India (PTI) on February 5, 1989, highlighted the following about the Indian print media in 1988.

- The Press advertising in India surpassed Rs. 700 crores in 1988, marking an annual growth rate of 16.5 per cent.
- Consumer advertising in the Indian press accounted for 40% of total advertising expenditure in 1988, as against 30% in 1987.
- Public Sector undertakings, both in the state and central sectors left the private sector behind in press advertising.
- The most advertised consumer products and services in terms of expenditure, were television sets, textiles and garments, newspapers and magazines, educational opportunities, housing and real estates. Lotteries were the single largest provider of advertisement revenue after government releases.
- There was a marked improvement in service sector advertising. The service advertising produced an outlay level of Rs. 2.5 crores.
- English print media is highly dominant, while english dailies consumed about 44% of all press advertising, english publication on the whole accounted for 51.4% of all press advertising. Table 6 provides a complete data file on them.

Table 6 : Readership by Language

Language	Readership (in lakhs)
Hindi	359
English	218
Tamil	121
Malayalam	118
Marathi	94
Gujarati	75
Bengali	72
Telugu	65
Kannada	52
Urdu	24
Oriya	18
Punjabi	16
Assamese	8

Source : ORG 1990

Table 7 : Top English Publications

Name	Readership (in lakhs)
Dailies	
Indian Express	42.52
Times of India	35.36
Hindu	25.67
Hindustan Times	20.63
Deccan Herald	10.20

Magazines	61.90
India Today	43.01
Competition Success Review	32.63
Reader's Digest	19.10
The Illustrated Weekly	18.48
Sportstar	

Source : ORG 1990

Table 8 : Top Hindi Publications

Name	Readership (in lakhs)
<b>Dailies</b>	
Punjab Kesari	48.39
Navbharat Times	44.34
Dainik Jagran	33.33
Rajasthan Patrika	32.05
Amar Ujala	30.80
<b>Magazines</b>	
Sarita	65.82
Manohar Kahaniyan	57.63
Mayapuri	47.38
Grih Shobha	47.32
India Today	44.77

Source : ORG 1990

Table 9 : Top Regional Publications

Name	Readership (in lakhs)
<b>Dailies</b>	
Malayala Manorama (Malayalam)	61.23
Daily Thanthi (Tamil)	45.37
Mathrubhooni (Malayalam)	42.08
Eenadu (Telugu)	37.34
Ananda Bazar Patrika (Bengali)	34.55
<b>Magazines</b>	
Malayala Manorama (Malayalam)	70.42
Kumudam (Tamil)	58.16
Mangalam (Malayalam)	50.19
Ananda Vikator (Tamil)	32.22
Sodha (Kannada)	30.98

Source : ORG 1990

Table 10 : All India Press Scene

Particulars	Dailies	Magazines	Publications
<b>Exposure by sex</b>			
Men	52.1	43.8	58.6
Women	22.9	27.3	32.5
<b>Habits by Age</b>			
15-24	42.8	46.7	30.1
25-44	41.4	38.2	21.5
45+	30.1	48.9	33.5
<b>Reach by Income</b>			
Up to Rs. 750	26.1	53.7	72.9
Rs. 751-1500	24.1	50.6	68.7
Rs. 1500+	33.1	63.8	81.1
<b>Reach by Population Strata</b>			
Below 1 lakh	30.3	28.5	37.5
1-5 lakhs	38.4	36.2	43.7
5 lakhs+	37.7	56.7	55.5

Particulars	Dailies	Magazines	Publications
Reach by Education			
Below SSC	37.6	34.4	49.0
Between SSC & Graduation	72.7	69.4	84.7
Graduation and above	87.5	82.3	95.0

Source : The Press and Advertisers Year Book, 1987.

### Newspapers

Newspapers, the cliché goes, wake us up everyday to everything. Thus, newspapers emerge as an all-time important medium. Table 11 and 12 present facts on the number of rates of newspapers.

Table 11 : Number of Newspapers

	Dailies	Weeklies	Total
Hindi	554	2900	3454
Urdu	182	723	905
English	138	440	578
Marathi	132	391	528
Bengali	52	433	485
Kannada	93	173	266
Tamil	113	134	247
Malayalam	118	125	243
Punjabi	29	192	221
Gujarati	41	177	218
Telugu	42	167	209
Oriya	17	42	59
Assamese	3	28	31
Sindhi	7	22	29
Sanskrit	2	4	6
Kashmiri	-	1	1
Others	42	67	109
Bilingual	35	382	417
Multi Lingual	9	68	77

Source : Compiled from Manorama Year Book, 1989.

Table 12 : The Rate list of Leading Newspapers in India : An Illustration

Publication	Edition	Circulation (in lakhs)	Readership (in lakhs)	Rate - Rs. col cm
Gujarat Samachar	Ahm, Sur Bar, Bom	2.8	14.0	180/- (old rate)
Deccan Herald	Bangalore	1.5	7.5	85/- (Jan 1, 89)
Prajavani	Bangalore	2.0	10.0	80/- (Jan 1, 89)
Patrika Group	Cal, JSR, Kanpur Lucknow Alid	2.2	11.0	90/- (Apr 1, 88)
Sakal	Pun, Kol, Bombay	1.6	8.0	74/- (old rate)
Dainik Bhaskar	Bhopal, Gwalior, Indore, Jhansi, Raipur	1.1	5.5	125/- (Jun 1, 89)
Bombay Samachar	Bombay	1.4	7.0	70/- (May 1, 89)
Tribune	Chandigarh	1.6	8.0	90/- (Apr. 1, 89)

Source : Self Compiled.

## 11.5 TELEVISION IN INDIA

Doordarshan-network had 266 transmitters as on Oct 8, 1988, to be increased to 430 by the end of VII plan. The country will have 48 TV production centres by then, Delhi, Bombay,

Calcutta and Madras have second channels now. Since 1984, via INSAT-1B Doordarshan telecasts directly a variety of higher educational and entertainment programmes. A national programme for a minimum of 155 minutes daily is on from 8.40 p.m. to 11.15 p.m. Since 1987, a daily morning telecast of news and light features too has been introduced. It is estimated that by the end of 1988, India had 12 million TV sets—a quantum jump from a production level of a few thousand sets in 1970. It is estimated that the number of total sets will grow up to 29.2 and 45.6 million sets by 1990 and 1992 respectively.

Whether or not the government's expansion targets are met. On schedule, there is no doubt that television is going to be an expanding medium. Of the incremental sets likely to be bought in the years to come, a significant number will penetrate into the middle class households. It will also become the primary source for household information (substituting radio) and entertainment (substituting cinema) and thus, the most attractive medium for advertisements.

**The Impact of colour :** About 25% of the existing television sets are colour, and this ratio will go up to 50% in the years to come. This provides a very big opportunity for advertising.

**The Sponsored Programmes/Channels :** With the introduction of sponsored programmes, there will be an attempt to produce improved quality programmes. It will be better than what Doordarshan has been able to produce. This will vastly improve the entertainment value and the consequent viewership. As it will also increase the clutter of Commercials, we may see subject related commercials. On TV whatever it is, the advertisers cannot afford not to invest in this medium.

Table 13 : Revenues of Doordarshan (1982-88)

Year	Revenues	% growth
1982-83	15.89	—
1983-84	19.79	24.54
1984-85	31.43	58.81
1985-86	60.20	91.88
1986-87	98.32	63.32
1987-88 (Six Months)	100.00	—

Table 14 : Commercial Time on Television

Category	for 30 Minutes Programmes		
	National	Delhi, Bombay + LPts	Other Kendras
Super A	60 seconds	90 seconds	150 seconds
A	90 seconds	90 seconds	150 seconds
B	120 seconds	150 seconds	150 seconds

- Note : 1. Category Super 'A' includes 9.00 pm to 9.55 pm every day.  
2. Category 'A' 9.55 pm to 10.30 pm and 7 am to 8.15 am. Sunday Morning Transmission.  
3. Category 'B' Afternoon transmission and 10.30 pm onwards.

Source : The Press & Advertisers Year Book 1987

Table 15 : Rate Structure Spot Buying : Per 10 seconds (in Rupees)

Category	National	Delhi its Relay Tran.	Bombay on its Relay Tran	Cal/Mad/ Bang/Hyd/ Ahs/Lck/ Chandig/ Del/Bom/Mad.	Srinagar Guwahati
Super A	70,000	22,000	18,000	7,000	2,000
A	40,000	12,500	9,000	5,000	1,500
B	20,000	5,000	4,000	2,000	1,000

Source : The Press and Advertisers Year Book 1989.

Table 16 : Rate Structure Sponsorship Fee for Sponsored Programmes (in Rupees)

(30 minutes with 40 seconds commercial time)

Category	National			Delhi			Bombay			Srinagar and Guwahati			Others		
	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
	Super A	258	158	258	78	38	85.5	50	20	50	7.5	5	14	24	7.5
A	158	100	250	44	24	85.5	24	16	50	4	5	14	14	6	25
B	75	70	250	22.5	18	85.5	12	12	50	3	5	14	7	5	25

Source : The Press and Advertisers Year Book 1987.

- Note : 1. Sponsored Programmes produced by Doordarshan.  
2. Sponsored Programmes produced by outside Producers.  
3. Sponsored Programmes imported by outside Producers.

## 11.6 RADIO

Broadcasting in India started in 1972 with privately owned transmitters in Bombay and Calcutta, which has later nationalized and renamed in 1957 as Akashvani. It has now 94 Radio Stations, 134 MW transmitters with 6,794 KW power, 356W transmitters with 21725 KW power and 4 Vnf (FM) transmitters with 60 KW (ERP) power. This covers 95% population and 86% of the area of the country.

Since May 18, 1988, a national radio channel commenced broadcasting programmes. The News Service division broadcasts everyday 273 newsbulletins for a duration of over 36 hours in its home, external and regional services. The Vividh Bharati services provides entertainment through its 29 commercial broadcasting centres, 10% of the total broadcasting time is allotted to advertisement. Radio advertising takes the form of sportsold in units of 7,10,15,20 and 30 seconds, which are interspread between programmes. A capsule of sports contain a maximum of 4 spots for a total of 75 seconds.

Table 17 : Revenues of Vividh Bharati

Year	Revenue (in crores)	% growth
1982-83	15.51	-
1983-84	16.07	0.04%
1984-85	15.69	-0.02%
1985-86	19.82	26.32%
1986-87	24.0	17.41%

Table 18 : Rates for Sport Advertisement and the Checks (CBS)

Category	Duration of Seconds	Category Duration of Seconds Group's/Time Category											
		A			B			C			D		
		I	II	III	I	II	III	I	II	III	I	II	III
1	7	180	120	68	120	80	50	70	50	40	60	40	25
	10	240	170	80	170	120	70	100	70	50	80	60	35
	15	360	250	120	250	170	100	150	100	70	120	98	50
	20	470	320	160	320	220	130	190	130	90	160	120	65
	30	700	450	230	450	320	100	270	190	120	230	170	90

**Notes**

- Group (A) means Delhi; Group (B) includes, Calcutta, Madras, Hyderabad, Bangalore, Ahmedabad, Kanpur, Vijaywada; (C) includes: Jaipur, Baroda, Lucknow, Indore, Allahabad, Pune, Nagpur, Jalandhar, Trivandrum, Tiruchirappalli, Patna, and group D Cuttuck, Srinagar, Bhopal, Jodhpur, Ranchi, Calicut, Dharwar, Chandigarh, Rajkot.
- Categories I, II and III are for different Timings of the Day.
- 25% extra will be charged for fixed sport, special position and time check.

Source : The Press and Advertisers Year Book 1987.

## 11.7 CINEMA

For a considerably long time, cinema reigned as the supreme medium of visual entertainment and information for Indian masses. At least, till the advent of television in the country. There, thus, occurred a brief decline in the popularity of cinema. However, figures in the recent years indicate that it has again picked up as an attractive and captive vehicle for promotional measures while Tables 19 and 20 provide data about the medium, Table 21 compares television with cinema.

Table 19 : All India Range of Weekly Seating Capacity and Cost per Reach Via Cinema Halls

Population Strata	All India Ranges of					
	Weekly Seating Capacity			Cost per Reach in a Pair		
	A Class	B Class	C Class	A Class	B Class	C Class
Below 50,000	—	10605-17892	—	—	.23-.58	—
50,000 to 1 lakh	15057-22155	10626-20552	—	0.65-1.0	22-1.10	—
1 lakh - 5 lakhs	10018-32284	18206-22568	—	0.46-6.40	25-.93	—
5 - 10 lakhs	19608-30808	21644-20028	16744-28728	8.52-.08	.38-.57	.24-.44
10 - 30 lakhs	25312-33208	17544-33656	17892-26320	0.87-1.40	.60-.90	.37-.60
30 lakhs & above	25752-32984	19516-25872	17052-24388	1.25-1.54	.84-1.26	.40-1.0

Source : Compiled from the Press and Advertisers Year Book, 1987.

Table 20 : San All India Picture of Cinema Medium

Particulars (Population)	Types of Cinema Halls			Total No. of Cinema
	A Class	B Class	C Class	
50,000 and below	5 (717)	2438 (652)	—	2443 (652)
50,000 - 1 lakh	19 (825)	719 (783)	—	723 (784)
1 lakh - 5 lakhs	110 (995)	969 (840)	—	1079 (856)
5 lakh - 10 lakhs	167 (997)	205 (865)	174 (779)	546 (878)
10 lakhs - 30 lakhs	125 (1052)	93 (932)	187 (762)	325 (992)
30 lakhs and above	174 (1916)	102 (841)	191 (775)	471 (863)
Total No. of Cinema Halls	550 (1006)	4526 (733)	472 (774)	5548 (764)

Note : Figures in the bracket refer to average seating capacity of the cinema halls.

Source : The Press Book 1987.

Table 21 : Reach of TV Vs Cinema (in an Alphabetical order)

All adults - Rs. 1501 + Income)

Mini - Metros	TV Reach %	Cinema Reach %
Ahmedabad	31.8	59.7
Bangalore	57.7	55.7
Hyderabad	61.5	63.5
Jaipur	52.6	40.6
Kanpur	46.5	39.6
Lucknow	57.6	52.2
Nagpur	58.0	47.3
Pune	68.1	29.4

Source : The Press and Advertisers Year Book, 1981, p.374(c)

## 11.8 VIDEO

Video as a medium of expensive but convenient entertainment has emerged very strongly of late. This is evident through the increased number of video sets (VCPs and VCRs). While Table 21 gives a population break-up of video sets in major cities. Table 23 gives a quick count of

the video set population and Table 24 details viewership preferences among video viewing households.

Following are some major observations about video as Medium:

- i) The number of video sets has grown in the last four years tremendously. The distribution of video sets too is fairly equitable in geographical terms. In fact it is said that most of the villages and suburbs are served by one or two video parlours. Thus its reach is quite reasonable.
- ii) It has emerged as an alternative to cinema halls. If not, at least it has become a major competitor to cinema. Realizing this, many film producers and distributors who had been opposing video culture, have finally accepted it as a fact of life and started using it in their efforts.

Table 23 : Video Sets (In Lakhs)

West	5.5
North	5.5
East	3.0
South	4.0
Total	18.0

Table 24 : Viewership preferences (Among video viewing households)

	Viewership	Average No. of Cassettes viewed in a month %
Latest Hindi films	88.0	3
English films	62.0	2
Old Hindi films	61.0	1
Regional films	18.0	0.5
Hiba films	8.0	negligible
Pakistani Serials	8.0	negligible
		6.5

- iii) Video is being used for information purpose too—particularly relating to investigative journalism. This refers to news that is normally neither covered nor will be telecast by Doordarshan. Newstrack from India today is a representative example of this trend.
- iv) Video is also used for entertainment about the 'gossip' or 'events' in the film industry. This is a competitive medium for 'glossy' magazines that have multiplied in the recent times indicating the heightened interest of people in what film celebrities do. Motivated by this several video-film magazines such as 'Lehren,' etc. have been introduced.
- v) A major problem in video medium is 'cluttering' and 'zapping-up' of commercials. 'zapping-up' is more frequent in the event of a 'chunk of commercials' while no doubt, it reduces the importance of video medium.

## 11.9 AERIAL ADVERTISING

The concept is popular in US and came to India in 1985 by Sky-ads, a Bombay based firm. The aerial banner services involves 200 ft × 5 ft fibre glass mesh banner held by aluminium alloy rods and towed by a single seater single engine aircraft flying at 700 ft. to 1000 ft. above the ground, depending upon the population zone.

The banner message length can be upto a max. of 40 english alphabets including the emblem and the characters are scarlet as one can read it in the blue sky. The flight is two hour duration. The flight costs Rs. 20,000 for Bombay all inclusive. The monthly rentals for balloons is Rs. 5,000 for 10 ft × 25 ft blimps. It offers advantages like :

- Targeting and reaching the audience is most effective, not possible to achieve in print or broadcast media.
- Reaching a captive audience like in cricket matches, public rallies is more effective through aerial advertising.
- Since there are so many festive occasions and melas, this will be very effective.

### Airport Advertising

Advertising at Airports is mainly done through glowsigns and show window. While the former offers us the benefits of colour, light and motion, the latter are used for demonstrating the products at prominent places at the airport. The Indian Airlines and Vayudoot carry 26000 passengers on its network with an annual growth of 30%. On an average, a passenger has to wait at the airport for more than an hour—a captive audience for the marketers. The tariff for advertising media mix is as follows : (Tables 25 and 26)

Table 25 : Tariff for Airport Advertising Media Mix

Particulars	Position	Art work (Cms)	Tariff Per thousand	Circulation
1. Passenger Tickets	Back Pg.	20 × 8	350.00	National
2. Boarding Card	Back Pg.	9.5 × 5.5	200.00	National
3. Cabin Baggage Tags	Back Pg.	4.5 × 2.5	90.00	National
4. Regd. Baggage Tags	Back Pg.	5 × 4	90.00	National
5. Sheet Time Table Tags	Front/Back	7 × 7	20000.00	International

Source : The Press and Advertisers Year Book, 1987.

Table 26 : Outdoor Hoarding Average Rates

Size 20' × 10'	Metro Cities	6000 (Delhi)	3000 (Bom)	2500 (Cal)	2000 (Mad)
Towns 5-10 lakhs		600			
Towns 1-5 lakhs		350			

Source : The Press and Advertisers Year Book, 1987.

## 11.10 RAILWAYS ADVERTISING

Railways occupy its place in the mind of media planners as the most important vehicle in 'transit-advertising.' The number of travellers per day in Indian trains and the hours (even days) that are spent in them enhances its importance. Table 27 provides a media mix of Railway advertising.

Table 27 : Media Mix of Railway Advertising

- Station Hoardings
- Railway Bridges Hoardings
- Posters
- Inside Carriages Advertising
- Reverse of Passenger Tickets
- Sign below clocks
- Closed circuit televisions

## 11.11 OFF-THE-WALL MEDIA

Exhibit 3 provides an illustrative scenario of off-the-wall media options. These options score over others in terms of noticeability and creativity. Relatively speaking, only recently, the Indian promotion experts have begun to work on off-the-wall media. However, it is restricted to A and B class towns, besides the metros.

Exhibit : Emerging Off-the-wall Media : The Shape of Things to Come

### • Advertising via telephone

You can purchase 30-second messages in which the advertiser supplies the company with relevant sales points. They can be taped, introduced by a live-pitch person, or both. "Where to Buy" telephone services identify retailers of specific products from consumers' inquiries.

● **Aerial banners and lights**

Banners, usually more than 30 feet long, are pulled by low-flying planes. After dark, travelling aerial lights can display messages of up to 90 characters.

● **Balloons**

The advertiser's message is imprinted on the balloons. Airborne heights vary from 200 to 800 feet.

● **Coptermedia**

This method uses thousands of light bulbs mounted on a 40-by-8 foot billboard frame on a slow-flying helicopter. The effect is that of a brilliant flying electric sign floating about 500 feet above the ground.

● **Handbills**

Handbills are simple sheet of paper with brief advertising messages which may be slipped under windshield wipers or hung on door knobs. Distributed by agents, they are one of the least expensive methods of advertising a local service or retail business.

● **Litter receptacles**

Some major cities offer space on concrete litter receptacles at major commercial intersections.

● **Paper-book advertising**

Bound-in inserts are available. Approximately 35 lakh pocket books are sold annually. The audience can be pinpointed by book title.

● **Shopping bags**

Bags are offered to grocery chains on a regionally exclusive basis. A shopper's checklist is printed on both sides, and advertisers can have their names printed on the list next to or in place of the category designation.

● **Taxicab advertising**

The back panel of front seats, the outside rear, and displays built on the roof provide day and night exposure. Rear-screen slide projectors facing riders are also available in some major markets.

● **Theater-screen advertising**

Commercials ranging from 30 seconds to 2½ minutes are screened at performances in most indoor and drive-in theaters. The average national movie audience consists of approximately 500 million people per week, with women and younger people dominant.

**Activity 5**

What other off-the-wall media can you think of that might help pull customers off the fence? Mention at least two of them.

**Answers**

1. ....  
.....  
.....
2. ....  
.....  
.....

**11.12 SUMMARY**

The unit covers all the promotional media in use in India. Through relevant data information on readership and other media habits of the Indian populace, regionwise and statewise. The 'reach' of the different media has been discussed and a comparative evaluation of media options has been provided.

**11.13 SELF-ASSESSMENT QUESTIONS**

- 1) Assess the merits of print media and television for an hotelier of national repute.
- 2) Can video be used in all categories of products? If not, which are those products? How can you tackle the issue of 'zapping and fast forwarding' the commercials in video cassettes?
- 3) Observe the off-the-walls media in your lawn and write a note on their relative merits and demerits.
- 4) Why has airport and Rail advertising not used so much in India? Is it a case of traditional bias or inherent weakness of the media?

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# UNIT 12 PROMOTIONAL SCENE IN INDIA : MEDIA USE AND USERS

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## Objectives

After having gone through this unit, you will be able to:

- Establish the relationship between advertising expenditures and sales promotion of products in the Indian Context.
- Develop a profile of advertising expenditures in India.
- Assess the promotional scene with respect to product specific, comparing specific and industrywise advertising outlays.
- Describe the role and importance of Advertising agencies as components of the Indian Promotional Scene.
- Explain the specifics of the promotional scenario with respect to two specific fields, services and financial products.

## Structure

- 12.1 Introduction
- 12.2 Correlation between Promotion Expenditure and Sales Generation
- 12.3 Advertising Expenditure in General : A Profile
- 12.4 Industrywise Advertisement Expenses/Sales Ratios in India in 1988
- 12.5 Advertisement Expenses Specific to Companies, Products and Brands in India
- 12.6 Advertising Agencies in India
- 12.7 Promotional Scene for Service and Financial Products
- 12.8 Conclusion
- 12.9 Summary
- 12.10 Self-assessment Questions

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## 12.1 INTRODUCTION

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This unit is a sequel to the previous unit on media availability in India. The focus of this unit is to reveal media use by advertisers and profile major media users. It is expected that you will not only be exposed to current practices of media use in India, it will also help you in your own decisions regarding media use. Consider for yourself a situation in which you are expected to design a media use plan. For it, what is required is not only the data on availability of media but also data on how industry has used it and what are the trends for the future. This unit provides details of media use by industry and suggests its direction of future trends.

Existing advertisers often have to compare their media use over a period of time. This unit attempts to aid this decision-making of media planners.

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## 12.2 CORRELATION BETWEEN PROMOTION EXPENDITURE AND SALES GENERATION

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Earlier units had dwelt on this subject in detail as to how advertisement expenditure results in additional sales. Though opinions vary on this count, it is usually believed that a rupee spent on promotion does bring in a more than rupee worth of turnover. Exhibit 1 summarises an Economic Times Study on this aspect.

**Exhibit 1: The correlation between Ad. expenditure and sales generation**

A study published in The Economic Times of July 7, 1988 had shown that the sales income generated by companies, particularly those manufacturing consumer goods, has high correlation with the expenditure incurred on advertising and sales promotion of goods.

A relatively high correlation was found to exist in the case of Brooke Bond, Colgate-Palmolive, Food Specialities, Hindustan Cocoa and Hindustan Lever.

The expenditure on advertisement and related promotional activities is often construed as a selling cost by the companies. But advertisement is a production cost, forming a part of the cost, for manufacturing and distribution of a new or supposedly better product.

The selling cost is the cost incurred generally in maintaining or enlarging the market for products which are already in the market stream.

The Economic Times study of July 7, 1988 had also brought out the fact that certain companies have high advertisement-push effect on sales than others. Invariably, the consumer goods manufacturing companies have such a push-effect.

It has been found that there is no linear relation between generation of sales and expenditure on sales promotion. This is because the companies have generally a diversified product range.

Again, the modus operandi in the preparation of an advertisement budget by a company is an essential factor in deciding a linear relationship between advertisement expenses and the sales income of the company.

The media platforms for advertisements and nature of products are also important factors in establishing linear relationship between sales promotion expenses and sales income of companies.

All said and done, sales promotion expenses do have an impact on the sales income of companies. But it appears that there is no one to one linear relationship between the two factors though these are highly correlated to one another.

#### Activity 1

Analyse carefully the Economic Times study as given above and advise a company manufacturing premium undergarments to relate and justify its expenditure on print advertising (magazines and dailies).

## 12.3 ADVERTISING EXPENDITURE IN GENERAL : A PROFILE

As elsewhere in India too, there is a dearth of authentic published data on how much had been spent on advertising. Reasons for this reluctance are not far to seek. It is indeed a sensitive question for any company to answer too. Secondly and perhaps more important is the inability to arrive at precisely the amount to be attributed to advertising as accounting practices in these companies do not accurately keep figures on various forms of promotion in a company.

Table 1 attempts to profile advertising expenditure in India during 1981 to 1988 on various media categories.

Table 1 : Advertising expenditure

(Rs. crores)

Category	1988		1987		1986		1985		1984		1983		1982		1981	
	Actual	%	Actual	%	Actual	%	Actual	%	Actual	%	Actual	%	Actual	%	Actual	%
I. Organised	817		720		585		463		358		316		279		239	
	(11.1)	55.6	(20.0)	58.0	(21.6)	60.0	(25.4)	62.9	(12.2)	65.7	(12.9)	65.9	(16.5)	66.2	(20.0)	67.3
T.V.	175	16.2	140	15.1	190	13.3	60	10.2	28	6.2	20	5.0	16	4.5	12	4.0
	(25.0)		(40.0)		(66.7)		(114.3)		(40.0)		(25.0)		(33.3)			
Radio	30	2.8	28	3.0	23	3.1	20	3.4	19	4.2	17	4.3	5	2.3	14	4.7
	(7.1)		(21.7)		(15.0)		(5.3)		(11.8)		(13.3)		(7.1)			
Cinema	13	1.2	12	1.3	12	1.6	13	2.2	16	3.6	16	4.0	5	4.3	13	4.4
	(8.3)		(—)		(—7.7)		(—18.7)		(—)		(6.7)		(15.9)			
II. Unorganised	260		210		165		125		91		83		73		58	
Outdoor	90	8.4	60	6.5	40	5.3	30	5.4	24	5.4	22	5.5	20	5.7	15	5.1
	(50.0)		(50.0)		(33.3)		(25.0)		(9.1)		(10.0)		(33.3)			
Point of purchase	80	7.4	65	7.0	50	6.7	45	7.7	27	6.0	26	6.5	23	6.5	18	6.1
	(23.1)		(30.0)		(11.1)		36.7)		(3.0)		(13.0)		(27.3)			
Production	90	8.4	85	9.1	75	10.0	50	8.5	40	8.9	35	8.8	30	8.5	25	8.4
	(5.9)		(13.3)		(50.0)		(25.0)		(14.3)		(16.7)		(20.0)			
Total (I + II)	1078	100	930	100	750	100	588	100	449	100	399	100	352	100	297	100
	(14.7)		(24.3)		(27.6)		(31.0)		(12.5)		(13.4)		(18.2)			

Figures in brackets indicate growth.

Source : Advertising Industries : The Economic Times, Dec. 5, 1988

Following are quick inferences on Table 1 :

- a) The advertisement industry has crossed the magic figure of Rs. 1000 crores in 1988.
- b) In growth terms, television is scoring over other media in organised sector, while the distinction belongs to outdoor media in unorganized sector.
- c) The print media accounts for 60% of the total advertisement expenditure in 1988 with a similar formidable track record in the past.
- d) The expenditure on Radio has peaked off in the recent past, and it displays signs of sliding down in both absolute and proportionate ad expenditure.

A visual picture of the same advertisement expenditure is available in Figure 1. Additionally, a distribution of advertisement/sales ratios (percentages) of 103 select companies covered by a recent study of Economic Times is available in Figure 2.

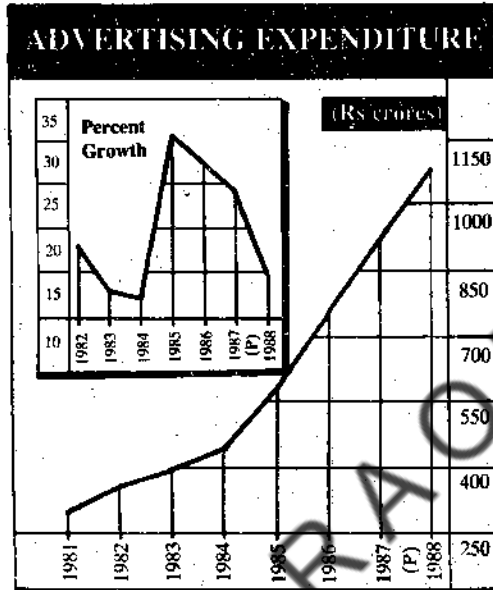


Figure 1

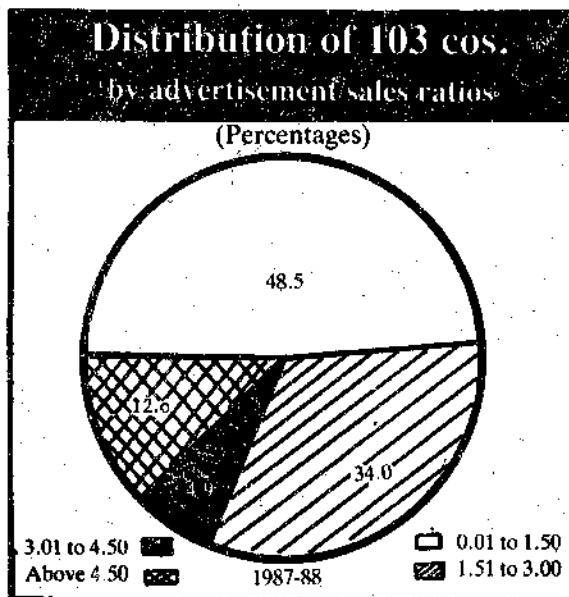


Figure 2

**Activity 2**

Mention two major impressions of yours after a relook at the Table No. 1.

Impression 1 .....

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Impression 2 .....

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Table 2 endeavours to project estimated advertisement expenditure on the two major promotional media i.e. Press and television. It succeeds in painting a declining scenario for press by the turn of the century although television is overall ratio in total advertisement budget will remain almost stable at a quarter of the pie.

Table 2 : Advertising Expenditure Estimates

Year	Amount (Crores)	TV		Press		Total Media
			%	Amount	%	
1988	190		23	538	70	835
1990	360		28	700	65	1075
2001	600		24	1300	52	2900

Table 3 provides a worldwide ranking of some major countries in terms of per capita advertising expenditure. According to it, while USA tops the list, India is placed way down at 79th place.

Table 3 : Per Capita Advertisement Expenditure in Select

Country	Rank	Per Capita Advertising Expenditure (1980)
USA	1	241.0
Australia	5	172.0
UK	10	118.0
Japan	14	96.0
Argentina	31	29.0
Brazil	38	13.0
Peru	59	5.0
Indonesia	75	0.9
India	79	0.5
Pakistan	82	0.4

Source : Dawn New paper (Pakistan) May 9, 1983

## 12.4 INDUSTRYWISE ADVERTISEMENT EXPENSES/ SALES RATIOS IN INDIA IN 1988

A comprehensive Table 4 provides advertisement expenses/sales ratio of some select companies in India in various industries categories for the year 1987-88. Following are some quick findings :

- The ratio ranges from amount half per cent to slightly over two per cent.
- Chemicals and pharmaceutical companies have spent (i.e. maximum in specified categories of Industries.
- Within each industry category, expenses/sales ratio has substantially varied. The intra industry disparity is too large to be overlooked.

Table 4 : Industrywise advertisement expenses/sales ratio 1987-1988

Promotional Scene in India --  
Media Use and Users

Name of the Company	Advertisement expenses	Net sales (Rs.)	Advertisement percentage of net sales %
<b>I) Engineering (27)</b>	<b>3717</b>	<b>585434</b>	<b>0.63</b>
1. Advani-Oerlikon	66	6164	—
2. Blue Star	126	11303	—
3. Bajaj Auto	326	47075	—
4. Bajaj Tempo	77	13652	—
5. Crompton Greaves	292	25074	—
6. Escorts	529	41537	—
7. Essar Gujarat	3	1701	—
8. Elecon Engg.	27	10262	—
9. Enfield India	019	4993	—
10. Greaves Cotton	61	13186	—
11. Jay Engg.	343	10338	—
12. Kirloskar Elect.	69	11839	—
13. Kelvinator	8	11168	—
14. Kirloskar Bros.	31	7671	—
15. L & T	82	41030	—
16. Mahindra	70	49145	—
17. Mukand Iron	17	27955	—
18. Motor Inds.	66	1597	—
19. Nelco	151	5778	—
20. Orissa Sponge Iron	—	1725	—
21. Peico Electronics	634	36790	—
22. Rallis India	157	21715	—
23. Standard Motors	31	2597	—
24. Steel Strips	1	3664	—
25. Tata Engg.	62	116325	—
26. Tube Investment	118	13760	—
27. Voltas	281	33009	—
<b>II) Chemicals &amp; Pharmaceuticals (17)</b>	<b>2198</b>	<b>199716</b>	<b>1.18</b>
1. Atic Inds.	12	4344	—
2. Atul Products	12	8357	—
3. Bayer (India)	111	10433	—
4. Cellulose Products	1	986	—
5. Colour-Chem.	17	7306	—
6. Dharamai Morarji Chemicals	34	7865	—
7. Duphar-Inter	12	1963	—
8. Gujarat Narmada Valley Fert.	129	34154	—
9. Hoechst	169	15322	—
10. IDI Chemicals	6	5028	—
11. Glindia	564	17301	—
12. Hindustan Ciba-Geigy	389	17123	—
13. Mangalore Chemicals	68	11693	—
14. National Organics	234	26219	—
15. Oswal Agro Mills	85	12381	—
16. Sudarshan Chemicals	18	3761	—
17. Union Carbide	329	15480	—
<b>III) Textiles (15)</b>	<b>3207</b>	<b>353556</b>	<b>0.91</b>
1. Arvind Mills	142	11350	—
2. Bharat Vijay	143	4917	—
3. Bombay Dyeing	342	29188	—
4. Baroda Rayon	4	11312	—
5. Grasim Inds.	367	55936	—
6. Jiyajeerao Cotton	38	11323	—
7. Madura Coats	97	18856	—
8. Mahavir Spg. Mills	10	7141	—
9. National Rayon	—	13095	—
10. Orkay Silk Mills	24	16631	—
11. Polyolefins Inds.	19	12339	—
12. Premier Mills	65	4192	—
13. Reliance Inds.	1420	120114	—
14. Raymond Woollens	395	19214	—
15. Standard Mills	141	17918	—
<b>IV) Cements (4)</b>	<b>130</b>	<b>86930</b>	<b>0.15</b>
1. Associated Cement	92	59288	—
2. Dalmia (Bihar) Cement	15	6233	—
3. India Cement	8	10757	—
4. Orissa Cement	15	10652	—

**Promotional Management  
Decisions**

Name of the Company	Advertisement expenses	Net sales (Rs.)	Advertisement percentage of net sales %
V) Electricity (1)	18	3165	—
1. CESC	18	3165	—
VI) Rubber Goods (5)	651	13627	0.88
1. Apollo Tyres	115	10738	—
2. Ceat Tyres	173	24060	—
3. Goodyear	21	12780	—
4. MRF	318	23780	—
5. Premier Tyres	24	2344	—
VII) Paper (2)	31	5800	0.53
1. Jayant Paper	10	1096	—
2. Sirpur Paper	21	4704	—
VIII) Miscellaneous (32)	9703	443527	2.19
1. Asian Paints	367	15521	—
2. Bata	306	24648	—
3. Britannia Inds.	141	18114	—
4. Brooke Bond	906	34863	—
5. Bakelite Hylam	30	4471	—
6. Blow Plast	290	6879	—
7. Colgate— Palmolive (India)	1083	15985	—
8. Carborundum Universal	12	4647	—
9. Duncan Agro	96	6178	—
10. DLF Universal	65	2736	—
11. Food Specialities	816	17034	—
12. Fort Gloster	174	7829	—
13. GTC	44	14192	—
14. Gen. Ind. Society	1	6229	—
15. Goodlass Narolac	133	7937	—
16. Hindustan Lever	1882	78443	—
17. Hindustan Cocoa	448	7316	—
18. HMM	359	6957	—
19. Hicco Products	55	3563	—
20. KCP	15	7978	—
21. ITC	611	30967	—
22. Indian Hotels	182	10397	—
23. IVP	9	4447	—
24. J.K. Industries	—	25584	—
25. Lipton	618	32584	—
26. Lakme Ltd.	151	4552	—
27. Mohan Meakin	85	7467	—
28. Premier Const.	1	230	—
29. Supreme Inds.	19	4509	—
30. Tata Oil Mills	392	24516	—
31. Tips and Toes Cosmetics	57	342	—
32. VST	355	6255	—
<b>GRAND TOTAL</b>	<b>19647</b>	<b>1779755</b>	<b>1.10</b>

**Activity 3**

Review table 4 and give at least *one* reason each for the highest ratio in the case of chemicals and pharmaceutical companies and the lowest ratio in the case of cements companies.

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## 12.5 ADVERTISEMENT EXPENSES SPECIFIC TO COMPANIES, PRODUCTS AND BRANDS IN INDIA

This section provides some interesting highlights of advertising expenses. For the sake of clarity in understanding these have been divided into three sub-sections :

### Industry Specific Advertisement Expenses

Tables 5, 6, 7 and 8 contain data on this aspect. While Table 5 addresses itself to covering companies spending over 1 per cent of their sales, Table 6 compares a select 103 companies with the top 20 companies in 1986-87 and 1987-88. Table 7 concludes the presentation with absolute figures on advertisement expenditure by leading companies.

### Activity 4

Look at the Tables 5, 6 and 7 and mention if there are any surprise inclusions or expulsions in the list of leading advertisers. If so, mention them and substantiate your answer.

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Table 5 : Companies with advertisement expenses of more than 1.00 per cent of sales in 1987-1988

(Alphabetical order)

Name of the company	Advertisement/Sales ratio
1. Advani-Oerlikon	1.10
2. Asian Paints	2.40
3. Apollo Tyres	1.10
4. Arvind Mills	1.30
5. Blue Star	1.10
6. Bharat Vijay	2.91
7. Bata	1.24
8. Bayer (India)	1.06
9. Brooke Bond	2.60
10. Bombay Dyeing	1.17
11. Blow Plast	4.22
12. Colgate-Palmolive	6.78
13. Crompton Greaves	1.08
14. Duncan Agro	1.55
15. DLF Universal	2.38
16. Escorts	1.27
17. Enfields	2.18
18. Food Specialities	4.79
19. Fort Gloster	2.22
20. Glindia	3.26
21. Goodlass Nerolac	1.68
22. Hindustan Lever	2.40
23. Hoechst	1.10
24. Hindustan Ciba-Geigy	2.27
25. Hindustan Cocoa	6.12
26. HMM	5.16
27. Hico Products	1.54
28. ITC	1.97
29. Indian Hotels	1.75
30. Jay Engineering	3.32
31. Lipton India	1.90
32. Lakme	3.32
33. MRF	1.34
34. Mohan Meakin	1.14
35. Nelco	2.61
36. Peico Electronics	1.72
37. Premier Mills	1.55
38. Premier Tyres	1.02
39. Reliance Inds.	1.18
40. Raymond Woollen	2.06
41. Standard Motors	1.19
42. Tata Oil Mills	1.60
43. Tips and Toes Cosmetics Industries	16.67
44. Union Carbide	2.13
45. VST	5.68

Table 6 : Sales promotion and advertisement expenses of 20 companies—1986-87, 1987-88 and 1988-89

(Rs. lakhs)

Name of the company	Year	Adver- tise- ment ex- penses	Other Sales promo- tion ex- penses	Com- mission on sales	Dis- count on sales	Total (3 to 6)	Net sales	Adver- tise- ment ex- penses as per- centage of total	Com- mission on sales as per- centage of total	Col.(7) Adver- tise- ment ex- penses as per- centage of net sales	Adver- tise- ment ex- penses as per- centage of net sales
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Associated Cement	1986-87	78	—	5	253	336	57834	23.2	1.5	0.6	0.1
	1987-88	92	—	4	452	548	59288	16.8	0.7	0.9	0.2
	1988-89	49	—	76	667	792	60059	6.2	9.6	1.3	0.1
2. Blue Star	1986-87	66	—	21	—	87	10115	75.9	24.1	0.9	0.7
	1987-88	126	—	29	—	155	11303	81.3	18.7	1.4	1.1
	1988-89	116	—	39	—	155	14242	74.8	25.2	1.1	0.8
3. Bajaj Auto	1986-87	203	—	45	—	248	35339	81.5	18.15	0.70	0.57
	1987-88	326	—	29	—	355	47075	91.83	8.17	0.75	0.69
	1988-89	271	—	37	—	308	41987	87.99	12.01	0.73	0.65
4. Bakelite Hylam	1986-87	15	—	2	—	17	3760	88.24	11.76	0.45	0.40
	1987-88	30	—	4	—	34	4471	88.24	11.76	0.76	0.67
	1988-89	27	—	4	—	31	4985	87.10	12.90	0.62	0.54
5. Crompton Greaves	1986-87	166	—	—	—	166	21793	100.00	—	0.76	0.76
	1987-88	272	—	—	—	272	25074	100.00	—	1.08	1.08
	1988-89	278	—	—	—	278	30577	100.00	—	0.91	0.91
6. Ceat Tyres	1986-87	113	—	7	177	297	20033	38.05	2.36	1.48	0.56
	1987-88	173	—	7	250	430	24060	40.23	1.63	1.79	0.72
	1988-89	208	—	7	66	281	28028	74.02	2.49	1.00	0.74
7. CESC	1986-87	9	—	—	—	9	29578	100.00	—	0.03	0.03
	1987-88	18	—	—	—	18	31165	100.00	—	0.06	0.06
	1988-89	15	—	—	—	15	35872	100.00	—	0.04	0.04
8. Carborandum Universal	1986-87	16	—	63	—	79	4266	20.25	79.75	1.85	0.38
	1987-88	12	—	56	—	68	4647	17.65	82.35	1.47	0.54
	1988-89	25	—	66	—	91	5410	27.47	72.53	1.68	0.46
9. Gujarat Narmada Valley Fert.	1986-87	90	—	—	—	90	23037	100.00	—	0.39	0.39
	1987-88	129	—	—	—	129	34154	100.00	—	0.38	0.38
	1988-89	133	—	—	—	133	27770	100.00	—	0.48	0.48
10. Glindia	1986-87	387	—	22	—	409	15851	94.62	5.38	2.58	2.44
	1987-88	564	—	17	—	581	17301	97.07	2.93	3.36	3.26
	1988-89	693	—	24	—	717	19732	96.65	2.37	3.63	3.51
11. Greaves Cotton	1986-87	61	—	174	—	235	13765	25.96	74.04	1.71	0.44
	1987-88	61	—	185	—	246	13186	24.86	75.20	1.87	0.46
	1988-89	58	—	190	—	248	15442	23.39	76.61	1.61	0.38
12. Hindustan Cocoa Products	1986-87	310	—	—	—	310	6069	100.00	—	5.11	5.11
	1987-88	448	—	—	—	448	7316	100.00	—	6.12	6.12
	1988-89	494	—	—	—	494	7347	100.00	—	6.12	6.72
13. HMM	1986-87	132	—	—	—	133	5626	100.00	—	2.36	2.36
	1987-88	359	—	—	—	358	6957	100.00	—	5.16	5.16
	1988-89	535	—	—	—	535	8930	100.00	—	5.99	5.99
14. ITC	1986-87	505	—	—	—	505	25995	100.00	—	1.94	1.94
	1987-88	611	—	—	—	611	30967	100.00	—	1.97	1.97
	1988-89	1132	—	—	—	1132	37102	100.00	—	1.98	1.98
15. Kirloskar Bros.	1986-87	45	—	—	—	45	7478	100.00	—	0.60	0.60
	1987-88	31	—	—	—	31	7671	100.00	—	0.40	0.40
	1988-89	38	—	—	—	38	8751	100.00	—	0.43	0.43
16. Madura Coats	1986-87	153	—	—	—	153	17984	100.00	—	0.85	0.85
	1987-88	97	—	—	—	97	18856	100.00	—	0.51	0.51
	1988-89	109	—	—	—	109	24185	100.00	—	0.45	0.45
17. Premier Mills	1986-87	46	—	—	—	46	3348	100.00	—	1.37	1.37
	1987-88	65	—	—	12	77	4192	84.4	—	1.84	1.55
	1988-89	54	—	—	17	71	5409	76.1	—	1.31	1.00
18. Rallis India	1986-87	110	—	—	—	110	20014	100.00	—	0.55	0.55
	1987-88	157	—	—	—	157	21715	100.00	—	0.72	0.72
	1988-89	170	—	—	—	170	25563	100.00	—	0.67	0.67
19. Supreme Industries	1986-87	6	—	26	—	32	3711	18.8	81.25	0.86	0.16
	1987-88	19	—	36	—	55	4509	34.6	64.45	1.22	0.42
	1988-89	12	—	47	—	59	6106	20.3	75.66	0.97	0.20
20. Tata Oil Mills	1986-87	212	—	—	—	212	27345	100.00	—	0.78	0.78
	1987-88	291	—	—	—	281	33009	100.00	—	0.85	0.85
	1988-89	286	—	—	—	286	39940	100.00	—	0.72	0.72

Total	1986-87	2724	—	365	430	3519	352941	77.41	10.37	1.00	0.77
	1987-88	3871	—	367	714	4952	406916	78.17	7.41	1.22	0.95
	1988-89	4703	—	490	750	4943	447437	79.14	8.24	1.33	1.05

Table 7 : Frequency distribution of companies according to total sales promotion expenses as a percentage of sales

Range (%)	103 companies		20 companies	
	1986-87	1987-88	1987-88	1988-89
0.01 to 0.50	25	25	3	4
0.51 to 0.75	10	8	3	4
0.76 to 1.00	10	5	3	3
1.01 to 1.50	17	12	4	3
1.51 to 2.00	13	19	4	3
2.01 to 2.50	5	6	—	—
2.51 to 3.00	9	10	—	—
3.01 to 3.50	1	3	1	—
3.51 to 4.00	—	1	—	—
4.01 to 4.50	1	1	—	—
4.51 to 5.00	1	3	—	—
5.01 & above	10	10	2	2
Total	103	103	20	20

Table 8 : Advertisers Expenses (1988-89)

	(Rs. lakhs)
1. Hindustan Lever	70
2. Colgate-Palmolive	40
3. Nirma Chemical Works	29
4. Parle	29
5. Cadburys	28
6. Central government	26
7. Tomco	25
8. Bajaj	20
9. Godia	19
10. Godrej	18

**Product Specific Advertisement Expenditures**

Tables 9 and 10 concern themselves with product specific expenditure. While Table 9 focuses itself on broad product categories vis-a-vis the three major media vehicles i.e., television, periodicals and dailies in 1988. Table 10 gives more specific information on this issue providing details of expenditure on product categories in 1988-89. Following are very obvious inferences :

- While consumer nondurables prefer television to periodicals as media vehicles, the reverse is true for consumer durables.
- Very few corporate ads, seek television as media vehicle. For them, the time tested vehicles of print medium is still the most preferred one. Periodicals and dailies are preferable.
- Television is the highest advertisement spender. Textiles are a poor second. Soaps contrary to many expectations come as only fifth in the top ten spenders.
- The top and the lowest spenders in the top ten spenders on advertisement have a yawning gap of 1 to 10 times.
- Consumer products, dominate the 'top' ten club of advertisement expenditure with only one or two honourable exceptions of industrial products.

Table 9 : Advertisement expenditure under broad product category

	TV	Periodical	Dailies
Consumer Durables	16.5	21.0	13.6
Consumer nondurables	66.5	41.0	10.6
Services	4.0	12.0	11.7
Corporate	0.2	5.0	4.5
Classifieds	—	4.0	41.3
Others	18.0	17.0	17.7
Total	109.0	109.0	100.0

Source : The Economic Times, Dec. 1988

The figures represent a products categorywise distribution of the innovative of call medium.

Table 10 : Product Categories Advertised (1988-89)

	(Rs. lakhs)
1. Television	1974
2. Textiles	1064
3. Two-Wheelers	887
4. Cigarettes	419
5. Toilet Soaps	398
6. Airlines	310
7. Fan	288
8. Watches	238
9. Paints	217
10. Computers	212

Sources : The Economic Times, Dec., 1988

### Brand Specific Advertisement Expenditures

An interesting picture emerges for all of us when we look at the advertisement expenditure on certain wellknown brands in 1988-89. Table 11 is self explanatory in this respect where Nirma detergent tops the exclusive club of the Ten Top Spenders on advertisement with an expenditure of two crores in 1988-89.

A fascinating sidelight of package promotions of a few select brands in India that have hit it off with Indian Consumers in the recent times is provided in Exhibit 2.

### Activity 5

Add at least two brands to the list of innovative package promotion by two new consumer brands, that you have noticed in the Indian markets. Justify as to why you have included them.

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Table 11 : Advertising Expenditures of Select Brands 1988-89

Brand Advertised	Expenditure (Rs. lakhs)
1. Nirma detergent cake	191
2. Vimal	159
3. Rin	157
4. LIC	124
5. Rasna	109
6. Nirma washing powder	102
7. Pan Parag	98
8. Surf	87
9. Palmolive	77
10. Complian	75

### Exhibit 2 : Some Leading Examples of Package-Promotion in India

#### Prudent :

First to introduce the concept of a soft-squeeze toothpaste tube in the country. Now followed by Close Up (Minty Blue) and Colgate also.  
Theme : no additional pressure required to extrude the paste 'Soft Squeeze'.

#### Postman :

Transparent PET bottles for 1 Kg. postman groundnut oil. Advantages : (1) purity can be seen from outside. (2) special arrangement on the neck of the bottle ensures 'steady' flow of liquid independent of the volume of liquid inside.  
Followed by Sundrop Sunflower oil. "Buy pure - be sure".

#### Pan Parag :

Introduced big-pouches with a 'zipper', so that freshness can be retained even after opening the pouch. Can be kept in the pocket without spilling the contents. Getting quite popular.

#### T-Series Video Cassettes :

Popular video cassettes are available in cardboard covers. T-Series has come out with polyethine packs for the packaging of these cassettes.  
Theme : Keeps moisture and dirt away.

**Brooke Bond A-1 Tea :**

With laminated polyester packaging to retain the freshness of tea. The package has a broad base and can stand on its own without support.

**Kissan Jam :**

Being sold in plastic containers (resembling ice-cream cups), 200 gm. pack size. (Normal bottlesize in 500 gm).

**Colgate toothpaste sachet :**

To bring the unit price down for the rural market. Sold at Rs. 1.75 p.

**Lakme Lavender Talc :**

For the first time came out with counter-top consumer sample packs.

## 12.6 ADVERTISING AGENCIES IN INDIA

Advertising agencies in India have kept pace with the expansion of media business and expenditure on advertising. While in 1939, there were only 14 agencies accredited to the Indian Newspaper Society (INS), by 1986, their strength has gone up to 383. Table 12 mentions the top 10 agencies in India :

**Table 12 : The Top 10 Agencies in India**

- Hindustan Thompson Associates (HTA), Bombay
- Ogilvy, Bensons Mather Bombay (OBM)
- Clarion Advertising & Marketing, Calcutta
- Pressman Advt. & Marketing, Calcutta
- Lintas India, Bombay
- Rediffusion Advertising, Bombay
- Ulka Advertising, Bombay
- R.K. Swami Advt. Madras
- Chaitra Advertising, Bombay
- Mudra Communications.

Along with the expansion in numerical strength of advertisement agencies in India, there has been a substantial growth in billing of both accredited and non-accredited advertisement agencies in India. The composition of the agencies billing in general and that of the top ten agencies is profiled in Tables 13 and 14 respectively.

**Table 13 : The Composition of Advertising Billing in India - 1986**

Agency	Amount Rs. in crores	%
1. Accredited Agencies	286.12	70.68
2. Non-Accredited Agencies	58.19	14.37
3. Direct Advertising	35.40	08.75
4. State Government	19.44	04.80
5. DAVP	3.90	00.96
6. Railways	1.74	00.43
	404.79	100

Source : INF-A 1987, Publication.

**Table 14 : Ad-Agencies Billing (1988-89)**

	(Rs. Crores)
1. Lintas	61.3
2. HTA	66.0
3. Mudra	40.0
4. OBM	34.4
5. Clarion	32.2
6. Everest	27.0
7. R.K. Swamy.	25.0
8. Contract	20.0
9. Sista	18.0
10. Chaitra	16.5

An important highlight of ad agencies in India is their affiliation with international agencies. Exhibit 3 focuses on this aspect with certain leading ad agencies in India.

Exhibit 3: International Association of Indian Advertisement Agencies

Indian Ad. Agencies	Foreign Partner
• HTA	J. Walter Thompson (WPP group)
• Clarion	D'arcy, Masius, Benton & Bowles
• Chaitra	Leo Burnett
• Lintas	Interpublic
• Mudra	DDB Needham
• OBM	Ogilvy & Mather
• Rediffusion	HDM (Young & Rubicam)
• R.K. Swamy	Balten, Barton, Durstine & Osborn
• Everest	Saatchi & Saatchi
• Trikaya	Grey Advertising

**Activity 6**

Choose a particular advertising agency and review its various advertisement creations. Write your major impressions in 75 words.

**Answer**

My major impressions of the (name of the agency) are

.....

.....

.....

.....

## 12.7 PROMOTIONAL SCENE FOR SERVICE AND FINANCIAL PRODUCTS

The promotional scene in India is so heavily tilted in favour of products in both consumer and industrial categories that other emerging areas appear totally outshaded. The purpose of this section is to pull two strongly emerging areas of marketing activities i.e. services and Financial products out of their traditional neglect and make you aware of their current status. The sections below deal with each of them.

**Service Products**

As stated earlier, promotional scene of service products is both exciting and peculiar because the contours of the same are yet to settle firmly. There are inbuilt reservations in the minds of both marketers and media about the suitability of already-known promotional method in India and to find a perfect fit between them. Of immediate attention is the issue of selecting a consumer promotion for a service product. Exhibit 4 provides a checklist of questions in this regard.

**Activity 7**

Select a service product and apply the guidelines given in Exhibit 4. Give your final recommendations on the same.

.....

.....

.....

.....

**Exhibit 4: Criteria for selecting a consumer promotion for a service**

**1. Objectives**

- Is the promotion consistent with overall brand marketing objectives in general and with the overall objectives of consumer promotions for the service?
- Is the promotion versatile, capable of effectively reaching several groups (such both new and existing users) and fulfilling several objectives (such as stimulating switching and multiple purchases) simultaneously?
- Does the promotion have appeal to consumers, to intermediaries, and to contact personnel?
- Can the promotion function efficiently as a national promotion and/or as a local promotion in selection market areas? For examples, coupon drops can be arranged in an individual market area, but sweepstakes or contests must generally be national.

**2. The Service**

- Is the service a planned or an impulse purchase? If the latter, does the promotion make an impact at the point of service delivery?

- Is the product frequently or infrequently purchased? If the promotion offer requires multiple purchases, slippage will be greater to the extent that the product is less frequently purchased.
- Are the characteristics of the product appropriate for this promotional approach? For example indivisible services cannot be economically sampled.

### 3. The Consumer

- Are target consumers accustomed to this promotional technique for this service? If not, might they perceive it as inappropriate?
- Does the promotion reduce perceived purchase risk?
- Are the terms of the promotion simple and easy to understand?
- Does the promotion offer an immediate or delayed reward to the consumer?
- How much consumer effort is required to take advantage of the promotional offer?

### 4. The Intermediaries

- How much incremental effort is required of intermediaries to successfully implement the promotion?
- Does the promotion offer a direct sales benefit to intermediaries? Some refund offers, for example, either require proof of purchase for a second related item or offer a refund in the form of a certificate towards purchase of a second related item.
- How much flexibility does the promotion offer intermediaries in terms of timing and execution?
- Does the promotion permit intermediaries to appear to the source of the offer.
- Does the promotion lend itself to creative and exciting point-of-sale displays?

### 5. Competition

- Are competitive products currently using this promotion technique?
- How rapidly can a competitor respond with a similar or superior promotion?

### 6. Cost Effectiveness

- What is the maximum expected liability for the promotion?
- Can the terms of the promotional offer be designed to minimize liability. For example, the number of purchase proofs required for a refund offer can be increased such that slippage increases and actual costs decrease.
- How well can costs for the promotion be forecast? Is it vulnerable to the activities of ad hoc intermediaries (such as coupon brokers) such that forecast costs may be greatly exceeded?
- Will the promotion tie up manufacturer capital, for example in an inventory of premium merchandise?
- Are the expenses for the promotion incurred on a pay-as-you-go (couponing) or investment (sweepstakes) bases?
- Is this promotion vulnerable to waste and abuse through such activities as pilferage and misredemption?
- Can the promotion be designed to minimize the number of consumers which can take advantage of the offer more than once?

### 7. Integration

- Can the promotion be integrated easily with other elements of the communication mix, including advertising, personal selling, and point-of-sale displays?
- Can the promotion reinforce the service advertising theme and contribution to franchise building?
- Can the promotion be integrated with other promotional activities to create a dramatic event? For example, a sweepstakes is often used as an overlay to a refund and/or coupon offer.
- Can the promotion be used easily in line promotions involving several services as well as in single service promotions?
- Is the promotion part of a successful marketing tradition for this service category?

### 8. Implementation

- How much incremental effort is required of management and the salesforce to successfully implement the promotion?
- Does the salesforce expect the promotion to facilitate its selling task?
- To what extent are the services of outside agencies required to implement the promotion?
- Does management bear the costs and timing of delivering the offer?
- Does management have prior experience with this type of promotions?
- How much lead time is required for implementation?

### 9. Measurement

- What measures are available to gauge response to the promotion and how valuable are they? For example, does the number of entries in a sweepstakes indicate the relative degree of positive impact on the sponsoring brand?

- Can the impact be inexpensively measured and compared to the impact of other promotions both of the same and of different types?
- Is response concentrated in a short time period after the promotion is launched, or are there significant lag effects which may reduce the accuracy and increase the expense of measurement?

10. Legal

- Are there legal constraints on the design and use of this type of promotion?
- Can this type of promotion be implemented nationally, or are there local laws which require adaptation of the offer in each state?

Source : "Consumer Promotion in Service Marketing" : C.H. Lovelock and J.A. Quelch in Business Horizons, May/June 1983.

**Financial Advertising**

Since 1985-86 a new era of financial advertising has emerged in India, something that was seldom seen before. This is however inextricably linked to a new culture of saving and investment being witnessed these days. The culture was nurtured by a virtuous-circle of higher savings fuelled by newer avenues of investment and reinforced by better returns. The year 1985-86 was a watershed year where shares and debentures market experienced a boom. The progress slowed down with world recession and the stock market crash in 1987 worldwide. However, the recovery was swift and strong and the years 1988 and 1989 will go down in the history of corporate investment as the best years, in which several major issues of shares and debentures, were announced and subscribed to by the eager investors.

Financial advertising refers to the advertisements of "financial instruments such as shares, debentures, bonds, bank deposits, saving schemes, units, mutual funds etc."

In many ways, financial advertising is akin to consumer advertising. Financial instruments are similar to consumer products, although engage higher customer involvement, commitment and risk. Thus, all marketing mix elements are of as much significance in financial products as they are in consumer products.

Two differences, however, are notable in comparing financial advertising with consumer advertising. Firstly, financial advertising is 'one time' i.e., related to a particular event. Thereafter, it is forgotten. Consumer advertising on the other hand is continual in nature. Secondly, the target audience in financial advertising is more 'limited' and 'identifiable' than in consumer advertising. Thus, media choice is more precise in financial advertising.

Financial advertising is different from corporate advertising too. While the former is primarily to persuade the existing and potential investors to the financial products, the latter deals with the task of building corporate-image of the advertiser. Usually, financial advertising is preceded by corporate advertising. So if a Larsen and Toubro mega debentures issue is to be sold, L & T would usually start with describing all that the company had been doing and accomplishing and planning for the future. Then in the subsequent advertising, it will issue details of the debenture issue like the amount to be raised, the conversion terms, future profitability and investors benefits.

Following are some major features of financial advertising in India.

- a) There are now several ad agencies in India which deal exclusively with financial advertising. The first of the financial advertising agencies the Pressmen was established in 1964 — about 25 years ago. Besides Pressmen now, there are Sobhagya Advt. Service, Clea Advt, Concept Advertising etc., exclusively dealing with marketing of financial products.
- b) The financial advertising accounts for less than 10% of the total advertising. Thus, if the advertising industry is worth Rs. 1,000 crores today, financial advertising's share is less than Rs. 100 crores.
- c) The growth of financial advertising, as is natural, is linked to growth of capital markets. Thus, in 1985-86 the first capital market boom, Rs. 814.6 crores were raised. In 1987-88 the figure is almost Rs. 5,000 crores. Future indications too auger well for the capital markets
- d) Financial advertising is not rated as par with consumer advertising on 'creativity'. This criticism is nevertheless not very serious because financial advertising is about products marked by 'seriousness' and 'facts.' So a no-frills advertising in financial matters is as attractive as an emotional appeal in consumer products.

- e) Many companies have begun branding the financial products. For instance, 'Reliance - Khazana', Deepak 'Mahadhan', Appolo tyres - Swarna ganga. Such brandings had however been limited to mega-capital issues only.
- f) Financial advertising uses a variety of media — with more emphasis on print media. Although TV has been used, it only arouses the initial interest and persuades the potential investors to look for facts in the print media.
- g) From the advertiser and user perspectives, trend towards cluttering of financial advertisers has been noticed. This becomes inescapable when several companies raise resources simultaneously, because the 'going is good.' This obstructs the full appreciation of facts by investors.
- h) Finally, since the financial advertising is 'contextual' rather than 'perpetual', and agencies have to search unflinchingly new advertisers and companies. There is no 'durable' relationship between the client and the advertiser. This affects involvement of agencies in financial products, unlike the involvement seen in consumer products where agencies and advertiser both work together to build a product. Finally, the business of financial advertising is more 'cyclical' or 'seasonal' than 'regular' for agencies dealing in financial advertising.

**Activity 8**

Write down two differences that you perceive in the advertising for shares and the any advertising any consumer product.

Answer : 1) .....

2) .....

Write down 5 cases of branding of financial products in India (example : Reliance : Khazana)

Brand 1 ..... (Company) .....

Brand 2 ..... (Company) .....

Brand 3 ..... (Company) .....

Brand 4 ..... (Company) .....

Brand 5 ..... (Company) .....

Brand 6 ..... (Company) .....

**12.8 CONCLUSIONS**

Beyond facts and figures, the question is : what is in store of future for Indian promotion? Although it may sound like a cliché, it is still true that growth, competition and creativity are likely to be the three leading stars on the horizon of Indian promotion and advertising. No sector will remain untouched by the all-engulfing arm of promotions, be it government, manufacturing units and social activists. The cluttering of ad will call for creativity to cut through and get noticed. Keen and severe competition will force a rationalization and realignment in advertisement agencies. Advertisements will be far more slick and budget will only rise for advertising. The question may then be asked will consumers too get a better deal only time can tell.

**12.9 SUMMARY**

Promotional scene in India is undergoing a turbulent high growth period, with most advertisers waking upto the need for advertising and promotions, to create a niche in the increasingly competitive market. Services have also joined taken the promotional route and unconventional products like financial products have also begin to advertise while this

growing outlay on promotional expenditures may bear testimony to a gradual shift from the Seller's market to a buyer's market. It has interesting implications interested groups like media and advertising agencies. This unit provides a scenario of the promotional expenditures, allocation of these expenditures mediawise and the agency billing. Industrywise and productwise expenditure trends have also been discussed. Finally, promotional development in the field of services and financial advertising have been discussed.

## 12.10 SELF-ASSESSMENT QUESTIONS

- 1) Review the media use in India from your perspective and bring out at least three highlights.
- 2) Why has there been so much variation in media use between industry categories and also, within each category itself? How does it affect the Indian consumers?
- 3) Does it help Indian ad agencies to have a foreign partner? If yes, in what way?
- 4) Describe example one each of good media use in respect of service and financial products. Justify your choice by explaining their special features.

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# UNIT 13 MARKETING COMMUNICATION PROCESS

## Objectives

After having gone through this unit, you will be able to:

- Explain the concept and role of marketing communication;
- Describe the marketing communication process;
- Discuss some sources of misunderstanding in communication process; and
- Comment upon the role of the various promotional elements in a marketing communication programme.

## Structure

- 13.1 Introduction
- 13.2 The Role of Marketing Communication
- 13.3 Concept of Marketing Communication
- 13.4 The Occurrence of Marketing Communication
- 13.5 The Sources of Misunderstanding in Communication
- 13.6 Elements of the Promotion Mix
- 13.7 Conclusion
- 13.8 Summary
- 13.9 Key Words
- 13.10 Project Question
- 13.11 Self-assessment Questions
- 13.12 Further Readings

## 13.1 INTRODUCTION

In earlier units, it has been made abundantly clear that only through integrated efforts, can a marketer hope to succeed with respect to his marketing offering whether in the form of product or service. Marketing Communication is a subset of these integrated marketing efforts that merits our attention.

However, marketing communication poses a special challenge to the marketing strategists for some unique reasons. Firstly, it is the most visible clue next to the product itself, of marketers' intentions and commitment to consumers. Secondly, it receives a relatively closer scrutiny from the policy-makers and other consumer-interest groups. Thirdly, there has been a significant change in viewing marketing communication. For a very long time, it had been seen as if promotions formed the only communication-bridge between a company and its buyers. This limited view of marketing communication is now being replaced with a more correct and wider proposition that marketing communication travels beyond promotion. In its linkage with buyers, it encompasses everything including product, packaging and distribution channels; and forms as a vital part of overall marketing efforts towards buyers and also the other sections of society.

In the following sections, therefore, our endeavour will be to develop the emerging orientation of marketing communication.

## 13.2 THE ROLE OF MARKETING COMMUNICATION

Table 1 provides a description of the role of marketing communication. For a deeper understanding it can be classified in dyads of marketer-buyer, marketer-market and non-profit and social organisations.

Table 1 : The Value of Marketing Communication

**Marketing Communication or Promotion**

- Establishes an image, such as prestige, discount or innovative, for the company and its goods and services
- Communicates features of goods and services
- Creates awareness for new goods and services
- Keeps existing goods and services popular
- Can reposition the image or uses of faltering goods and services
- Generates enthusiasm from channel members
- Explains where goods and services can be purchased
- Convinces consumers to trade up from one good or service to a more expensive one
- Alerts consumers to sales
- Justifies prices of goods and services
- Answers consumer questions
- Closes transactions
- Provides after sale services for consumers
- Places the company and its goods and services in a favourable light relative to competitors

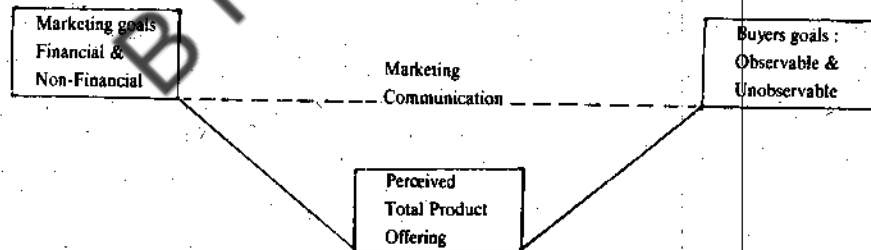
Source : J.R. Evans & B. Berman (1987) "Marketing" 3rd ed. Macmillan Publishing & Co. p. 409.

**Communication in Marketer-Buyer Dyad**

Marketing Communication has a variety of roles to play. To begin with, it brings the marketer and consumers closer to each other in their desire to achieve their respective goals. Thus, a marketing-company has such goals as profitability, corporate credibility and market leadership. Similarly, consumers too have such goals as better consumption, staying informed on new buying alternatives, and a desire for a better quality of life. Examining these goals together, one finds a degree of commonality—the need satisfaction through mutual efforts. Thus, a product offers the first common vehicle for satisfying these goal expectations of both marketer and consumers. Consumers buy the product because it is a bundle of need satisfying attributes. Marketers bring out the product because it is the only way they can achieve firm's goals.

The role of marketing communication then is to share the meaning of the firm's total product offering with its consumers in such a way as to help consumers attain their goals and at the same time move the firm closer to its own goals. Figure 1 illustrates this linkage.

Figure 1 : The Role of Marketing Communication



Besides goals compatibility, marketing communication seeks to :

- Inform;
- Remind; and
- Persuade the actual and potential buyers for the marketer's offerings.

Thus, most buyers do not object to the informational content of promotion because it serves to spread the word quickly about innovations. Imagine how much longer would it have taken buyers to become aware of the functional utility of pressure-cookers had it not been communicated by marketers. Similarly, most consumers would also welcome occasional reminders about products they are already familiar with. Thus, even if most buyers of 'Milkmaid' are familiar with its compatibility with creative food preparation, its buyers may still like to receive a reminder and even new recipe suggestions from it. The persuasive element of communication has, however, been a subject of much controversy and some justified criticisms too. Many believe that marketers manipulate consumers through clever marketing communication in making them buy those products and service which they may not need. Usually emotional appeals in communication are singled out for their cynicism. Thus, many would consider the recent media blitz of ONIDA-21 colour television and its appeal 'Neighbours Envy : Owners Pride' as a persuasive piece of marketing communication.

**Activity 1**

Identify *three* instances of television commercials which seek to *inform, remind* and *persuade* its buyers:

**Answer**

- **Information Category:** I consider ..... (name of the TV commercial) as informative communication because it seeks to .....
- **Reminder Category:** I consider ..... (name of the TV commercial) as reminder communication because it seeks to .....
- **Persuasive Category:** I consider ..... (name of the TV commercial) as persuasive communication because it seeks to .....

**Communication in Marketer-Market Dyad**

Not all marketing communication is directed towards ultimate buyers alone. Many are addressed to other manufacturers and institution, some to the intermediaries who engage in resale operations and some to opinion-leaders who are in a position to recommend the product. Each of them requires a different message. Thus, while a consumer may be impressed by the look of a particular brand of non-breakable synthetic cooking wares, dealers may need to know the margins available, its quality and attraction over the competing brands. The examples will include the regular publication newsletters to teachers from publishing houses for book purchase and recommendation. The advertisements inviting dealers/distributors for various product like TV, fridge etc. is another example of business to business communication.

**Communication in Non-profit/Social Organisation**

Finally, communication is vital to non-profit organisations and social institutions too. Thus, the Help Age India of Delhi, and the Times of India Foundation for Eye Bank would look forward to marketing communication with the same expectation as would probably the Proctor & Gamble and The Hindustan Lever. The anti-drugs campaign and the family planning & welfare message at the TV prime time are handy illustration of the value of marketing communication in Non-profit and social organisations.

**13.3 CONCEPT OF MARKETING COMMUNICATION**

Marketing communication can be conceptualized at both macro and micro levels. Broadly defining, "marketing communication is the continuing dialogue between buyers and sellers in a market place." Thus, to an average reader and observer of Indian marketing, everything that marketers do to attract buyers and help them satisfy their needs, is marketing communication. It should be noted here that although the definition is the macro view of communication, it emphasizes a dialogue and not a 'monologue' between sellers and buyers. The emergence of various consumer groups has been helpful in this respect. The opening of certain telephone lines by the major nationalized banks for listening customer grievances is a recognition of this facet of marketing communication.

Looking, however, from marketers perspective, the marketing communication is "the process of presenting an integrated set of stimuli to a target with the intent of evoking a desired set of responses within that target market and setting up channels to receive, interpret and act upon messages and identifying new communication opportunities."

The definition is quite relevant to an individual firm. It recognizes that the firm is both a sender and a receiver of market-related messages. As a sender it first approaches customers to buy its products/brands in a competitive environment. As a receiver, it seeks to attune itself to its target market in order to realign its messages; to adapt messages to its changing marketing conditions, and to spot new communication opportunities. The firm must be a sensitive receiver of market's needs if it is to survive and grow.

**Activity 2**

Suggest at least two ways in which Indian Airlines may receive messages from air travellers, and which will help it to review its services.

**Answer:**

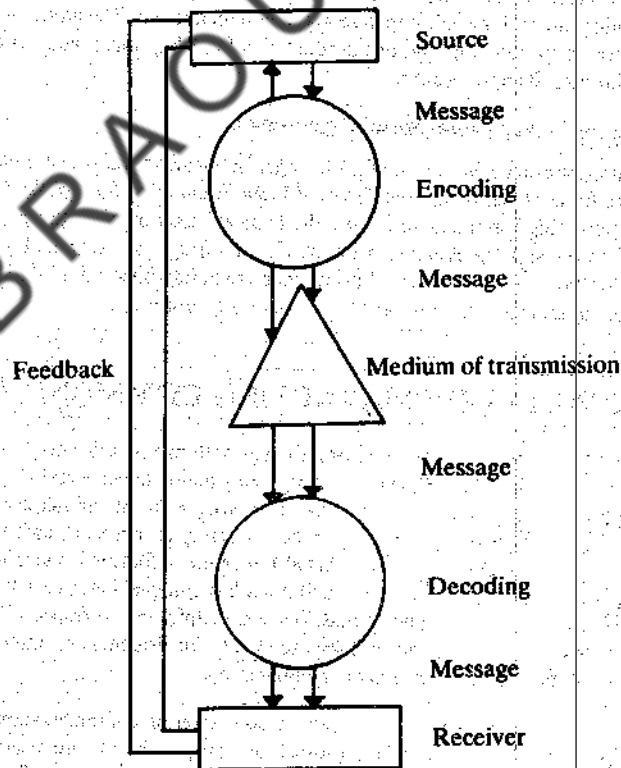
I will recommend the following two ways in which such communication may be received by the Indian Airlines : Method 1 : .....

Method 2 : .....

**13.4 THE OCCURRENCE OF MARKETING COMMUNICATION**

An examination of the available texts on marketing communication reveals that marketing communication, like all forms of communication, occurs as 'an orderly way of transmitting a message'. It is similar to the functioning of a telephone circuit. Figure 2 contains a simplified model of how communication occurs:

Figure 2 : Functioning of Communication



The basic elements of the communication flow as shown in Figure 2, are the 'source'—the originator of the 'message', the 'receiver'—the ultimate destination of the message and the 'medium of transmission'—the means by which the message moves from sender to receiver. These elements are joined together by a process which includes—'encoding'—the way message is put in an understandable format by the source and 'decoding'—the process of retranslating the message into understandable terms by the receiver. The feedback is an indication of understanding by the message receiver to the message-source. Figure 3 shows a more comprehensive picture of communication as it occurs.

**Activity 3**

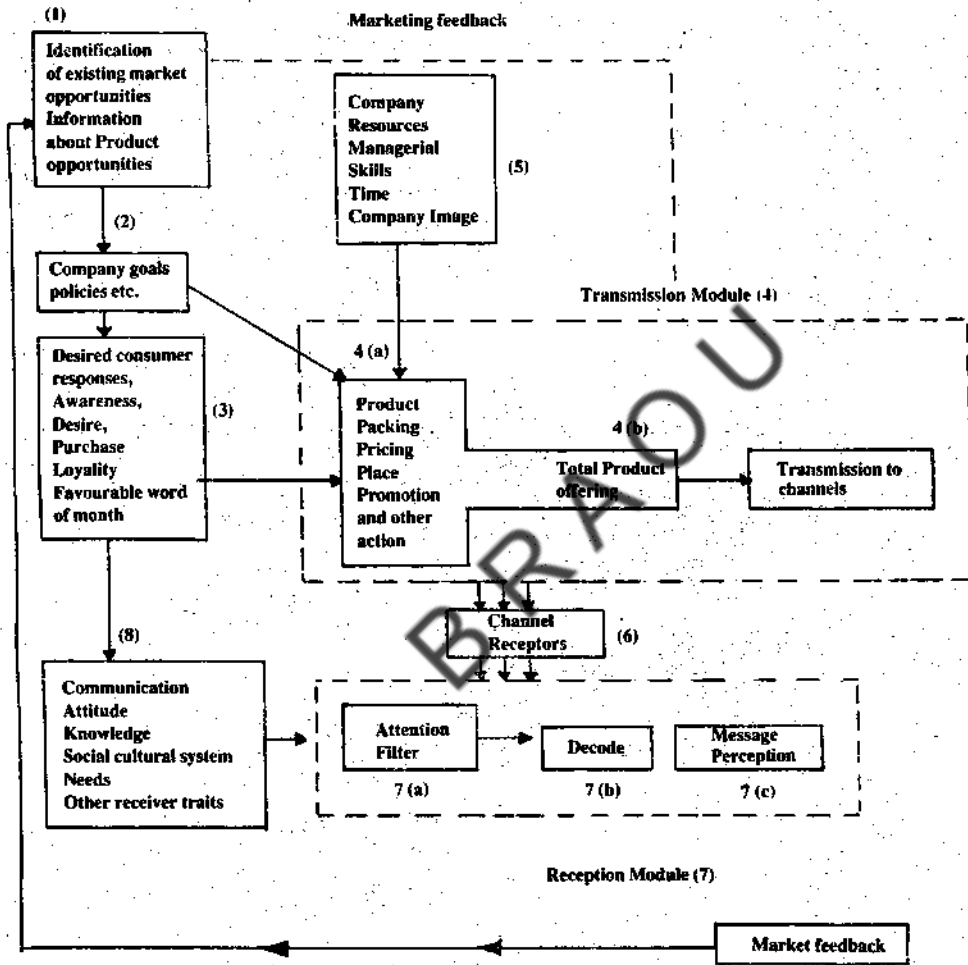
Engage a local store owner/sales person in a conversation with respect to your intention to buy something from him. Narrate in this context the communication as it occurred.

Answer : .....

.....

.....

**Figure 3 Marketing Communication Process**



Adapted from M.W. DeLozier—The Marketing Communication Process, McGraw Hill, 1976 p. 171

**Explanation of Figure 3**

The model of communication process, as represented by Figure 3, is:

- a description of the process. It does not intend to predict communication occurrence.
- based on both marketer dominated or environmental stimuli that trigger off the process of communication.

In the model, the first category of stimuli is represented by the existing opportunities and/or information about the opportunities (box 1). These stimuli activate the firm's response by way of designing appropriate goals policies strategies and tactics (box 2). The policies etc., then act as stimuli to accomplish desired consumer response beginning with creating an awareness through to obtaining a positive word of mouth (box 3). Simultaneously, these policies (box 2) create a transmission module (box 4). The transmission module starts off

with such marketer-dominated stimuli as product, pricing, distribution, packaging, promotion i.e., the total product offering (box 4a). The total offering is influenced by the resources that the firm has at its command (box 5). The total offering thus travels through varied and often complex channels. The channels could be an advertising agency, Radio, Television, Newspaper and magazines etc. These transmission channels can transmit the message in different forms i.e. through visual, aural and olfactory channels to consumers.

Box 7 represents the process in which the market receives messages. The filtering of message (box 7a) is dependent upon communication skills of message receivers (box 8). The box 7(c) indicates how messages have been perceived by target-receivers. This indication is given in the form of feedback, which travels back right through to the company's perception of existing and potential market opportunities and through to the transmission module (box 4) to turn the circle full.

It should be cautioned that the model may suffer from an over-simplification of the process. Further, there may be many hidden snags in proceeding from a stage to another. However, the model should be useful in understanding the process at a general level.

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### 13.5 THE SOURCES OF MISUNDERSTANDING IN COMMUNICATION

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As cautioned before in elaborating the model of communication process, there are several real and potential sources of misunderstanding that may thwart the process of marketing communication. These sources are listed below :

**Source Effect :** The source effect refers to the effect caused by reputation of the source of communication itself. The source effect can both impede the speed and accuracy of message reception (if the source was unfavourable reputation) and accelerate it if it is preceded by a good reputation. Thus, a company known for its poor quality products in the past, will have to work harder for gaining consumer reception for its subsequent efforts in producing quality goods and better services. While a manufacturer/marketer of good product or creative advertisement will receive quicker understanding of consumers for its subsequent product and advertisements.

**Multiple Transmitters :** In marketing communications, several channels are to be used for message transmission. Thus, a marketer of television may use dealers as well as advertising and point of purchase publicity to communicate about its brand. All these channels have their unique transmission characteristics. A dealer may use more body language; an advertisement a sleek and emotional word power; and POPs attractive colours. The interpretation of each is bound to be varied and may affect the communication.

**Decoding Errors :** Many misunderstandings arise because of the tendency in receivers for selective perception and interpretation. The classic example of this phenomenon is again the ONIDA television. The snag occurs more often when the message is unusual, shocking and substantially different from the current ones.

**Communication Noise :** 'Noise' represents an interference in marketing communication that is either deliberately or accidentally introduced and which blocks or distorts transmission. The noise could originate from the message itself (internal noise) either in the form of unknown words or any other stimuli. The communication could suffer from 'external noise' (TV commercials in a busy restaurant). The competitors could also introduce 'noise' by having similar messages or providing counter-arguments. Liril of HLL and Godrej's Lime are the recent example of communication noise.

**Inadequate Feedback :** The final misunderstanding in communication may arise due to poor feedback given to the sender. This may affect the quality of subsequent marketing communication. No wonder, therefore, many marketing communicators spend lakhs of rupees to establish and monitor their feedback system.

**Answer**

I did face communication misunderstanding in the .....  
(name of advt.) and I would attribute it to the following :

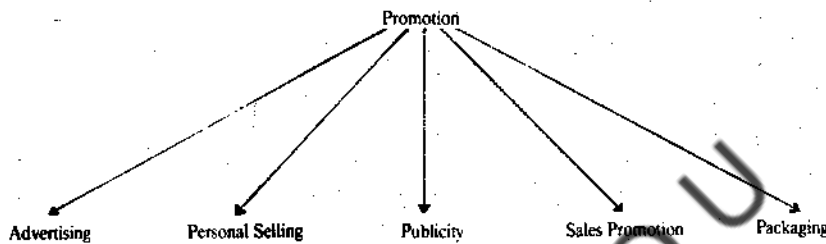
- a) Source Effect — Yes/No
- b) Multiple Transmitters — Yes/No
- c) Decoding Errors — Yes/No
- d) Noise — Yes/No
- e) Inadequate Feedback — Yes/No

It was because .....

### 13.6 ELEMENTS OF THE PROMOTION MIX

Marketing communication (promotion) comprises several elements. Figure 4 represents the configuration :

Figure 4 : Elements of the Promotion Mix



Given below is the description of each of these elements :

**Advertising :** The American Marketing Association defines advertising as: "any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor." The key words are 'non-personal' and 'paid by an identified sponsor'. Thus, in an advertisement, instead of communicating with customers face-to-face companies that advertise, ordinarily use a mass medium, television, newspapers, radio, hoardings etc. These messages, when they appear, identify clearly who has paid for them.

The cost of advertising may appear very high, when judged in absolute terms. However, it is one of the cheapest when calculated in terms of cost per unit in reach and 'frequency'. Besides being cost effective, advertising often attracts customers for its creativity. Many children and housewives in India are reported to have enjoyed more the TV Commercials preceding the programmes than the programmes themselves.

The ultimate benefit of advertising lies in the fact that it allows perfect reproduction of the desired message and thus, enjoys the maximum degree of control over the message.

**Publicity :** Publicity is formally defined as 'any form of non-paid commercially significant news or editorial comment about ideas, products and institutions' (James F. Engel, Hugh G. Wales : and Martin R. Warshaw : Promotional Strategy, Homewood R.D. Irwin, 1971 p. 3).

Table 2 summarise the differences between advertising and publicity.

Table 2 : Advertising Vs Publicity

Sl. No.	Advertising	Publicity
1.	Paid form	Non-Paid form
2.	Product related message	Public welfare related message
3.	Less credible	More credible
4.	More subjective	More objective
5.	Maximum control over the message	Little control over the message

The objective of publicity are much the same as that of advertising and communication. In general, it increases consumer awareness of a company, its product, particularly new & innovative products—and marketing practices. A company can also plan publicity to derive its advantages.

**Activity 5**

Choose a product/service and search for two marketing communications—one each in the category of advertisement and publicity. Compare the two and write down their characteristics.

**Answer**

- a) Product category chosen .....
- b) Advertisement Medium chosen .....
- c) Publicity Medium chosen .....
- d) Characteristics of :

**(I) Advertisement**

**(II) Publicity**

.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

**Personal Selling :** Unlike advertising, personal selling involves a one-to-one relationship with a customer. It is 'the oral presentation of a tangible and intangible product by a seller to a prospect for the purpose of completing an exchange'.

The apparent benefit of personal selling is that it allows salespersons to judge the reaction of customers to their sales presentations and thus, gives an opportunity to vary the message for better understanding. It is, however, expensive as compared to advertising and other means of marketing communication. It is generally believed that it is not particularly suited to the mass-distributed consumer products.

**Sales Promotion :** Sales promotion includes a wide variety of tools and, thus, has been defined in several different ways. Perhaps, one of the better definition of sales promotion is: "a direct inducement which offers an extra value and incentive for the product to the salesforce, distributors, or the ultimate consumers" (J.F. Luich & W.L. Ziegler 'Sales Promotion' and Modern Merchandising, NY McGraw Hill, 1968, p.4).

Sales promotion methods are useful means of stimulating a quick and immediate response from consumers. Coupons, music cassettes, free products and free demonstrations and just a few examples of many forms that sales promotion may take.

**Packaging :** Packaging has become increasingly important as a promotional tool. Especially in consumer products, marketers have discovered the value of packaging as a fascinating communication in India, with the introduction of new packaging technology. The markets are almost revolutionalized. The polypackaging is one illustration of this trend. Marketers have gone to the extent of designing their communication message around new and innovative packaging (Dalda Refined Oil; Cosmetic and Sanitary products; Pan Masala etc). The value of packaging lies not merely in protecting the product but in retaining and promoting the product. Service industry too has begun to use packaging as a promotion.

**Activity 6**

Identify one instance of packaging as a dominant element of marketing communication. Describe its communication process.

**Answer**

I will choose .....

.....

.....

## 13.7 CONCLUSION

To sum up, marketing communication is an integral part of a marketing strategy and often, forms a very significant linkage between the firm and the market. This also constitutes as the most visible commitment of the firm to its purpose i.e., satisfying the needs of actual and potential customers.

## 13.8 SUMMARY

The unit focuses on marketing communication as an integral part of marketing strategy. Marketing communication is a continuing dialogue between marketers and buyers with a view to inform, remind and persuade the latter to buy the product. Further, it has been suggested that marketing communications are not restricted to products alone. They address to the market as a whole and equally to non-profit making organizations. An integrated model of marketing communication is presented, which is followed by the sources likely to cause misunderstanding. The unit concludes with a brief description of advertising, publicity, sales promotions, personal selling and packaging as the major elements of marketing communication.

## 13.9 KEY WORDS

**Marketer-Buyer Dyad** : The exchange relationships between the firm and its buyers interact.

**Marketer-Market Dyad** : The exchange relationships between the firm and its competing firms, other institutions, middlemen etc.

**Marketing Communication** : A continuing dialogue between the firm and its target audience in a market.

**Advertisement** : A non-personal way of promoting a product which is paid for by an identified sponsor.

**Publicity** : A way of informing about any marketing plan/practice of a company by mass media which is not sponsored.

**Personal Selling** : The face-to-face presentation by a company's sales force about its product etc.

**Packaging** : The form in which product is sold/bought in the market.

**Sales Promotion** : The incentives to encourage quick adoption of a product.

**Coding (or Decoding)** : The process in which messages are formatted (or retranslated) in understandable terms.

## 13.10 PROJECT QUESTIONS

- ABC is a leading bank of America, and has been recently allowed to operate in the four metropolitan cities of India. The Reserve Bank of India has permitted the bank to promote itself at par with the other national banks. Assume that your job is to design the marketing communication programme announcing the opening of the Bank and operations of its activities. Present an appropriate plan for the same. You may make necessary assumptions and state them clearly.
- Based on Q.No. 1, draft letter(s) that the chief executive (operations) of the ABC Bank would write to his potential customers.

## 13.11 SELF-ASSESSMENT QUESTIONS

- 1) How does promotion differ from marketing communication? Why is it advisable to view marketing communication beyond buyers alone?

- 2) Discuss the ways in which promotional mix for a refrigerator would differ from the promotional mix of a toothpaste.
- 3) Evaluate the marketing communications model shown in Figure 9.3. Describe its utility to marketers.
- 4) What audience attributes should be considered in using a channel of communication? How far psychographics will be superior to demographics in the process?

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### **13.12 FURTHER READINGS**

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J.F. Engel, Martin R. Warshaw and Thomas C. Kinnear (1987). *Promotional Strategy. Managing the Marketing Communication Process*, (6th ed) Irwon Homewood.

M.W. DeLozier (1976). *The Marketing Communication Process*, McGraw Hill Book Company.

Sidney J. Lewvy (1971). *The Promotional Behaviour*, Glenview III, Scott Foresma.

Kurt H. Schaffir and H. George Trention (1973) : *Marketing Information System*, NY Amacons.

J.R. Evans and B. Berman (1987). *Marketing*. 3rd edition. Macmillan Publishing Co.

BRAOU

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# UNIT 14 PLANNING, MANAGING AND EVALUATING PROMOTIONAL STRATEGY

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## Objectives

A careful study of the unit should enable you to :

- defend the concept of promotional strategy;
- explain the planning process of promotional strategy;
- help manage promotional strategy and allocate desired funds to the process;
- evaluate the results of the promotional strategy; and
- draw lessons for applying the same to your organisation.

## Structure

- 14.1 Introduction
- 14.2 The Concept of Promotional Strategy and Tactics
- 14.3 A Planning Framework of Promotional Strategy
- 14.4 Decision Sequence Analysis for Promotional Planning
- 14.5 Summary
- 14.6 Self-assessment Questions
- 14.7 Further Readings

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## 14.1 INTRODUCTION

---

This unit picks up the thread of discussion from the Unit 9 concerning the framework of marketing communication process. It has been observed in practice that firms have to manage more complex communication process than the literature might suggest. A wide range of communication tools and procedures are available to a firm to communicate with its target markets. It is therefore, imperative that they are well coordinated. Else, the communication process may not work to the fullest advantage of the firm. In fact, the financial and non-financial resources sunk in any marketing communication programme are just too heavy to afford any misjudgement in promotional planning. The need of giving a strategic orientation to the promotional efforts can hardly be over-emphasized.

A managerial perspective or a decision-making approach to promotion efforts is the central concern of this unit. It seeks to cover the entire gamut of designing, managing and evaluating appropriate promotion strategies for a marketing firm.

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## 14.2 THE CONCEPT OF PROMOTIONAL STRATEGY AND TACTICS

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The strategic orientation to promotional activities is a sine-qua-non to a firm with a desire to survive and profit in a highly competitive marketing environment. The orientation provides it with an orderly plan for putting marketing resources and for exploiting market opportunities. It is a design that guides promotional activities for a long period.

Though the term strategy has been treated to numerous definitions and conceptualizations, we would fall back on such definitions as are simple to understand and easy to operationalize in the context of promotional efforts. Given below are the two definitions of strategy:

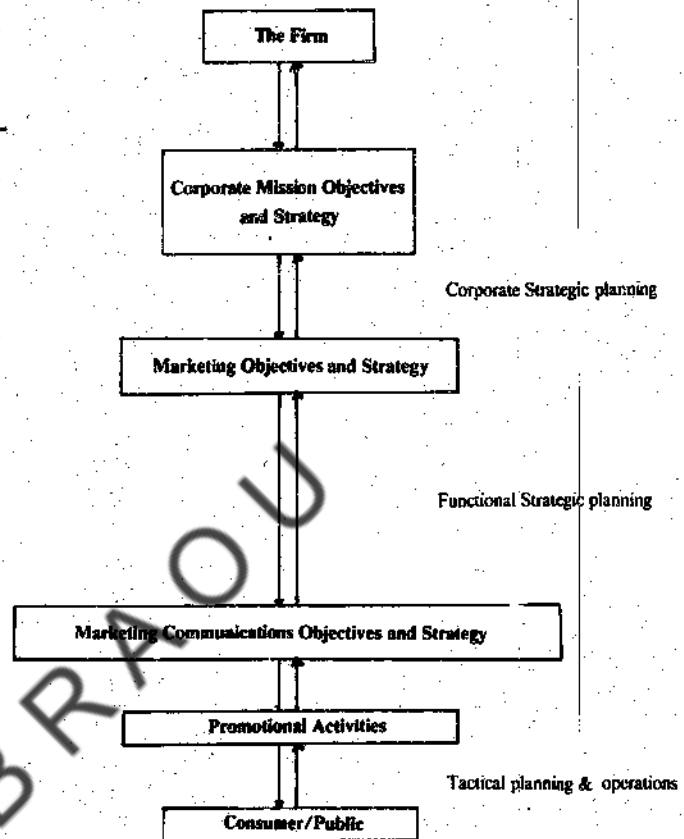
- "The art of distributing and applying business means to fulfil the end of policy" (Source : R.H. Liddle Hart, *Strategy* : 2nd ed, NY, F.A. Praeger, Inc 1967, p. 335).
- "The art and science of adapting and coordinating resources to the attainment of an objective" (Source : D.T. Kollat, R.D. Blackwell and James F Robeson : "Strategic Marketing" NY, Holt Rineheart and Winston Inc. 1972, p. 14).

From examining these descriptions of strategy, it is clear that strategy is the way of achieving the 'ends' or 'objectives' of a firm often termed as the corporate mission. It is a

long term vision of what the business is or is striving to be. It reflects on the firm's 'self' and 'self-ideal' image. When translated in the context of promotion efforts it will denote a long range view of what promotion will be and what it should be.

It may be appropriate here to recall the proposition built in Unit 14 that marketing communication and promotional objectives stem out of the corporate objectives and marketing objectives. Figure 1 examines this relationship quite elegantly :

Figure 1 : Linkages Between Promotional, Marketing and Corporate Strategy



**Activity 1**

Examine closely Figure 1 and state what could be the most appropriate corporate mission marketing objective(s) and promotional objectives for a company engaged in manufacturing and marketing solar heaters in India.

**Answer**

- It's (a) corporate mission should be .....
- .....
- .....
- b) marketing objectives should be .....
- .....
- .....
- c) promotion objectives should be .....
- .....
- .....

In many leading texts on promotional strategy, the term, 'tactics' is also used. Tactics are the ways for strategy application and involve a 'deployment of resources with a view to implement strategy objective'. This will be amply clear by an illustration of two marketing firms—called A and B. Supposing that firm A has formulated a strategy of offering continuously new products in the market. Since new products take time in customer

acceptance, marketing tactics for the firm would be to issue generous discount coupons to encourage first trial and repeat purchase rates.

Similarly, if company 'B' has wished to introduce up-market products, it will have to use, inter-alia, tactics of attractive packaging and promotion of high-grade dealers.

**Activity 2**

Identify an example each of promotional strategy and promotional tactics for the family planning and welfare in India.

**Answer**

Promotional strategy for family planning and welfare would be .....

.....

.....

While promotion tactics would include .....

.....

.....

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### 14.3 A PLANNING FRAMEWORK OF PROMOTIONAL STRATEGY

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After a company has gained understanding of what a promotional strategy is and its differentiation with promotion tactics, it turns its attention to evolving a planning framework of promotional strategy. Figure 2 provides an approach for planning promotional for a typical marketing firm. The approach comprises (a) situation analysis (b) setting up of objectives (c) allocation of funds (d) programming the elements of promotion (e) coordination and integration (f) measurement of effectiveness (g) evaluation and follow up. A brief explanation of each is given below :

Figure 2 : Stages in Promotional Planning and Strategy

- 1) **Situation Analysis**
  - A) **Demand**
    - Culture
    - Attitudes
    - Individual Differences
    - Decision Process
  - B) **Definition and Identification of Target Markets**
    - Segmentation
    - Positioning
  - C) **Competition**
  - D) **Legal Consideration**
  - E) **Internal Organizational Considerations**
    - Personnel
    - Monetary
    - Established policies and procedures
    - Operational distinctives
- 2) **Establishment of Objectives**
  - A) **Relationship to Market Target**
  - B) **Communication Message Objectives**
  - C) **Sales Objectives**
- 3) **Determination of Funds Appropriation**
- 4) **Specification and Management of Programme Elements**
  - A) **Advertising**
    - Analysis of Media Resources
    - Selection of Advertising Media
    - Message Determination

- B) Personal Selling
  - Analysis of Resources
  - Selection of Motivation, deployment, compensation and evaluation
- C) Stimulation of Re-seller Support
  - Analysis of Re-seller Resources
  - Stimulation of Performance
  - Improvement and Augmentation of performance
- D) Sales Promotion
- E) Supplemental Communication (Public) Relations
  - An Assessment of Relevant Publics
  - Determination of Media and Messages
- 5) **Coordination and Integration of Efforts**
  - A) Achievement of Proper Balance between Programme Elements
  - B) Scheduling of Execution
  - C) Utilization of Personnel and Outside Services
  - D) Evaluation and Follow up
- 6) **Measurement of Effectiveness**
- 7) **Evaluation and Follow up**

Source : Adapted from J.F. Engel, M.R. Warshaw and T.C. Kinnear: "Promotional Strategy" R.D. Irwin, 1987, p. 25.

### Activity 3

Examine closely the Figure 2 and comment about its relevance, utility or possible adaptation to a small organization selling plastic/poly containers.

Answer .....

### Situation Analysis

The Promotion Planning begins, as it must, along with an analysis of promotion environment. The analysis extends to both external and internal environment. Among the major external environment variables, attention is focused on market demand, market competition and legal constraints on promotional activities.

As for internal environment, the focus will be on how the employees and publics within an organisation consider its capability, goodwill and resources for carrying out its marketing and promotional assignments.

### Establishment of Promotional Objectives

Objectives are expressions of where a firm would like to be in the future. As stated before, the promotional objectives are derivative of corporate mission and situation analysis. Table 14.1 details what could be possible objectives of promotion. Although the promotion objectives are normally for the direct utility of marketing managers only, it is advisable to have a macro view of these objectives so as to have a larger picture.

Table 1 : A Statement of Some Possible Promotional Objectives

- 1) Desired conditions to achieve in the consumer's mind
  - A) Clarify needs
    - 1) Make the consumer conscious of the difference between the objectives and the present position.
    - 2) Clarify the nature of this difference in his mind.
    - 3) Increase the magnitude of the differences in his mind.
    - 4) Provide some urgency about eliminating the difference.
    - 5) Make him feel more certain that a difference does exist now or in the future.
  - B) Increase Brand Awareness
    - 1) Increase the breadth of awareness.
    - 2) Increase the intensity of awareness.
    - 3) Improve the timing of initial awareness in relation to purchase.
    - 4) Increase the duration of awareness.
    - 5) Improve the quality of the prospects made aware.
    - 6) Improve the closeness of association between the need felt and this brand as a solution to it.

- C) Increase Product Knowledge
    - 1) Increase the consumers total knowledge about the brand.
    - 2) Increase the ratio of favourable knowledge to unfavourable knowledge about this brand.
    - 3) Improve the accessibility of this knowledge in the consumer mind.
    - 4) Improve the accuracy of knowledge about the product in the consumers mind (eliminate unfavourable myths.)
    - 5) Improve the appropriateness of consumer knowledge especially on unique points of product differentiation and hidden qualities.
    - 6) Improve the credibility of consumer knowledge.
  - D) Improve the Company Image
    - 1) Progressiveness
    - 2) Honesty
    - 3) Reliability
    - 4) Competence
    - 5) Friendliness
  - E) Improve the Brand Image
    - 1) Improve consumer attitudes towards the product attributes (design capacity, expense, quality etc.) of the brand.
    - 2) Improve customer attitudes towards the personality attributes (age, status, gender etc.) of the brand.
  - F) Increase Brand Preference
    - 1) Increase the breadth of preference (the number of consumers that prefer the brand).
    - 2) Increase the intensity of preference (the strength of preference).
    - 3) Extend the time period of preference.
- II) Desired Conditions to achieve in the Consumer's Behaviour
- A) Stimulate Search Behaviour
    - 1) Increase store traffic
    - 2) Increase enquiries
    - 3) Increase other forms of product enquiries
  - B) Increase Brand Trial Purchase
    - 1) Increase the number of triers
    - 2) Increase the quality of triers (i.e. triers with the greatest possibility of re-purchase).
  - C) Increase Re-purchases
    - 1) Increase the frequency of purchase
    - 2) Increase the volume of re-purchase (decrease cognitive dissonance)
    - 3) Extend the period of time over which re-purchase continue to be made.
  - D) Increase Voluntary Promotion by consumers of the brand
    - 1) Increase the quality and the amount of word of mouth communications among consumers
    - 2) Increase favourable consumer feedback to dealers.
- III) Desired Conditions to achieve for Corporate Position
- A) Improve the financial position
    - 1) Increase the sales volume per year
    - 2) Reduce the cost of sales per year
    - 3) Increase the profits per year and/or Return on Investment
    - 4) Extend the period of profit flow
    - 5) Increase the certainty of profit flow
  - B) Increase the flexibility of the corporate image to facilitate future growth and/or diversification
  - C) Increase cooperation from the trade
    - 1) Stimulate the enthusiasm of company sales representative
    - 2) Increase the self space at retail outlets
    - 3) Increase the completeness of inventory
  - D) Enhance the company's reputation in the financial community

- E) Enhance the company's reputation among present and potential employees
- F) Increase the influence of public opinion concerning political issues related to corporate welfare
- G) Build up Management Ego.

Source : M.W. DeLozier (1976) : "The Marketing Communication Process", McGraw Hill Book Company, p 279-80.

**Activity 4**

Examine closely Table 14.1 and select the promotional objectives relevant to (a) the Post and Telegraph Department (b) Railways.

**Answer**

- a) .....
- .....
- b) .....
- .....

**Role Assignment to Promotional Elements**

In a promotional strategy, marketers endeavour to arrive at the best possible mix of promotional elements. These elements are advertising, resellers support (wholesalers and retailers) personal selling, sales promotion etc. Figure 14.3 explains linkages between various promotion elements and the hierarchy of effects :

Figure 3 : "Promotion and the Hierarchy of Effect Model"

HIERARCHY OF EFFECTS	GENERAL BEHAVIOURAL OBJECTIVES OF PROMOTION	SPECIFIC BEHAVIOUR OBJECTIVE OF PROMOTION	SELECTED PROMOTIONAL MIX RELEVANT TO EACH
Awareness	Provide Information	Obtain consumer recognition, gain consumer knowledge of product attitudes	Advertising, publicity pre, POPs and window display
Knowledge			
Liking	Developing Positive attitude and feelings	Obtain favourable attitudes, gain preference for company's brand over those of competitors	Combination of Media Advt. (Arguments, Image and status appeal) Sales force, demonstration publicity, word of mouth
Preference			
Conviction	Stimulate and retain desires	Sustain strong consumer preference; gain purchase of goods and service; maintain continued purchase	Point of purchase, displays, Advt., Deals special offers price appeal celebrity Endorsement, Direct Mail; Sales Force, Word of Mouth.
Purchase			

Source : R. Havide & G.A. Steiner : A Model to Predictive Measurement Advertisement Effectiveness Journal of Marketing, Vol. 25 October 1961, P. 61.

**Co-ordination and Integration of Promotional Efforts**

Past research has brought out what separates a successful strategy from a non-successful one. The major factor is effective coordination and integration of various efforts. The same is true for promotional strategy.

A promotion co-ordinator thus, has to ensure that unless otherwise required, advertising should not over-shadow personal selling for a given product or vice-versa. Similarly, a careful decision has to be taken for involving outsiders like advertisement agency, market research and media buying services in your promotional efforts. A proper balance is to be arrived at between management and outside experts thinking.

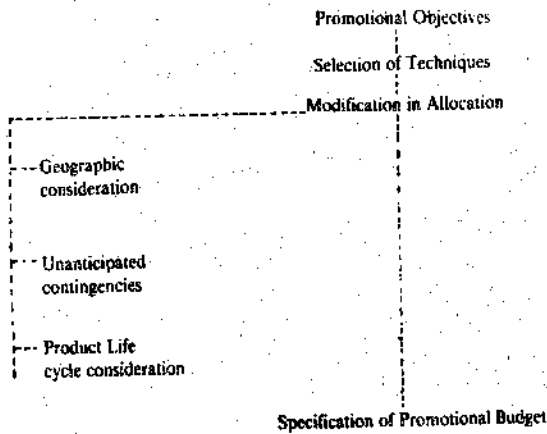
**A Budgeting Framework for Promotional Strategy**

In approaching to initiate budgeting for promotional strategy, the decision makers are confronted with question : How much should be spent? Unfortunately, answers are difficult to come by. Moreover they vary substantially.

This section intends specifically to deal with the issue and to present several techniques for determining promotional budgets or funds allocation. It should, however, be cautioned here that these methods aim to reduce the subjective bias in allocation decision. They can never eliminate it entirely.

The framework for funds allocation in promotion begins with the objectives. Figure 14.4 provides a graphic illustration of the same :

Figure 4 : A Framework of Funds Allocation to Promotion .



#### a) Techniques of Determining promotional Budgets

Traditionally, many of techniques are available to help decision makers in allocating funds to promotional activities. Table 2 summarises each of them.

Table 2 : A Description of Promotional Budgeting Techniques

Techniques	Illustration
1) Arbitrary	If the current year's promotion budget is Rs. 1,20,000 and the next year is expected to be a good year, the decision is taken to increase funds allocation by 10 to 15%. Thus, the allocation will stand between Rs. 1,40,000-1,50,000 for the next year.
2) Percentage of sales	If the present promotion funds percentage is 10%, for every sale worth Rs. 100, Rs. 10 is spent on promotion. Thus, if next year's sales are forecast to be Rs. 1 crore, the promotional budget will be fixed at Rs. 10 lakhs.
3) Competitive parity	If the current year's promotion budget is Rs. 1,20,000 and the closest competitor is expected to increase its promotion budget by 4%, the firm too follows this strategy and establishes the budget allocation at Rs. 1,24,800 next year.
4) All you can afford	If a firm has a total marketing budget of Rs. 10 lakhs, out of which Rs. 5,00,000 are allocated for distribution, Rs. 4,00,000 for product testing, and Rs. 30,000 for consumer surveys, then remaining Rs. 1,20,000 is left for advertising, personal selling, and sales promotions.
5) Objective and task	If the firm has three goals for next year : (i) increase sales of brand A by 5%, (ii) introduce brand B and attain recognition by 15% of the target market, (iii) and improve positive rating of the company from 60 to 75%, the promotional tasks and tools needed to achieve these goals will be allocated separately.

It is clear that all the techniques have their own merits and demerits and may not be recommended to every company universally. Similarly, even a company may change over from one technique to another in a given period, for allocating promotional funds.

On the whole, the 'Objective and Task' method of funds allocation seems to be the most rational and equitable. It is based on a built-up approach that aggregates that cost of performing those tasks that are needed to reach stated objectives. Then only it determines the total promotional appropriation. The research studies also have verified its greater popularity and use among all the techniques mentioned thus far.

#### b) Modification in Promotional Budgets

Even if a suitable technique has been identified, it may become necessary for a firm to further fine tune it for fund allocation. There could be three reasons for the modification. Different geographic conditions are the first to force a change in funds allocation. Thus,

Bombay may account for the largest promotional budgets even though the allocation for Western region may not be high for promoting the products. The second reason for change emanates from the different stages of product life cycle (PLC). It is, thus, logical to spend more during the launch phase of product than the growth stage of product when it has stabilized. Finally, unanticipated contingencies may call for a modification in promotional budget. For instance, the promotional funds were increased by Reliance in 1989, to assure its investors about the working of its 'Patalganga' plant complex when unusual heavy floods in Bombay badly hit the plant.

**Activity 5**

- I) Recommend a funds allocation technique for promotional purposes to :
- a) a political party for its advertisement for the general elections;
  - b) a new company with a totally new product; and
  - c) an established company with a new product.
- II) Explain why you have chosen the technique?

Answer

- a) .....
- .....
- .....
- b) .....
- .....
- .....
- c) .....
- .....
- .....

**Measurement of Effectiveness**

The promotional strategy, being so costly and resource-consuming, has to show tangible results. In other words, effectiveness measurement is a must. Doing it, however, is a different proposition than recommending it because both 'measurement' and 'effectiveness' have been subjected to a variety of interpretations. It has become virtually impossible to satisfy all effectiveness criteria. In Unit 18 of Block 4 an attempt has been made to identify relevant methods, techniques and their working for measuring effectiveness of promotional efforts.

**Evaluation and Follow up**

At this stage, marketers have to evaluate implementation and efforts of the promotional strategy; identify the gaps between its objectives and results; and plan action for its follow up. This way, chances of making the same mistakes again and yet all over again, are reduced considerably. It also ensures that lessons are learnt from deficiencies. Finally, notwithstanding the presence of subjective perceptions in evaluation, accountability needs to be fixed for doing both right and wrong things in the promotion strategy. For this reason alone, the evaluation and follow up of promotional strategy is inescapable.

**Activity 6**

Review the promotional planning as described in Section 14.3, and comment whether it will be appropriate for promotion of:

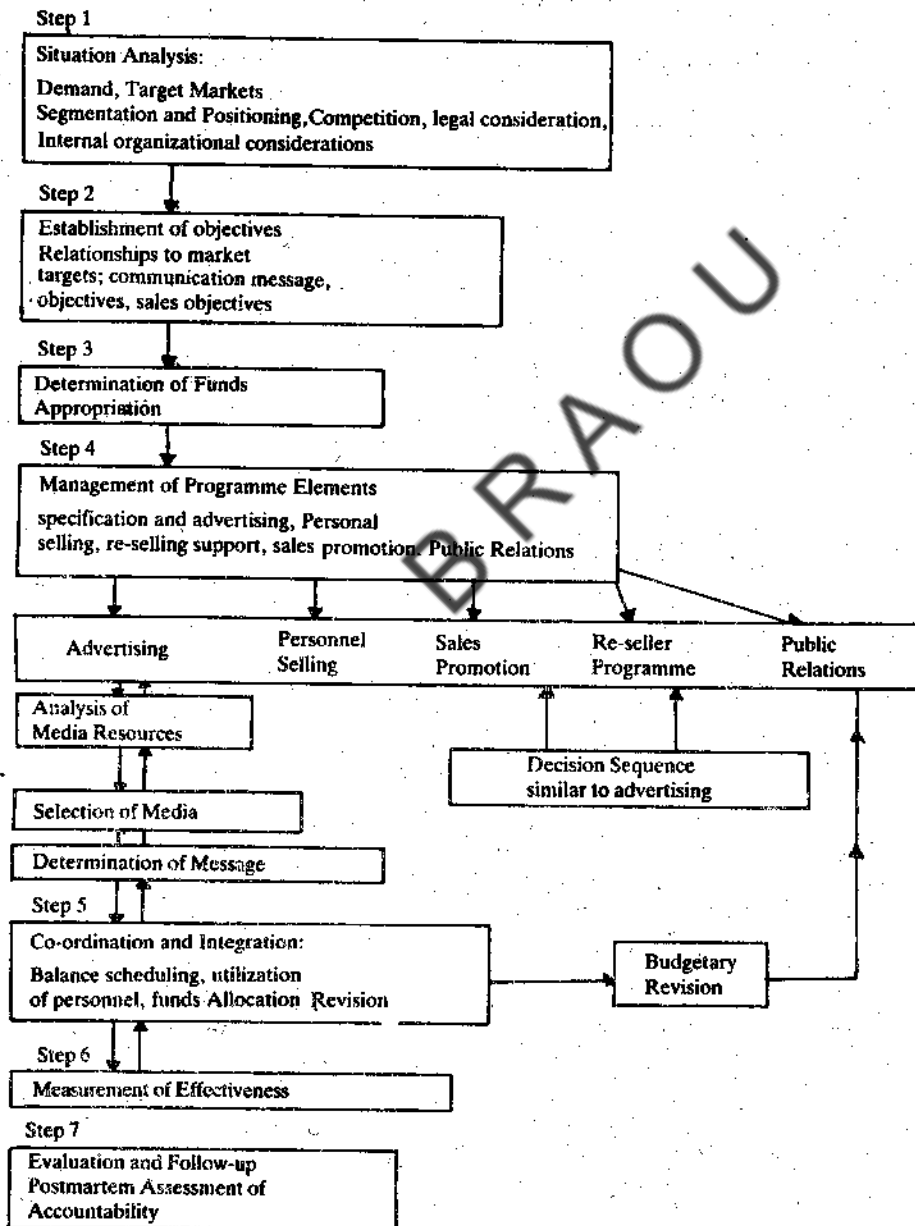
	Very much	Much	Not much	Can't say
a) Industrial Product Company				
b) Consumer Product Company				
c) Service Product				
d) Non-Profit Organization				
e) Government Agencies				
f) Individuals				
g) Ideas				

## 14.4 DECISION SEQUENCE ANALYSIS FOR PROMOTIONAL PLANNING

Figure 5 illustrates a decision sequence analysis for promotional strategy. It provides an illustration of the stages in the promotional planning framework discussed in the previous section. It should be noted that the decision sequence analysis is :

- based on an 'adaptive' process. It, thus, includes systematic procedures for gathering information and bringing about modification when needed in the promotional planning.
- based on the proposition that the promotional planning is a continual and on-going process. Evaluation, feedback and follow up are the integral parts of the process that provide it with vitality and relevance in the changing needs of promotion.

Figure 5 : Decision Sequence Analysis of Promotional Strategy



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## 14.5 SUMMARY

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The unit sheds light on the hidden aspects of promotional strategy. It first differentiates between strategy and tactics orientation.

The unit follows with a detailed framework of promotional strategy. Setting up of objectives of promotion are evaluated with a closer eye, because they will later become the destination points for promotional activities. A procedure of setting budget is discussed and several different techniques for the same are explained.

The unit finally develops a managerial framework for evaluating and controlling the promotional efforts.

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## 14.6 SELF-ASSESSMENT QUESTIONS

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- 1) What do you understand by the decision-making framework of promotional strategy? What are its components and stages?
- 2) Define Promotional Strategy. What Objectives should a firm set for promoting its products targetted at children?
- 3) Assume that you are a director of promotion of a newly created mutual-fund subsidiary of a bank. Develop an appropriate promotional strategy for the same.
- 4) Identify two major methods of setting promotional budget for a non-profit/social organization.
- 5) Evaluate the Decision Sequence Analysis for promotional strategy a firm going 'public' after 6-7 years of profitable working.
- 6) A large multi product company—leading in the private sector, has recently entered in the ball-bearings market. It has requested you to prepare a promotional strategy for the introduction phase. Advise.
- 7) A South-based public sector company is engaged in manufacturing and marketing a wide range of Steel utensils for domestic use. It now wants to tap the quality conscious market in North and Western India. It believes that promotion is the key to its growth. Suggest the most appropriate approach to promotion efforts, the ways to set the promotional budget and the methodology to measure its effectiveness.

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## 14.7 FURTHER READINGS

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W.H. Bolen (1981) : *'Advertising'* J. Wiley & Sons.

W.M. Weilbacker (1984) : *'Advertising'* McMillan Publishing.

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# UNIT 15 MANAGING SALES PROMOTION

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## Objectives

After going through this unit you should be able to:

- explain the important consideration in the organisation and management of consumer trade and salesforce promotions
- discuss the importance of measuring the performance of sales promotion
- describe how to manage sales promotion schemes to efficiently accomplish the goals set.

## Structure

- 15.1 Introduction
- 15.2 Managing Consumer Promotions
- 15.3 Managing Trade Promotions
- 15.4 Managing Salesforce Promotions
- 15.5 Managing Sales Promotion in Service Marketing
- 15.6 Measuring the Performance of Sales Promotion
- 15.7 Summary
- 15.8 Self-assessment Questions
- 15.9 Further Readings

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## 15.1 INTRODUCTION

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This unit is a build up on Unit 17 on "Personal Selling and Sales Promotion" of Block 5 forming part of MS-6 Marketing for Managers. While Section 17.5 on "Sales Promotion" discussed aspects such as meaning, role, objectives and methods of sales promotion as well as highlighted the need for systematic management of this function the latter forms the subject matter of this unit.

You would recall that sales promotion schemes are aimed at three target audiences namely consumers, trade (distributors, retailers, etc.) and the salesforce. The issues relating to effective planning and control of sales promotion targetted at each of the three audiences are explained below :

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## 15.2 MANAGING CONSUMER PROMOTIONS

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Consumer promotions are those incentive schemes which aim at encouraging the product/service usage at the consumer level. You might recall that some of such schemes are over-the-counter give aways, price-offs, quantity-offs, sampling, in-package premium, banded premiums, container premiums, self-liquidating premiums, coupons, personality premiums, refund offers, trading stamps, contests and lucky draws.

Besides choosing an innovative and creative scheme which is compatible with the sales promotion goals set, it may be noted that the success of the scheme rests equally on how well these are organised and implemented.

For effective management of consumer promotion, the following checkpoints merit consideration by the sales promotion managers. These checkpoints, separately for consumer schemes and consumer contests, are as under:

### Organising Consumer Schemes

#### a) Objectives

Simply speaking, all consumer promotions must persuade consumers to consume more. Under this overall objective consumer schemes can be organised to help attain the following specific objectives :

- to stabilise the fluctuating sales pattern
- to make the slow moving products to move faster
- to overcome seasonal slumps
- to clear inventory of old product while making room for a new product
- to effect sales of a specific pack size or in a specific market(s)

- to counter a competitive move
- to build goodwill by sharing festivity spirit
- to improve product visibility at point of sale
- to motivate trade to take more interest in the product
- to assist in the launch of a new product

**b) Scheme Selection**

Innovative and not-easily imitable scheme which is suitable to accomplish the objective set should guide the scheme selection. For example, while price-off scheme works well for an objective of inventory clearance at the retail level, to promote sales of a specific pack, schemes such as in-pack or banded-premiums have shown encouraging results.

It may also be noted that a consumer scheme which clicks well for one product need not succeed for the other. Also, what succeeds in one market or the one that succeeded in the past may not necessarily do so on its repetition elsewhere or latter. Some more points that need emphasis are given as under :

- Ensure that the consumer promotion reaches the consumer given the not-so-scrupulous image of the traders in India and the pilferages in transportation.
- Ensure the ready availability of the premiums at retail points during the entire duration of the scheme for which proper forecasting and reliable sourcing are critical consideration. Often sponsors run into problems of non-availability of premiums and also the varying quality of the premium item given makes a reflection on the quality of the brand under promotion.

**c) Scheme Execution**

Given the varying tax structure across our states the selection of the target market area for the scheme, consumer scheme should include in it the neighbouring satellite markets in order to minimise leakage.

In cases where sponsors make use of coupons personality premium schemes, and refund/rebate offers, there is a need to fix responsibility on a specific personnel at the field/regional office to enable quick processing and minimising delays and doubts in the mind of the consumer.

**d) Promoting the Promotion**

A well rehearsed and integrated promotional support is a must for enabling the scheme to accomplish the set objectives. Apart from an action generating media campaign at the consumer level, it is necessary that the trade be convinced of the merits of the consumer scheme as well as what they are required to do. Similarly, the salesforce should be properly briefed to handle the scheme and be motivated to adopt the scheme as their own and thus be prepared to put in the extra effort required at the marketplace.

**e) Follow-up**

For ensuring better performance of the consumer scheme, it is desirable to monitor the market place soon after the commencement of the scheme. This monitoring should cover : brand and premium availability, brand visibility area and store-wise daily movement of the brand, and competitors reactions etc. Reminder advertisements, release of extra P.O.P. materials, and deployment of salesforce may sometimes be required to save the scheme from misfiring, hence a contingency plan for the above should be prepared.

**Organising Consumer Contest**

Consumer contests are competitions wherein individuals are invited to compete on the basis of creative skills. These contests are generally open for a period of five weeks or more and among others aim at generating greater degree of awareness and enthusiasm in the sponsor and/or his brand. Although consumer contests are capable of accomplishing some of the sales promotion objectives mentioned earlier, yet there are certain specific objectives for which consumer contests are more suitable. These objectives are :

- Stimulating interest in the stagnant/tapering brand
- Increasing product usage and its unit of purchase e.g., a larger size pack
- Introducing new products
- Acquainting consumer with unique or specific aspects of the brand and brand usage
- Measuring the effectiveness of ad copy and media through recall, completion of slogan, theme visualisation association, coupon response etc
- Generating mailing list for database marketing
- Influencing enthusiasm in public and generating goodwill.



## 15.3 MANAGING TRADE PROMOTIONS

Trade promotions are the incentive schemes which are offered to the distributive trade (wholesalers, distributors, retailers, etc.) and aim at motivating them to back up the sponsored brand by giving more than their usual push.

You might recall that some of the trade promotion schemes are such as dealer "loaders"—merchandise deals, buying/selling allowance and discounts; coupons; shelf-space incentive, display contests, sales contests, gifts, trade/cooperative allowance, premium or push money, and provision of P.O.P. material.

Effectively managed trade promotions contribute towards building customer traffic at retail points, increasing sales, improving profitability, and strengthening of manufacturer-trade relationships.

### Organising Trade Promotions

While trade promotions are meant inter-alia to obtain greater trade cooperation and improve manufacturer-trade relations the practice of trade promotions schemes has brought forth certain conflicts between the two. These conflicts mainly arise out of the unmet expectations of each other. For effective management of trade promotions therefore, one of the prerequisites is the clarity of understanding between the parties regarding the roles and goals of each. The manufacturers should clearly understand that like them the trade have their own economic objective which is of supermost importance to them.

Likewise, trade members should realise that with rising costs of managing promotions, no manufacturer can afford to accept the indifferent response and performance of his trade. A few of the basic considerations useful in systematic organisation of trade promotions are given as under:

- 1) Trade promotion schemes should match with the capability of the different members of trade. For example, wholesalers are poor at primary demand creation of the product, and the retailers in administration of complete schemes. Sponsors of trade promotion schemes should perform these tasks for them instead of expecting them to carry them out.
- 2) Only those schemes and terms should be offered which minimises the temptation of resorting to unhealthy trade practices on part of the trade.
- 3) Trade should be effectively communicated and soundly convinced with the working as well as results expected of the schemes.
- 4) Regular availability of product supplies and gifts must be ensured during the period of the promotion scheme.
- 5) Increasing competition and limited display-shelf-space now require that signing up of the prominent dealers and booking of their shelf-space should be done sufficiently in advance.
- 6) In case gifts are offered as incentives to trade members, these articles should be of reputed brand and of household or personal use.
- 7) The organisations of dealer display and sales contest follows more or less the same steps as discussed for consumer contests earlier. Some points of special importance include:
  - Selection of dealers having prominent location as well as good facilities such as show windows, counters, etc.
  - Provisions of assistance for arranging creative displays because not all dealers show enough initiative or possess adequate expertise in this area.
  - Communication of the team of judges, the judging criteria and offer of consolation prizes of meaningful value inspire greater participation of the trade in the contest.
  - Assignment of targets should be based on the trading area potential. It is useful, therefore, to divide the market into different potential zones, and likewise offer a set of prize on zonal basis.
- 8) It is said that not more than 15 per cent of the P.O.P. material supplied is displayed and that too for a period less than half its life. It is needless to state that the use of P.O.P. at the retail-level requires constant supervision and follow up.
- 9) Leading retail dealer offer their own retail sales promotion schemes. Though difficult, attempt should be made to get a special support for the company product line during the period.

- 10) With the amendment of the MRTP Act, 1969 by Amending Act 30 of 1984 w.e.f. 1st August 1984, Sections 36A to 36E relating to unfair trade practices have been inserted.

Upon complaints relating to discount sales upto 50% the commission laid down the following guidelines for future advertisements :

- the period of discount sale shall not be less than 10 days, and
- the original price, the bargain price, the quality of articles at which the maximum and minimum discount would be available shall be mentioned.

#### Activity 2

Interview three retailers (one dealing in consumer non-durables, one in consumer durables and one in pharmaceuticals) and compare the various kinds of dealer promotion schemes offered to them. Survey their impressions regarding which of these schemes they like the most and why? Also, ask them as to what should the manufacturers do to make their sales promotions more effective.

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## 15.4 MANAGING SALESFORCE PROMOTIONS

Sales promotion schemes offered to the salesforce mainly include incentive programme and sales-contests. The operational and managerial aspects of the two schemes are discussed below :

#### Organising Salesforce Incentives

Sales incentives directly link the motivation and reward for the salesforce. There are four methods by which sales incentive awards may be computed for the salesforce. These are :

- awards are tied to unit sales on an actual basis.
- awards are given to those who achieve more than a specific percentage of their sales quota performance.
- awards are given to those who perform best in relation to their individual quota.
- awards are given on account of special achievements as notified by the organisation from time to time.

The sales incentive awards take the form of cash, travel merchandise or a mix of the three.

Sales incentive programmes have been found to be both cost efficient as well as strong motivators for improved sales productivity. According to an American study, some of the popular reasons for the use of sales incentive include :

- increase sales per sales person
- boost morale
- increase units sold per sales person
- launch new products
- increase average sales per account
- promote dealer activity
- boost recession — period sales
- upgrade existing accounts to high ticket products
- revive old products, etc.

The managerial considerations for sound management of sales incentive programmes are discussed alongwith the sales contests.

#### Organising Salesforce Contests

A sales contest is a competition among members of the salesforce of a firm. Sales contests aim to fulfil the needs of the sales person for achievement, esteem and self-actualisation used effectively, sales contests prove to be a boon to the sales organisation. On the other hand, if

improperly handled sales contest can destroy morale among sales persons as well as negatively effect sales. Over enthusiasm to win contests has also led some salespersons to inventory overloading, cheating and even neglect of customer service and relationship. In short, being prone to misfire sales contests need to be managed carefully.

In addition to the managerial considerations for effective management of consumer and trade promotions some other aspects relating to themes, rules, participation and promotion of sales contests are discussed below:

#### **Themes of Sales Contest**

Sales contest have a direct and a novelty theme. In a direct theme the focus could be on obtaining new customers, or selling a more profitable product mix or improving the market share etc. In a novelty theme the focus is on fun simultaneous with more specific current event or problem facing the company sales. Some examples of novelty themes are: Let's hunt for hidden treasure (find new customers), make your customer fat (sell more to existing customers), planting the gold (sell more profitable orders), healthy customer healthy sales person (more sales, less outstanding, more profit per customer) etc. Themes which are novel, objectively measurable and relevant to the company sales curve find greater participation of the salesforce.

#### **Rules**

Clear and comprehensively written rules covering aspects such as what will constitute a sale (order, delivery or payment), whether institutional or original equipment manufacturer's supplies will be counted in sales or not, what will distinguish between a new order and old order, and new customer and old customer, what about cancellations or returns after the contest period is over, and which achievement will carry how many success points, help to minimise heart burns and ill-feelings among the sales persons.

#### **Participation**

If the size of salesforce is large and the hierarchy levels different, it is preferable to organise different sales contests with restrictive participation on an eligibility criteria. In any case, sales contest should try not to pit one sales person against another. An offer of a variety of prizes for various types of achievements helps in this direction.

#### **Promotion**

Excitement, surprise and a feeling of enjoyment should govern the mood throughout the contest period. Writeups in newsletters; flashing of special communications with photographs of ice breakers, special achievement and achievers; wiring of reminders, motivational letters, announcements of a few more prizes, etc. lend strength to the air of expectancy on the part of the sales person during the contest. To save the sales curve from dropping down drastically after the contest is over and also not to lose the business which could not be accomplished during the contest period some activity must be planned.

Finally, some don't on sales contest as mentioned by Heinz Goldmann.

- 1) **Don't reward just one person**  
One or only a few winners can serve to demotivate the losers. A contest which no one has a chance of winning can often cause salespeople to sell less than before the contest started.
- 2) **Don't set goals too high**  
Do not alienate the bulk of sales people with goals that are too high. Motivate everyone, because the bulk of sales does not come from a top performer. There should be as many winners as possible.
- 3) **Don't start the contests towards the end of the year**  
Many sales persons perceive a year end contest as a way to make up for poor planning and a bad sales year.
- 4) **Don't use sales volume as the only goal of every contest**  
There are many marketing goals other than sales. Other goals like territory cultivation, dealer relations and customer relations can also increase motivations of sales people who achieve less than others in terms of sales alone.
- 5) **Don't use the same prizes for every contest**  
The same prize repeated very often can lose impact very quickly.
- 6) **Don't include only sales people in the contest**  
A good opportunity to involve other people within the company is to make them part of the sales contest. The non-selling staff can do a great deal to help push their sales people to perform better.

- 7) **Don't let the sales contest become a guessing game**  
Everyone should clearly understand the purpose of the contest; otherwise lost sales are bound to occur. A sales contest is not an intelligence test.
- 8) **Don't look for a "fair" or a "just" contest**  
Sales contests have specific goals to accomplish and unfortunately some goals will be easier to accomplish for some than for others.

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## 15.5 MANAGING SALES PROMOTION IN SERVICE MARKETING

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Our discussion so far remained limited to firms marketing tangible goods. Although the considerations and guidelines of sales promotion for goods are extendable to services, some special aspects of services sales promotion are covered hereunder.

Of late, we notice a great deal of sales promotion activity on the part of hotels, travel agents, international airlines, banks and financial service institutions, etc. These firms make use of schemes similar to that of product promotions at the levels of consumer, trade and own salesforce. Some of the commonly offered sales promotion schemes offered by services firm are: price and quantity off by airlines contests and coupons by tourism organisations, refunds and future discounts by international airlines, premiums by banks and financial institutions, incentives to trade and salesforce by financial services firms etc.

### Organising Services Sales Promotion

Services carry the peculiarities of perishability, absence of inventory and intangibility. As such a service not utilised is an opportunity lost for ever, be it an airlines seat, a hotel room etc. The demand management of services, therefore, often requires the use of sales promotion schemes particularly in business affected greatly by seasonality or having intense competition.

Lovelock and Daelch make following observations regarding organising of sales promotion for services marketing.

- The broader the service product line, the more challenging the scope for offering sales promotion schemes. For example, an airline has limited options as against a hotel which offers a large variety of restaurants and services.
- As the usage level of service varies with the customer unlike consumer goods, service marketers offer schemes with multiple options for different levels of consumption, as in the case of airlines promotions.
- Consumer response is likely to vary by type of promotion and is unlikely to be linear; in other words, a 10% discount will not necessarily generate twice the incremental sales of a 5% discount.
- Services offer tremendous opportunities for joint promotions, where the actual costs are shared by major users. A typical example is of airlines joining hands with hotels and car rentals promoted through travel agents.
- Services sales promotions are easily imitated. Two forms of competition proofing are, first, to develop a promotion that will be too complex to imitate quickly, and second, to arrange with one or more well known firms an exclusive joint promotion programme that cannot be directly duplicated.
- Although promotions can stimulate consumer excitement they can also increase consumer price sensitivity, so that many consumers eventually become unwilling to buy the service unless it is available at a promoted price.
- If a high percentage of sales are made on promotion, "normal" prices become artificially inflated and increasingly meaningless.

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## 15.6 MEASURING THE PERFORMANCE OF SALES PROMOTION

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The measurement on how well the sales promotion has performed implies the existence of the following:

- written sales promotion goals for which the schemes were run;
- the evaluation criteria in relation to the sales promotion goals;

- a data bank containing documentation on past sales promotion results and trade/salesforce reactions and assessments; and
- an organisation for monitoring and evaluating the sales promotion.

The task of organising effective sales promotion is usually divided into three phases before sales promotion is offered i.e., pre-testing; testing during the time it is in operation i.e., monitoring and follow up; and after the sales promotion event has ended i.e., post-testing.

The pre-testing phase helps both in ascertaining the cost effectiveness of the alternate schemes as well as in finding out the most liked terms on which to offer the scheme for accomplishing the goals set. Pre-testing could be carried out with a panel of the audience in person or by mail, and by field testing followed by a market research study.

The monitoring phase of evaluation should focus on gathering product movement and sales data territory and outlet-wise; its review and comparison with the goals set and the past results; competitive intelligence and reactions; assessment on market mood, and the problems faced, if any.

The post-testing phase of sales promotion evaluation is analytical in nature. Sales promotion is usually measured in performance reference to sales achieved, cost effectiveness, redemption rate of coupons and trading stamps, turnover of special packs or self-liquidators, number of entries received to the contest etc. Post-testing of sales promotion is carried out by desk analysis of the data gathered, in-store observations and market research studies carried out for this purpose. Where direct measurement is possible, results are compared against goals set as well as with a similar period or a base line. Emphasis should be put on measuring and comparing the incremental sales than the gross sales and other related parameters. A literature survey on effectiveness of sales promotion brings out that:

- incremental sales are harder to get for high market share brands.
- a coupon with a sample can be almost twice as effective as a coupon alone.
- High redemption rates (say of coupons, personality premiums) can be very costly.
- the earliest redemptions are the incremental sales.
- short purchase cycles mean shorter-term effects.
- higher levels of inventory with the trade and competitive escalation of sales promotion are the hidden costs of promotions; higher discounts offered to trade once, become the minimum level for future schemes.
- customising promotions for local markets makes more impact than the general all market sales promotions.
- markets with above-average unsupported price reductions might need greater product featuring and display support from the retailer. Those markets which are low in promotion response probably need higher quality promotions, better display locations or advertising and salesforce support.

#### Value of Sales Promotion Evaluation

Pre-testing, monitoring, and post-testing sales promotion are only the means to measuring its performance. In the ultimate analysis what matters is the value vs. cost of sales promotion in terms of changes in consumer trade and salesforce behaviour and their impact on the long and short-term sales, profitability and brand image. While systematic planning, monitoring and research help in making sales promotion effective, more efforts should also be made to control sales promotion expenditure. Inculcation of cost consciousness, selection of the appropriate form of sales promotion aids; updating of mailing lists; control over misuse of P.O.P. material; careful selection of the participants to the scheme; instituting rewards for expense control can enable sales promotion to be managed more efficiently. With growing need as well as cost of sales promotion managers, must, cut back on convenient but unproductive promotion schemes in favour of hard-to-imitate creative and preferred schemes.

#### Role of Salesforce

The changing market environment and the increasing need of sales promotion calls for a new role for the salesforce to make sales promotion cost effective. Salesforce are the foot-soldiers, army of the marketer. They must involve themselves in the gathering of competitive intelligence and also give regular feedback on the local conditions of the market, the brand movement, the retailers reactions, and their assessment for the sales

promotion schemes. Monitoring and follow up of the market when the sales promotion event is on and assisting the trade in improving the off-take of the brand and in administration of sales promotion schemes are its other new tasks. Selling sales promotion scheme convincingly to the trade and discovering room for expenditure control are the emerging challenges for the salesforce to face.

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## 15.7 SUMMARY

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In this unit we discussed the various operational and organisational aspects involved in managing sales promotion. Creative planning sound implementation, and an eye-for-the-detail emerge as the pre-requisites for effective management be it the consumer trade, salesforce or services marketing promotions. The task of measuring the sales promotion performance consists of three phases : pre-testing, monitoring, and post-testing. Clearly formulated goals and the existence of a data bank and the organisation for monitoring market response and carrying out the market research contributes towards making sales promotion more cost effective. Finally, for proper planning and execution of sales promotion the salesforce will be required to cast itself for the new role.

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## 15.8 SELF-ASSESSMENT QUESTIONS

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The Marketing Manager of "Double Diamond" tea wants to organise a consumer contest for increasing the popularity of his brand as well as its market share. Suggest the format of consumer contest covering aspects such as the theme, entry and eligibility requirements, duration, closing date, prizes, judges and judgement criteria, etc. What would you advise the company to do to evaluate the contest after it is over?

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## 15.9 FURTHER READINGS

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## **BLOCK 5 ADVERTISING PLANNING AND EXECUTION**

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The final block in this course, consists of four units on various aspects of advertising planning and execution. Unit 16 on Client Agency Relationship discusses the evolution of division of work between a client and his adjacency. The organisation and flow of work in an agency has also been explained.

Unit 17 discusses the concepts underlying message design development and execution.

Unit 18 on media selection, planning and scheduling describes the process of media planning and media selection with illustrations, the development of media strategy and the patterns of media scheduling. No plan however realistic can be said to be effective till it is measured on reliable yardsticks to evaluate its accomplishments.

Unit 19 explains the tools to measure advertising effectiveness as well as criteria used to evaluate.

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# UNIT 16 MANAGING CLIENT AGENCY RELATIONS

## Objectives

After studying this unit, you should be able to :

- Explain : the evolution of advertising agency  
: its role in the purchase process  
: the work executed by an advertising agency  
: alternate agency structures
- Identify : division of work between agency and client  
: pitfalls to avoid in client agency relationship
- Determine : the major advertising decision  
: ways to take these decisions

## Structure

- 16.1 Introduction
- 16.2 Evolution of agency-client relationship
- 16.3 The Role of an advertising agency
- 16.4 Functions and structure of an advertising agency
- 16.5 The agency-client relationship and productivity
- 16.6 Preparing for the campaign :  
How the agency should understand the product and market
- 16.7 The Advertising Tasks
- 16.8 Summary
- 16.9 Self-assessment Questions
- 16.10 Further Readings

## 16.1 INTRODUCTION

Major part of advertising execution function is being performed outside the organisation, through the medium of Advertising agencies, who over a period of time have attained specialisation in the creation, generation and execution of promotional communications. A network of client agency relations therefore typifies the promotional scene today. This unit discusses the client agency relationship, the division and flow of work within the ad agency and the basic principles of managing client agency relationships.

## 16.2 EVOLUTION OF AGENCY-CLIENT RELATIONSHIP

Advertising has performed the communication function even in ancient civilisations. To overcome the lack of literacy, signs were popularly used to symbolise goods for sale. Historians believe that the outdoor signs used by ancient Greek & Roman merchants were the first form of advertising. These signs were carved in clay wood or stone. Branding, the cornerstone to advertising, found its roots when early artisans took pride in their work & placed their own marks on goods such as cutlery, cloth & pottery they produced.



Fig 1: From a wall in Pompeii. This inscription was promoting a contest of gladiators.

The first known advertising agency in the world was set up by V.B. Palmer in 1841 & G.P. Rowell in 1865 who undertook wholesaling of space for newspapers. However, advertising agency, as we understand it today, was set up by N.W. Ayer & Sons in 1876. It planned, created and executed complete advertising campaigns for clients. It operated an open contract-plus-commission plan. The commission ranged from 8 to 15 per cent. Today agencies, of course, offer a wider range and quality of services with the development of new media and expanding markets for which media reimburses them by a 15% commission.

The advertising agency today however enjoys a different agency-client relationship than the traditional agency-client relationship that exists between lawyers and their clients. The legal and historical definition of an agent is one who acts on behalf of the principal. However, in the way the advertising agency business has evolved, an important difference exists. For all the space and time contracted by a client with the media, it is the agency which shall be liable to pay even in case the client defaults on payments to the agency for any reason.

Thus, the agency-client relationship has evolved interestingly from ancient time when the client undertook the agency role himself, to the agency being a wholesaler of media-space to the growth of the modern full service agency with liability of client payment.

### 16.3 THE ROLE OF AN ADVERTISING AGENCY

The role of the agency shall be discussed in two parts :

- a) As a part of the total process of product purchase by the target evidence.
  - b) The activities undertaken by the agency.
- A) Advertising can be illustrated as a five part process .

**ADVERTISERS**

Who sometimes use

**ADVERTISING AGENCIES**

and are sometimes assisted by

**SUPPORT ORGANISATIONS**

Send their message through

**MEDIA (GENERALLY MASS)**

to potential

**CUSTOMERS**

of the product, service or idea promoted.

Fig 2: The Process of Advertising

Source : Sandage, Fryburger and Roizoll 'Advertising Theory and Practice'.

When need for advertising is not too acutely felt, the client himself takes on the role of the advertising agency by designing messages for the target audience.

However, in today's complex market place the customer is faced with various product alternatives. Similarly the media through which he gets information about these products has increased in number as well as efficiency of transmitting messages. With this information explosion, the tastes, choices and needs of customers have become complex. The producer no longer finds it simple to cater to all consumers. Hence the concept of target audience becomes important i.e. the producer chooses a set of people whose needs he can cater to.

In this complex interaction, the role of an advertising agency can be illustrated as follows :

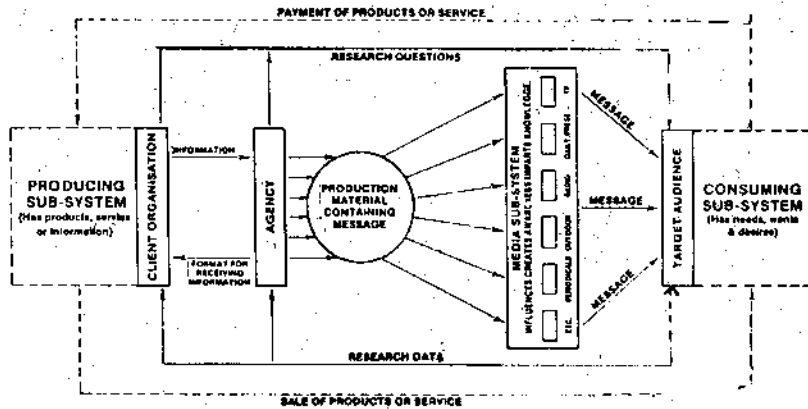


Fig. 3 : Role of Advertising Agency.

The producing sub-system for advertising agencies consists of client organisations who offer products, services or information to be disseminated. The consumer sub-system consists of sets of consumers with different needs, wants and desires. The role of the client and agency is to identify a target audience for the product offered to this sub-system. Then there is the media sub-system which consists of various media vehicles and performs the role of providing knowledge, awareness and influencing the consuming sub-system.

The agency usually gives a client organisation a format for receiving information about his product or service. On receiving this information, the agency processes it. In case this does not contain adequate information about the target audience, the agency or client may undertake research to further supplement their information bank (The agency may also conduct research of pre-testing of the campaign before releasing it. It may conduct research for post-testing of the campaign to evaluate advertising effectiveness).

The processing of information received from the client enables the agency to broadly give two kinds of output : A) design of message to influence the target audience and motivate it towards a desired state of product purchase activity i.e. the consumer should move into the higher stage in the AIDA hierarchy towards purchasing the product. B) choice of media. With limited budgets at the disposal of the advertising agency, it is not possible to use all the media available in the most desired manner. Hence a problem of choice exists. The media which influences the target audience the most is chosen and the intensity of exposure in the media is also allocated in accordance with its efficiency in influencing the target audience.

With the release of the product in the market place and the message in the chosen media, the target audience in the consuming sub-system undertakes purchase of the product or service and gives payment in lieu thereof thus completing the economic transaction.

B) In the structure shown above, the role of the agency in the economic sub-system of product purchase becomes clear. At this point it would be interesting to also look briefly upon the information processing role mentioned above. This information processing role, in a simplified manner is illustrated below.

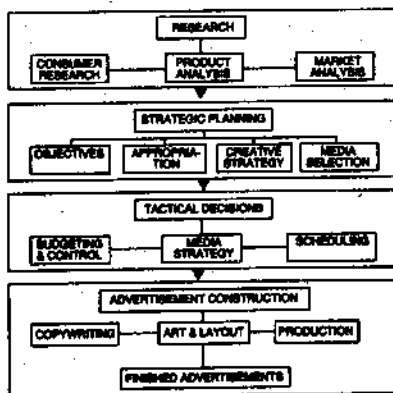


Fig. 4 : Advertising and Information Processing.

Source : Sandage, Fryburger & Rotzoll 'Advertising Theory & Practice'

Before elaborating on the above, it is necessary for us to look at the advertising agency and understand its functions. A study of the functions of an agency will reveal how the processing role of the agency is broken up into different components and how these different components contribute to the end product of the agency.

**Activity 1**

Study two advertising agencies with respect to a specific client each. How is the 'processing' role fulfilled by these agencies?

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## 16.4 FUNCTIONS AND STRUCTURE OF AN ADVERTISING AGENCY

**A) Functions & flow of work**

Though advertising agencies may follow the departmental structure or the Group System as a structure, the broad functions remain essentially the same.

The functions of an agency are broadly broken up as follows :

- 1) Account Services
- 2) Creative Services
- 3) Media Services
- 4) Administration and Accounts



Fig. 5 : Functions of an Agency

This is the simple agency structure. A more comprehensive agency structure would consist of :

- 1) Account Services
- 2) Market Planning and Research Services
- 3) Media Planning Services
  - a) Planning
  - b) Media buying
- 4) Creative Services
  - a) Copy
  - b) Art

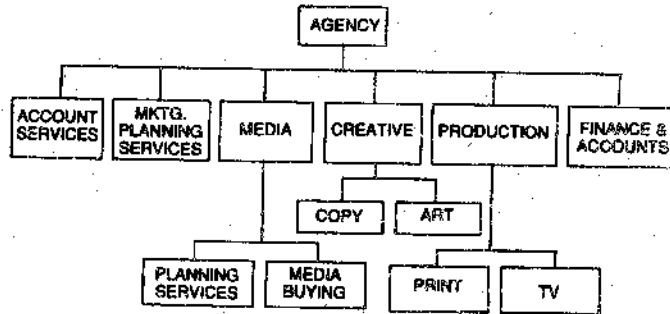


Fig. 6: Comprehensive Agency Structure

- 5) Production Services
  - a) Relating to television
  - b) Relating to print
  - c) Other
- 6) Finance, Administration and Accounts.

A client is known as 'Account' in an agency. Hence client services are called Account Services and Client Servicing executives as Account Executives (AEs).

The Account Executive along with the Market Planning Service has to work out the advertising 'brief' out of the information received from the client. The brief is the basic document on which the client and the agency must agree upon. The brief is the conversion of the clients marketing strategy into the advertising plan. For working out this document, the Account Executive should have some basic knowledge of practical marketing. We shall elaborate upon this later and discuss how the marketing plan is converted into an advertising brief.

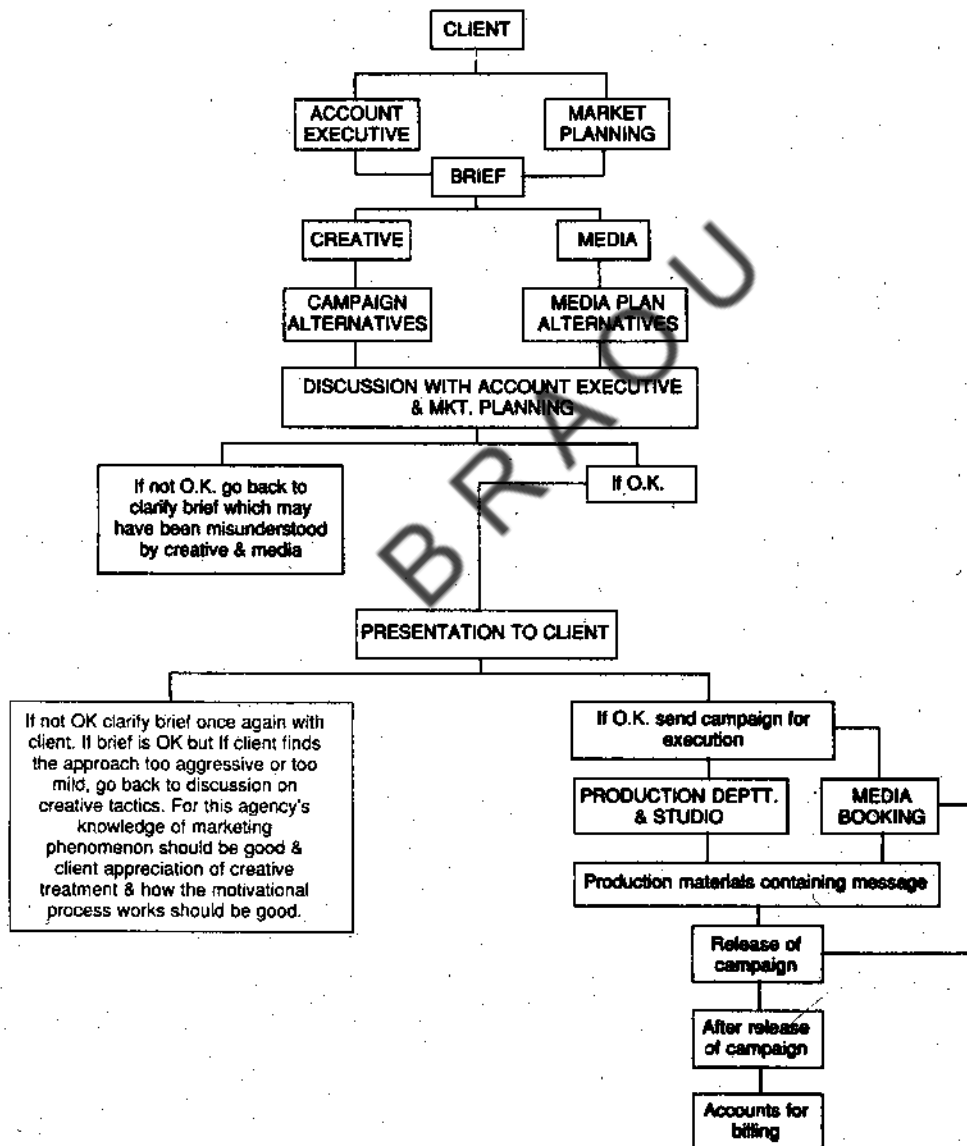


Fig. 7 : Flow of Work

The brief is handed over to the creative who works out some alternative approaches in which the message can be communicated. The media planning works out the media mix choices available. The stage is now set for a meeting with AEs and Market Planning who test the output on the brief given and jointly a decision on which campaign and media plan is to be presented is taken. Agencies also present some or all the creative alternatives, giving the final choice to the client.

In case the campaign is approved, it is handed over to the studio and production. The Studio undertakes final artwork and production gets the material prepared for handing over to the media. In the Indian context, this can be an elaborate procedure especially for a national launch. Very often a large campaign has to be converted into vernacular. Coordination with 8-10 language translations can be a complex task. Sometimes the nuance of the original copy, as written in English, can not be literally translated as no parallel exists in vernacular. Hence the copy concept has to be explained to all the language translators so that transcreation can be undertaken instead of transliteration. For television, the agency usually contacts independent film producers to execute the TV film. Similarly for radio, independent producers services are used by the agency. For hoardings, there are a couple of parties in every city who have been awarded outdoor contracts by local municipalities. These constitute the hoarding suppliers.

Agency work is usually deadline oriented. To ensure that deadlines are met many agencies have one or few people looking after 'traffic' with the primary responsibility to ensure that no deadline is missed. In addition, some agencies had 'new client development' department with the primary responsibility of 'pitching' for new business.

#### **B) Agency Services and Suppliers**

The above description gives us a good idea about agency services. A comprehensive list of services offered by an advertising agency would read as follows :

Planning Advertising and Communication Strategies keeping in view the client's product-service, business environment, competitive trends and growth plans.

Planning and execution of creative strategies within the framework of the above mentioned over-all strategy.

Preparation of Media Plans after identification of target audience and the media to which it is exposed. Implementation of the media plan through the booking of appropriate space-time with publications, outdoor media, T.V., radio, cinema etc.

Production control and supervision in print, P.O.P., film, television and radio.

Promotion Planning and Execution.

Public Relations.

Market Research.

Advertising Research including Pre-Testing/Post-Testing of campaigns and determining advertising effectiveness.

Though the agency does not participate in the 'line function' of marketing, some agencies have started offering various 'staff function' support service like :

Developing Marketing Strategies by:

- a) Defining Marketing Objectives.
- b) Generating alternative Marketing Mix options.
- c) Creating conditions for implementing the choosed Marketing Mix.

Designing and Evaluating Marketing Information Systems.

Review and Design of Marketing Structure.

Planning for new product development (determining market potential for new products, plans for test marketing, etc. and also pre-testing of new products).

Development of an Annual Marketing plan, giving operational content to the strategy of the company by setting out the marketing tasks to be performed in a specific, time-bound manner.

Some agencies also undertake the following kinds of Market Research :

- a) Descriptive Research
- b) Predictive Research
- c) Causative Research.

Lately, some agencies also offer the following services :

- a) Direct Response Advertising
- b) Public Issues Management
- c) Show window displays (for retail chains and outlets).

In the Indian context, Public Issue advertising has shown rapid growth in the past few years with the boom in capital markets. The agency services involved include knowledge of statutory regulations, liaison with brokers and press, arranging brokers conferences and press conferences etc.

### Supplier Organisations

The usually used supplier organisations of an agency are listed below :

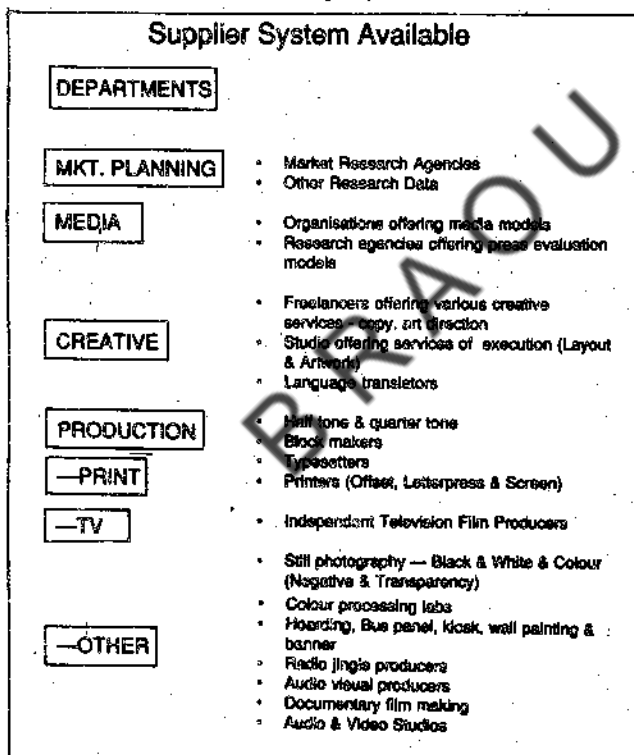


Fig. 8 : Supplier System Available

### C) Popular Agency Structure

i) **Small agency structure** : The daily business operations of a small agency are usually supervised by the owner or branch manager who may be incharge of new business development as well. Client contact is partly handled by him, assisted by account executives. The account executives are important members of the team and can participate in the creative function as well. They may produce creative concepts and even write copy. The art department executes the layouts with an in-house art director or with assistance from a freelance art director. The small agency may have a media buyer, though sometimes the account executives also purchase time and space for their accounts.

The organisation in medium of large agencies is more formal. The two popular structures followed by them are the departmental system or group system.

ii) **The departmental structure :** In this structure each of the agencies function i.e. client servicing, creative, media, production and accounts is a different (as shown in the first figure). Each department will be called upon to perform its own speciality. But for the client servicing the same people in creative, media and accounts will do work for all the clients. This may give uniformity of creative output, an opportunity for everyone to work on all accounts but may not give collective responsibility to a group of people for an account.

**D) The Group System**

This system is very useful when agency becomes large. An accounts executive in a large agency may find that the departmental system is not giving him commitment of individuals in creative and media to a specific account as these departments are reportable on all accounts. Hence the agency is divided into a number of "little" agencies or groups. The group consists of account executives, copywriter, art director, media buyer and any other specialist that may be needed. The primary responsibility of the group is the 3-4 accounts which this group is allocated to give wider exposure to group members, the accounts may be shifted among groups. This may give the client some benefit of fresh thinking within the understanding that client and agency have developed.

However, that form of agency structure which enables the agency to provide the best service is the one that would be implemented.

**Activity 2**

Contact one large and one small advertising agency. Study them to find out :

- a) the functions performed by the agencies
- b) the flow of work, from acceptance of brief to release of campaign

**16.5 THE AGENCY-CLIENT RELATIONSHIP AND PRODUCTIVITY**

**a) Division of work**

The division of work between agency and client can be summed up as follows:

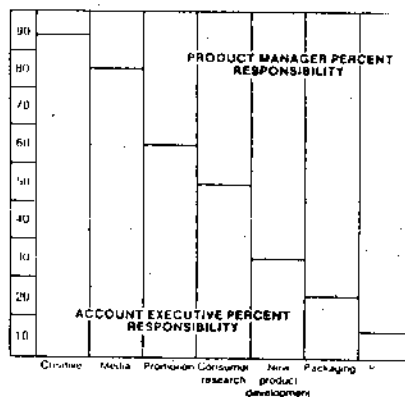


Fig. 9 : Division of work between Account and Product Management

Source : Sandage, Fryburger & Rotzoll 'Advertising Theory & Practice'.

**b) Advertiser-Agency Productivity: Some pitfalls**

Advertising is an intangible product. Measuring contributions of various people on client and agency side to productivity is difficult. In fact, measuring and predicting the productivity of advertising is itself subjective. However, some studies have clearly pointed out the factors that hinder a productive relationship between an agency and client. These are the pitfalls to be avoided.

Weilbacher in "Auditing Productivity" has listed the following factors in advertiser-agency relationship that hinder productivity. In client organisations it identified the following factors :

**Quality of staff factors**

- Too many unproductive/unnecessary meetings.
- Not giving agency enough lead time.
- Inability to plan ahead.
- Unwilling to experiment/take risks.
- Inability to adhere to schedules.
- Company unfamiliar with agency cost constraints.
- Too much reliance on research/not enough use of judgement.
- Company unwillingness to take a position.
- Unwillingness to listen to other points of view.
- Too much "change for change's sake".
- Lack of candour.
- Failure to show initiative.
- Failure to ask the right questions.
- Unable or unwilling to set priorities.
- Failure to operate with agreed upon strategy.
- Too many "make work" projects.

**Organization factors**

- Company has too many levels of approval.
- Too many important decisions made by "juniors".
- Unnecessary duplication of agency work at company.

**Management participation factors**

- Client unwilling to commit sufficient funds.
- Too much personnel turnover.
- Not enough senior management involvement.

**Communication factor**

- Failure to follow established lines of communication.

To provide a more productive relationship the same study recommended that advertisers periodically review and evaluate the agency's performance across a broad spectrum including :

- Does the agency organize itself effectively to work with the advertiser ?
- Does it staff the account with compatible, productive people ?
- Does the advertising process with its attendant work flow move smoothly ahead ?
- Does the agency remove irritants in the relationship as they appear ?
- Is there evidence of agency involvement in and powerful thinking about the client's business ?
- Does the agency's creative and media work respond to the needs and perceptions of the client organization ?
- Does creative and media work proceed smoothly through advertiser review processes, or is there continual bickering about and acerbity in the presentation of the agency's work ?
- Do all of the agency's departments make a distinct contribution to the advertiser, or are some departments inept or ineffective ?

Activity 3

With respect to your own organisation, or any other organisation that you are familiar with, describe the division of work between the organisation and the agency. Also comment upon factors that you think are inhibiting productivity of this relationship, in each case.

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**16.6 PREPARING FOR THE CAMPAIGN**

How the agency should understand the product and market :

Before embarking upon advertising, it would be useful if the agency could devote some time on understanding the product and the market. Such an exercise is essential especially when the agency is beginning work on a new account.

Such an exercise should ideally start with a comprehension of where the product fits into the business policy matrix of the client i.e. whether it is classified as a "star", "cash cow" "oil well" or "Dog". This is important at times. Occasionally it may happen that even though the market is showing fairly reasonable rate of growth, the client may be disinvesting from the product and industry. This happens when the alternate new ventures he is concentrating on have far more potential for the future. International movements of technology and products usually follow this pattern. Take the latest case of even Korean and Taiwanese Corporations showing a keen inclination to opt out of the global 35.5 cm (14") Black and White television market. This keenness is motivated by a desire to free resources for high technology areas where rates of growth are far more promising. The point of raising this issue here is that when an agency is entrusted with a product that is as "oil well" for the company, there may be an unwillingness on part of the client to allocate higher funds to it. That may not be due to lack of understanding of the market but due to inertia and conflict of interests with ongoing brands which are bringing a good cash flow. It is important for the agency to make a forceful presentation for higher allocation of budget for the product, may be at the cost of cutting its own budget for an on going product.

At the next stage it would be useful to apply the concepts of product management that have been discussed earlier in this course.

A study of the stage at which the product is in its product life cycle would be very revealing in relation to the marketing strategies which will be appropriate. This could naturally make clear the advertising objectives to be set.

A brief overview of the product-market integration would provide useful long-run inputs to the advertising strategy. Boree and Arens in 'Contemporary Advertising' have recommended a study of the product market, distribution, pricing, promotion vis-a-vis competition along this structure:

1) The Industry

- Companies in industry : total sales, strength, etc.
- Growth patterns within industry : primary demand curve, per capita consumption, growth potential.
- History of industry : technological advance trends etc.
- Characteristics of industry : distribution patterns, industry control, promotional activity, geographic characteristics, profit patterns, etc.

## 2) The Company

- **The company story** : history, size, growth, profitability, scope of business, competence in various areas, reputation, strengths, weaknesses, etc.

## 3) The Product or Service

- **The product story** : development, quality, design, description, packaging, price structure, uses (primary, secondary, potential), reputation, strengths, weaknesses, etc.
- **Product sales features** : exclusive, non-exclusive differentiating qualities, product's competitive position in mind of consumer, etc.
- **Product research** : improvements planned.

## 4) Sales history

- Sales and sales costs by product, model, sales districts, etc.
- Profit history.

## 5) Share of market

- **Sales history industrywide** : share of market in rupees and units.
- **Market potential** : industry trends, company trends, demand trends.

## 6) The Market

- Who and where is market, how has market been segmented in the past, how can it be segmented in future, what are consumer needs, attitudes, and characteristics ? How, why, when, and where do consumers buy ?
- Past advertising appeals which have proved successful or unsuccessful in speaking to consumer needs.
- Who are our customers, past customers, future customers? What characteristics do they have in common ? What do they like about our product ? What don't they like ?

## 7) Distribution

- History and evaluation of how and where product is distributed, current trend.
- Company's relationship with and attitudes of members of the distribution channel toward product/company.
- Past policies regarding trade advertising, deals, on-op advertising programmes, etc.
- Status of trade literature, dealer promotions, point-of-purchase, displays, etc.

## 8) Pricing policies

- **Price history** : trends, relationship to needs of buyers, competitive price situation.
- **Past price objectives** : management attitudes, buyer attitudes, channel attitudes, etc.

## 9) Competition

- Who is the competition ? Primary, secondary, share of market, products, services, goals, attitudes. What is competition's growth history and size ?
- **Strengths of competition** : sales features, product quality, size, etc. Weaknesses of competition.
- **Marketing activities of competition** : advertising promotions, distribution, sales force, etc. Estimated budget.

## 10) Promotion

- Successes and failures of past promotion policy, sales force, advertising publicity.
- **Promotion expenditures** : history, budget emphasis, relation to competition, trend.
- **Advertising programmes** : strategies, themes, campaigns.
- **Sales force** : size, scope, ability, cost/sale.

Harry Hansen has given a simplified structure which many agency executives not familiar with marketing can find useful.

Listed below are characteristics of five product groups and their marketing mixes.

Part A : Product Group Characteristics					
PRODUCT GROUP					
	I	II	III	IV	V
Product Examples	Cigarettes, Candy Bars, Razor Blades, Soft drinks	Groceries, Branded drugs and cosmetics, Hardware products, Industrial supplies	Radio and television sets, household appliances, Women's suits, Auto tyres, Sporting equipment	High-quality cameras, Autos, High quality furniture, farm machinery	Electric generators, Steam turbines, Electronic Equipment, Machine Tools
<b>Product Characteristics</b>					
1) Unit Value	Very Low	Low	Medium to high	High	Very high
2) Significance of each individual purchase to consumer	Very Low	Low	Medium	High	Very High
3) Time and effort spent purchasing by consumers	Very Low	Low	Medium	High	Very High
4) Rate of technological change (including fashion)	Very Low	Low	Medium	High	Very High
5) Technical complexity	Very Low	Low	Medium to High	High	Very High
6) Consumer need for service (before, during, after sale)	Very Low	Medium to High	Medium	High	Very High
7) Frequency of purchase	Very High	Medium to High	Low	Low	Very Low
8) Rigidity of consumption	Very High	Medium to High	Low	Low	Very Low
9) Extent of usage (number and variety of consumers and variety of ways in which product provides utility)	Very High	Medium to High	Medium to High	Low to Medium	Very Low

Part B : Characteristics/Marketing Mixes					
Product Group	Product Policy	Distribution Policy	Promotional Policy	Pricing Policy	
				Control over price	Price Variations
I	Only one, or very few varieties	Intensive	Sold almost entirely by consumer advertising	Very Little	Stable
II	Few varieties	Moderately intensive	Sold primarily by consumer advertising	Slight	Slight
III	Several varieties	Some selectivity	Consumer advertising and personal selling both needed: neither predominant	Moderate	Moderate

Product Group	Product Policy	Distribution Policy	Promotional Policy	Pricing Policy	
				Control over price	Price Variations
IV	Many varieties	Considerable selectivity	Sold primarily by personal selling	Significant	Significant
V	Different for each sale	High selective or direct sale to customers	Sold almost entirely by personal selling	Substantial	Substantial

Source : Adopted from Gordon E. Miracle, "Product characteristics and Marketing Strategy", Journal of Marketing, Vol. XXIV (January 1965), pp. 18-24.  
 Reproduced from Harry Hansen, "Marketing".

**Activity 4**

Analyse with respect to the last promotion campaign released by your organisation (or any other organisation that you are familiar with) how the product group characteristics described above have affected the promotion mix of the company.

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**16.7 THE ADVERTISING TASKS**

The major decision areas in advertising are :

- Setting advertising objectives
- deciding how much to spend on advertising (budgeting)
- deciding where and how often to spend it i.e. the media to be used and frequency of exposure (Media Planning)
- deciding when to spend i.e. how to phase advertising during the year
- deciding what to say (Message design)
- Finally, measuring how well we have spent the advertising rupee i.e. Advertising Research.

**a) Setting advertising objectives**

When clients and agencies advertise to "keep their brand presence in the market" or "to create brand goodwill" it is an unhealthy sign. It shows a failure to define precise advertising objectives. When defining advertising objective, the management should be clear about what it seeks to achieve out of the year's advertising campaign and even out of specific advertisements. Ill-defined goals make measurement of advertising results impossible.

Some managers in the company look on short-term sales to measure the impact of the advertising campaign, others look upon it as building the company's image and hence look at its long-term impact on sales. Both these points of view will always remain in the client organisation. What is needed before embarking upon advertising tasks is a clear statement of advertising objectives.

The advertising objective statement usually reads like "to establish 20 per cent preference for brand X among Y million housewives by next year." The Y million housewives are the target audience defined separately through a market segmentation exercise. The statement of segmentation may read as "The target audience is Y million housewives in the age group of

25 to 35 years with a monthly income of Rs. 2500 and above, education of metric & about & residing in A class metro towns of India".

A secondary target audience say women between age group of 35-45 and 15-25 may also be defined.

Such an explicit statement of objective helps the client and the agency to research at any point of time, say after an year, how effective the advertising has been in achieving the results. Sometimes the objectives can be defined even more specifically "To create brand awareness measurable by aided recall in 50 per cent of the target audience, to create interest and inclination to buy measurable by unaided recall and stated brand preference in 20 per cent of target audience." Such a statement makes measurement of results easier.

Russel Colley identified 52 broad marketing communication goals that companies adopt and towards which advertising may contribute.

#### **b) How much to spend**

The question of how much to spend on advertising should be treated in principle as part of the larger question of how much to spend on promotion. The share of advertising budget will depend on how much is the share to advertising tasks within the promotional programme. Kotler has aptly described the four common methods of setting advertising budgets as :

##### **Affordable method**

Here the company's advertising budget is set on basis of what the company can afford. Joel Dean has suggested that everything above a respectable return on capital can be spent on advertising.

The weakness of this approach is that it ignores the current opportunities the firm has which advertising can exploit. It does not look upon advertising as an investment that has to be planned for the long-run. Also the arbitrariness involved in allocating the budget is likely to percolate to allocations among products and territories.

##### **Percentage-of-sale-method**

Here advertising budget is set as a specified percentage of sales. Experience shows that companies following this method usually set aside between 2% to 5% for advertising expenditure. Though this method links advertising to selling price and profit per unit, it has been criticised for being based on the circular reasoning of viewing sales as the cause of advertising rather than the result. Availability of funds rather than availability of opportunity determines advertising. Experimental anti-cyclical advertising is ruled out. Also the exact percentage to sale cannot be decided theoretically.

##### **Competitive Parity Method**

This views competitors advertising expenditure as the norm to be used in setting the company's advertising budget. The logic is that competitors expenditures represent the collective wisdom of the industry. But the collective wisdom of the industry may not be "wise".

##### **Objective and Task method**

This reverses the trend of the first three methods where budgets were set first and allocations for products and territories made later. This method builds up the total of advertising appropriations required for products and territories to meet certain objectives. This total would give us the desired expenditure level.

Thus this approach requires each executive to (i) define his advertising objectives preferably as numerically stated goals (ii) outline the tasks that must be performed to achieve the objectives (iii) estimate the cost of performing these tasks. The sum of these costs is the appropriation request. The sum of all appropriation requests is the advertising budget.

The one flaw is that this method fails to question whether the objective is worth pursuing in terms of cost. The real solution is to evaluate objectives in light of their costs and choose the more productive objective. This would make it logically sound when expenditures are set with reference to marginal revenues and cost.

Kotler has also discussed the sales response and decay models, communication stage models, adaptive control models and competitive share models. The sales response and decay models attempt to measure the direct relation between advertising expenditure and sales. Given the shape of the sales/advertising curve, the profit-maximising advertising outlay can be determined. The communication-stage models decide the budget by seeing its effects on

several intermediate variables that link advertising expenditures to ultimate sales. It is more useful when used with a microlinkage advertising model called Decision-Mapping via Optimum Go-No Networks. Adaptive control models make the assumption that parameters of sales response to advertising are not stable but change through time. Advertising expenditures should be set each period in such a way as to yield information about current level of the sales response parameters. Competitive share models assume that market shares in the long run will tend to equal marketing-effort shares. A businessman would express this as "to get a 10 per cent share of market, you have to spend roughly 10 per cent of all marketing funds.

**c) Where and how often to spend the budget**

For Media planning, the first clue is given by the target audience's media habits. The product itself is an important factor in choosing the media. New products whose usage has to be explained are best shown by demonstration. The tea bags usage for example was demonstrated on TV with the slogan of "dip, dip, dip". Hence television is an important medium for such a product. For colour film where quality of colours captured is to be shown, colour magazines will be a good media. For local advertisers, hoardings and local newspapers will be found more useful than other media.

Though television is an expensive medium, if we have a national product it may become very cost effective as its cost-per thousand will become low.

Though Media planning is discussed separately in the course, we can state here that alternative media can be compared on a cost-per-thousand criteria. This criteria suffers from many weaknesses. Hence computerised media selection models were made. In the Indian context the earliest and most well structured model is Dr Mote's model. In the advertising market place Press Evaluation Models are also available.

**d) When to spend**

1) The phasing of advertising is also a decision to be taken by the agency. Assuming that the sales cycle follows a cyclical seasonal pattern. Some alternatives of advertising timing are shown in figure

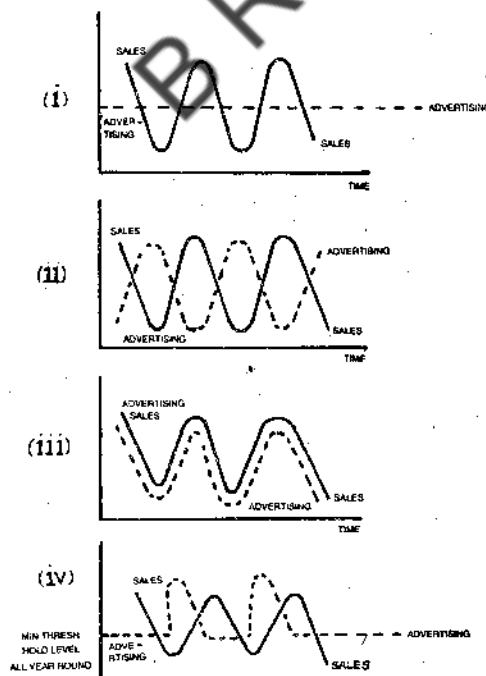


Fig. 10: Time Pattern of ad expenditure

In (i) the advertising expenditure is kept constant throughout irrespective of the cyclical nature or seasonality. This helps keep consumer awareness alive even in the sales through Alternative (ii) is an innovative alternative when maximum advertising is done during the lowest sales period. This approach may be useful in making consumer demand less cyclical in the long run. This approach may not apply to seasonal products for e.g. no amount of advertising for woollens in summer can bring demand to what it is in winter months. Anti cyclical advertising can at best only play on the theme that summer is the right time to buy winter products because you get them at a bargain. Alternative (iii) is found to be quite popular among advertisers. Through it gives advertisers return for the advertising rupee in short run, no long-term thinking to steady the demand pattern is made. Alternative (iv) is based on the thinking that a minimum threshold level of advertising should be maintained throughout the year. This helps in making demand non-cyclical in the long run. The thrust of advertising is made just before the demand begins to look up.

The assumption is that this is the time when potential consumers begin to think about the product purchase.

Advertising at this time would have the maximum impact because rate of growth of demand is to be the highest. When rates of growth of demand drop advertising is also curtailed. Since there is a time-lag between advertising and sales hence advertising peak comes before the sales peak.

2) Kotler has discussed Forrester's and Knehn's approaches to help the advertiser determine seasonal timing for advertising budget. Knehn's model is for frequently purchased, highly seasonal, low cost grocery products. He showed that appropriate timing pattern depends upon the degree of advertising carry over (an advertising carry over of .75 implies that current effect of past advertising is 75% of its level last month) and the amount of habitual behaviour in customer brand choice — Forrester, on the other hand, suggests that lagged time relationships of advertising on awareness and sales be studied. Sales also have a lagged impact on advertising expenditures. He recommended that these time relationships be studied for the individual campaign and formulated mathematically into a digital computer simulation model.

**Activity 5**

Study the television ads of one consumer non-durable, one durable and one service product. What are the variations in advertising timing patterns in these cases? What reasons do you think justify the timing patterns in each case?

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**e) Deciding What to Say**

A critical decision facing the account executive in the agency and the client is to judge the output of agency's creative after a marketing advertising brief have resulted in the creative brief given to the agency's creative department.

Kenneth Rowan and Jave Mass in their book 'How to Advertise' have given 17 strategy checkpoints which the client and agency should keep in mind when designing and evaluating the creative strategy. These read as follows:

### 1) Make the Creative Strategy fit the Marketing Plan

All the 4Ps of Marketing should be in harmony. Advertising should not take off in a different direction than one than the product, price and packaging are going.

Take the example of a moped. It is an economy vehicle targeted to those who cannot afford other two-wheelers and find the bicycle below their dignity. The product and price are talking the language of economy. Hence advertising claims of low fuel consumption like 80 kms/litre make more sense than trying to make a sole claim to how good it looks.

Another good example of harmony between creative strategy and marketing plan is Eureka Forbes Vacuum cleaners. The company decided upon the marketing of this product directly to consumers through their sales force. Given this marketing brief, the campaign instead of concentrating on the product alone, tried to position the Eureka Forbes Salesman as a friendly person who is an "uncle" to the children at home. To overcome the housewives by some direct selling companies. The purpose of the Eureka Forbes campaign was only to briefly interest the customer with the product and to create a helpful predisposition towards the company's sales force when they knock at the door. If the company had gone through dealer network, the focus of the campaign would have been totally descriptive towards this new product in the Indian market.

### 2) Keep your objectives reasonable

Take the case of iced tea. The Indian consumer was in no mood to change his habits or take the case of a company who tried to give canned food over a decade ago when the proportion of working women was not so large and the joint family system was still prevalent. The Indian customer refused to change his habit.

A good campaign should address itself to a specified target audience and not to everybody. Over ambition destroys a good campaign. Similarly don't try to sell a product for all occasions. Attempting to change people's habits is not advisable. Asking people to change their brand is simpler.

### 3) Make your strategy easy to use

The Maha Cola strategy for example could read as follows : Offer the brand loyal Campa Cola customers in North India an incentive to try Thums Up. The incentive should be such that one can't refuse. Ultimately the customer should take notice and finally try the product. Repeated trials of our product would change consumers taste.

The marketing strategy gave a bigger cola drink while advertising called it Maha Cola, comparing it visually with the usual smaller bottle. The baseline summed it up as 'More Cola, Same Price — The Bigger refresher'

The strategy should be as clearly defined as possible. It should not leave any room for misunderstanding. It should be precise and crisp and yet should give an idea of the backup rationale.

### 4) Be Single minded

An example is the Superphone campaign which launched their office intercom with a simple headline which made the most important product advantage very clear. It read "If you want to talk, you don't have to walk".

In best ideas are usually simple. This comes from giving the copywriter a good single-minded proposition about the product.

### 5) State a business Objective

Help the customer focus in on what action he should take after hearing your message. Do you want the consumer to increase product usage ? A good example is increasing the product usage of a shampoo from the hair to the full body. Another objective could be widening the market. The latest television advertisements of a popular shampoo show its usage for school going girls increasing the size of the target audience for shampoos.

### 6) Decide where your business is going to come from

This implies not only understanding who your target audience is but also understanding from which other products market can you steal your share. This is especially so when your product is no longer new and needs to bring new consumers in the market for its growth

Take the example of Rasna. It identified children as the primary target audience and used children to bring in adults too in the target audience. When rates of growth of product began to stagnate their TV film showed a child stating that the father when he comes back home from work will not settle for tea or coffee but for Rasna. Clearly, they sought to try a dig at the tea and coffee market. But considering that they are fighting habits, their success would be slow.

#### 7) Understand your target audience

A good campaign goes beyond product attribute to understanding the customer. Doesn't Charles Revlon say "In our factories we produce cosmetics, but in our drug stores we sell hope". A good creative execution can look beyond price barriers, beyond age and income. A study of consumer attitudes and usage patterns helps the copywriter talk directly to the target audience.

A good example is 'Lalitaji' of Surf who could talk across Nirma's price barrier to attitudes of those housewives who don't want to buy cheap apples for their family but will select only the best apples.

#### 8) Make a meaningful promise

For advertising to do its job, the products benefit or promise to the customer must be strong and meaningful.

Surf's claim that 1/2 kg. of Surf equals a kilogram of ordinary washing powder is an example of the forceful promise.

#### 9) Support your promise

Making a promise alone is not sufficient. Support the promise preferable with evidence or demonstration. Billions of dollars and millions of rupees have been spent advertising six adjectives : white, cool, power, refreshing, relief. But why should the consumer believe you ?

Colgate tooth powder tries to visually demonstrate its superiority over local brands of black 'dant manjan' which it tries to position as coal. Gold Cafe tries to demonstrate the superiority of its coffee over other brands in its Gold Cafe challenge ads.

#### 10) Set yourself apart

A critical element to success is the ability to find a vacant niche in the market. Avoid a positioning which is exactly the same as your competitors. If your product is in the same general area as the competition, build in some element that will set your brand apart.

Positioning can be done on many variables. Even usage. Take the example of tiles. All tile manufacturers are now positioning themselves as designer floor tiles. A vacant slot exists in the usage. Tiles can also be used for house exteriors. This is a very large segment and would provide a new brand with a new positioning slot.

A product can even position itself on distribution. Tea City is one such example. It consists of a chain of retail outlets selling different types of tea of a company with sub-branding. Only tea is available at these shops. That sets you totally apart from competition.

#### 11) Give your product a distinctive personality

This is hard to do. It implies giving your product a personality that goes beyond the product itself, its an aura that helps set the brand apart from others.

Onida achieved this in the television market. Its devil gave the brand a long-term personality.

#### 12) Advertise what's important, not what's obvious

Its obvious what Milkmaid is. But its not so obvious what it can do. Hence the campaign of Milkmaid informs you about what all Milkmaid can do for you.

#### 13) Think ahead

Try and be first with a product. Onida success lay in the fact that it was among the first brands to introduce the 'vertical' look television. Later Videocon's success lay in its early introduction of the flat square TV offering 'corner-to-corner' excitement and the 'picture-in-picture' Television.

#### 14) Keep your strategy up-to-date

Realise that the world is changing. Analyse your product and its positioning and see where its open for attack. Otherwise, one fine morning there will be an HCL to challenge Modi Xerox copiers.

#### 15) Don't change your strategy without good reason

Coca Cola lost to Pepsi Cola when it changed its product and strategy, forcing it to revert back to the earlier strategy. Taking a hard look at the all parts of the business is essential before changing the strategy.

#### 16) Put the strategy in writing

A written strategy will guide you when you fall in love with a campaign which is creative but doesn't position the product where you wanted it to be positioned. The first question to be asked of any advertisement is "Is it on strategy?"

#### 17) Have a better product

This is actually the first point : But its been placed here to highlight that a better product, almost always wins in the end.

#### f) Determining Advertising Effectiveness

If all the marketing tasks have been executed as planned, the sales graph after a time lag is the best determinant of advertising effectiveness.

To measure advertising effectiveness in the short run, say immediately after the campaign, we need to go back to our advertising objectives. Well defined advertising objectives make the research objectives easy to formulate. The concepts of market research apply to advertising research and need not be repeated here.

Memory tests are frequently used in advertising research. Memory tests are broken into two categories : those stressing recognition and those stressing recall. Philip Kotler describes these as follows :

The recognition test, probably the most widely used to copy tests, consists of a respondent's thumbing through a magazine and reporting which advertisement he recognizes from a previous exposure. Various precautions are taken to minimize the respondent's inaccuracies and biases.

The recall test is less subject to careless response, in that the subject is not shown in any advertisements. In the unaided form of the test, he is asked, "What advertisements have you noticed recently?" In the aided form of the test he is asked, "Do you remember the ... advertisement?" High recall is taken as a sign of the advertisement's superior attentiongetting power.

In addition to these standard methods, some agencies now use electronic devices to record voluntary and involuntary reactions to various advertisements and parts of advertisements.

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## 16.8 SUMMARY

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Beginning in 1841 as a space setting business advertising agency business today is a flourishing industry, specialising in creation and execution of promotional communication. The unit explores the basis of client agency relationships, describes the division and flow of work in an ad agency. The stages involved in the preparation of an ad campaign have also been discussed to provide an overview of the entire process of advertising.

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## 16.9 SELF-ASSESSMENT QUESTIONS

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- 1) Comment upon the role of an advertising agency in modern day marketing situation ?
- 2) What are the patterns of work division between a client and an agency. Explain with reference to (a) an established consumer durable (b) a newly introduced soft drink.
- 3) Explain the flow of work in an advertising agent.

- 4) How is the promotion policy affected by product characteristics ?
- 5) What are the various timing patterns used in advertising. How do these vary over product classes? Explain with examples.

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### 16.10 FURTHER READINGS

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Sandage C. H. and Fryburger Vernon, *Advertising Theory and Practice*, Richard D. Irwin Inc. Homewood, Illinois.

W. H. Bolen (1981). *Advertising*, John Willey and Sons, New York. C. L. Bovee and W.F. Alens (1982). *The Contemporary Advertising*, IRWIN, Inc. Homewood, Illinois.

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# UNIT 17 MESSAGE DESIGN AND DEVELOPMENT

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## Objectives

After going through this unit you should be able to :

- explain the importance and relevance of message design in communication-framework
- discuss the tools used to create messages
- comment upon the order of presentation
- describe the principles underlying message development.

## Structure

- 17.1 Introduction
- 17.2 Message Design and Positioning
- 17.3 Message Design and Marketing Objectives
- 17.4 Message Presentation
- 17.5 One Sided Vs. Two Sided Messages
- 17.6 Message Development — Meaning and Tools
- 17.7 Size and Shape
- 17.8 Headline
- 17.9 Illustration
- 17.10 Body Copy
- 17.11 Colour
- 17.12 Composition
- 17.13 Messages and Creativity — One Final Word
- 17.14 Summary
- 17.15 Self-assessment Questions
- 17.16 Further Readings

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## 17.1 INTRODUCTION

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Before an advertisement appears in public, two activities must be undertaken. First, what is it that you want to say (i.e., Message Design)? And second, How do you want to say it (i.e., Message development, including execution).

This Unit deals with these two important aspects of communication.

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## 17.2 MESSAGE DESIGN AND POSITIONING

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Message is the idea, or other information that the marketer wishes to convey to the consumer emphasising the importance of message design. Ogilvy said, "my original magic lantern started with the assertion that positioning and promise were more than half the battle."

True. But spotting the uniqueness or association of the product that will help the advertiser, win a place in the consumer's mind isn't easy.

An excellent example of brand positioning is Maggi instant noodles. In the book Brand Positioning, the author Subrato Seagupta writes.

The above example helps us in understanding positioning, the key word to modern-day advertising. Position of a product is what the consumer thinks about it. And not what the marketer feels about his product. Identifying and applying consumer's true mental perceptions of the product in your communication is what message design is all about. While designing the message for a certain product, seeking answers to the following seven questions will generate a lot of insight. These will begin a chain of more questions and further probing, that might be undertaken, if necessary.

Activity 1

- 1) What kind of product is it ? Identify generic product category
- 2) Who are the people going to use it ? Identify the segment.
- 3) What are the special attributes of the product and how is the consumer going to benefit ?
- 4) Who are the competitors ? What is their promise ?
- 5) On what occasions and how frequently this product could be used ? Identify prospect requirements.
- 6) How is this product different from the other in the same product category ? Or is it a new product intrinsically.
- 7) What would you like your consumer to perceive this brand as ? What position should it take ?

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Answering the above questions would give you a fair idea as to what ?

A well conducted market research helps in finding out answers to some of these questions. The remaining have to be answered by the advertiser and his advertising agency. The amount of risk an advertiser can take and the creative potential of the agency decide the future of the product.

"Through consumer research the company (Food Specialities Limited) felt that the most profitable position (for Maggi) would be as a tasty, instant snack, made at home and initially aimed at children. The target market was the in-home segment of the very substantial snack category. This positioning decision automatically determined the competition which included all snack products in general. These would range from ready to eat snacks — biscuits, wafers and peanuts — to ready prepared snacks such as samosas. All were bought out items."

"Traditional pasta products (Chinese noodles and macroni) were considered to be near competitors forming a rapidly growing product group. But they were invariably used for meals, requiring a fair amount of cooking time and garnishing was essential."

"Maggi Noodles was launched in Delhi in January 1983 and it became an overnight success. The reasons ? Elaborating further Sengupta writes.

"Maggi Noodles, as market results show, found a vacant strong position and sat on it as "the good to eat, fast to cook" anytime snack."

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### 17.3 MESSAGE DESIGN AND MARKETING OBJECTIVES

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The message is the thought, idea, attitude, image or other information that the sender wishes to convey to the intended audience.

The marketer's objectives tend to vary with audience. Objectives in communicating with consumers, for example, may be one or all of the following: (1) informing them what is for sale, (2) creating brand awareness, (3) getting them to buy the product, (4) reducing their uneasiness after the purchase is made. The marketer's objective with intermediary customers

is to get them to stock the product, with other manufacturers, to get them to buy the product and use it to make their own.

Senders must also know their audiences' characteristics in terms of education, interests, needs, and realms of experience. They must then endeavour to encode or phrase their message in such a way that they will fall within the consumers' zones of understanding and familiarity.

To attract the attention and interest of their target audiences, marketers start their advertisements with an appeal to the needs and interests of the audience, and end with an appeal relevant to their own needs (with an effective sales closing). Advertisements that do not conclude with an 'action' closing tend to provoke much less action on the part of the consumer than those that do. Table 1 lists twelve techniques summarized to make messages more memorable and persuasive.

Table 1: Communication techniques that make messages memorable

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1. Get the audience aroused.
  2. Give the audience a reason for listening.
  3. Use questions to generate involvement.
  4. Cast the message in terms familiar to your audience and build on points of interest.
  5. Use thematic organisation — the material together by a theme and present in a logical, irreversible sequence.
  6. Use subordinate category words; i.e. more concrete, specific terms, (Example : duck rather than bird, duck being a subordinate word to bird).
  7. Repeat key points.
  8. Use rhythm and rhyme.
  9. Use concrete rather than abstract terms.
  10. Use the Zeigarnik effect—leave the audience with an incomplete message, something to ponder so that they have to make an effort to achieve closure.
  11. Ask your audience for a conclusion.
  12. Tell the audience the implications of their conclusion.
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## 17.4 MESSAGE PRESENTATION

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Messages can be presented in two ways — Central and Peripheral. The former use the direct and central route to persuasion. A well documented ad, giving rational advantages and disadvantages of the product initiates active cognitive information processing (Central presentation). An example could be the ad for Voltas refrigerator talking rationally of various product features in the ad format.

Peripheral message was for example scenic backgrounds on title music on the other hand provide pleasant association, aid recall and provoke favourable inferences about product advantages.

Research has shown that messages that are consistent with the self images of respondents tend to take the **Central** route. Information relating to quantitative aspects generally rely on peripheral like the spokesperson to affect interest.

Some marketers distinguish between rational and emotional appeal presentations. The distinction in the two approaches can be seen in ads that make heavy use of emotional, symbolic cues as against straightforward presentation. An example would be the message for ceasefire fire extinguisher. On the other hand researchers argue that it is impossible to design a completely rational or a completely emotional message.

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## 17.5 ONE-SIDED VERSUS TWO-SIDED MESSAGES

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Should marketers tell their audiences only the good points about their products or should they also tell them the bad (or the common place)? Should they pretend theirs is the only product of its kind, or should they acknowledge competing products? These are very real strategy questions marketers face everyday, and the answers depend on the nature of the audience and the nature of the competition.

If the audience initially favours the communicator's position, or if it is not likely to hear an opposing argument, then a one-sided (supportive) communication that stresses only favourable information is most effective. However, if the audience is critical or friendly, if it is well educated, or if it is likely to hear opposing claims, then a two-sided (refutational) message is most effective.

Some recent research suggests that claim credibility can be enhanced by actually disclaiming superiority in some product features in relation to a competing brand.

Communication researchers not only have explored the problem of persuading audiences to take some prescribed action (e.g. to buy a product), but also have investigated ways to keep existing customers safe from outside persuasion. Their findings suggest that two-sided appeals containing both pro and con arguments about the brand serve to inculcate consumers against arguments that may be raised by competitors. In effect, this strategy provides consumers with counter-arguments with which to rationalize against future attacks by competing brands.

A practical illustration of two-side advertising is seen in comparative advertising, a marketing strategy used by increasing numbers of marketers. Recent examples seen in Indian Media are Rin and Nirma, HCL and Modi Xerox.

Although comparative advertising is widely used, it is not without critics. Researchers dispute its effectiveness in aiding message recall. Some maintain the message-recall effectiveness of comparative ads is somewhat higher than that of ads which do not explicitly name the competition.

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## 17.6 MESSAGE DEVELOPMENT—MEANING AND TOOLS

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Television, Radio, Print, Hoardings, Direct Mail. These are just a few channels, among countless others, through which a marketer communicates his ideas to his prospect, the consumer.

And what is the result of the proliferation of a variety of products and an ever growing number of marketers? A lot of communication. In all directions. From all Directions. Direct. Indirect. Zigzag. All.

Also over communication?

Yes.

So what's the problem?

To be noticed. To be seen and heard in the crowd. In addition to the difficult task of persuading the consumer to act favourably.

Like any other mode of communication an effective ad too emerges from a powerful idea. The idea need not be only strong—but it should also be unique. Capable of standing out in the crowd.

Translating the idea comes next. Into a language to which the consumer is likely to respond best. And this requires a lot of creativity. The success of the idea depends on this translation. On creativity.

Creativity is the quality of being able to produce original work or ideas by human intelligence and imagination in any field.

We have come to an important juncture now. Can originality be described and explained in the limited few pages that follow? Of course not.

A new creation can win praise of people only if it is completely new. Something that had never existed before.

But would you not call a man at sea also creative who improvises a raft from drift-wood. He devices something from what is at hand. The idea of a raft is not new, but preparing one from available material does call for a lot of creativity.

Naturally, our study touches upon originality and improvisation, both.

For creating a good ad there are a few tools that are normally used. These are like chisel and mallet, for transforming ideas into meaningful shapes. These are the means towards achieving the goal.

Important elements in print advertising are :

- 1) Size and Shapes
- 2) Headline
- 3) Illustration
- 4) Body Copy
- 5) Colours and
- 6) Composition

These elements are used to design and develop the message in a way that the basic objective of communication is fulfilled. Be it informing the consumer about the sale, or persuading him to buy the merchandise or simply creating an awareness about the brand.

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## 17.7 SIZE AND SHAPE

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In a print ad one starts with a specified size of the advertisement. This is invariably determined by the advertiser. It depends upon his advertising budget. Larger the budget, bigger the size selected.

But even within the limits of available space, one has flexibility in shape.

Shapes are of immense importance. They have expressive characters. A lot of non-verbal communication takes place through the shape of an advertisement.

Here are a few examples. An advertisement presented in a square framework communicates a static, unyielding and formal image.

A rectangular shape with the longer side placed vertically, conveys dynamism. Where as a rectangle with the longer side horizontal is a messenger of peace and tranquility.

Appropriate use of shape supplements the message carried by the advertisement.

Shapes have been of particular interest to all serious advertising men. Naturally, there has been a lot of research in the field and people tend to use the findings profitably. Details follow :

### Line

The line can communicate direction, motion, speed, as well as physical and emotional traits, depending on how the line is used.

When its horizontal, it can depict horizon. They express stability, weight, calm and restfulness.

Vertical lines are associative of speed, movement and growth. Several vertical lines look like a barrier, like posts. To an extent they can express strength and power.

Together, horizontal and vertical lines create an equilibrium. They can also create a primacy sensation of balance to produce a solid, satisfying feeling.

Diagonal lines introduce the most dynamism. They are highly active. A diagonal line also represents a will or a challenge.

The other essential quality of diagonal arrangements is movement. A diagonal leads the eye along it, more than any other line. This makes it an extremely valuable device for leading the attention in certain direction.

### Curves

There is a sense of smooth movement along a curve. It suggests waves. Some associations of curved lines are of being gentle, flowing, graceful and elegant.

### Points

A single point is the most basic element of all. By definition, a point has to be a very small part of the total image. And to emerge out, it must contrast in some way with its setting — in tone or colour, for example.

From a purely aesthetic point of view, placing a point right in the middle of the frame may be logical, but it is also static and uninteresting. Placed slightly off-centre, the effect becomes dynamic.

As soon as even one more point is added, the simplicity is lost. The eye is induced to move from one point to another and back. So, there is always an implied line connecting the points.

### Square and Rectangle

In addition to what has already been mentioned about squares and rectangles, in the beginning of this section on shapes, a square is static and evokes a sense of stability and security. It does not suggest motion when placed on one of its sides.

Rectangles communicate differently when seen in their horizontal format as compared to its vertical disposition.

### Triangles

Triangles have the interesting combination of being both dynamic and stable — provided that one side is a level base.

The triangle, however, can communicate a clear warning to be cautious — danger ahead — or it can take on the menacing piercing of an arrow. It can also helpfully point directions.

### Circle

The circle, likened to the sun and the moon, has an earthy character that communicates continuity, eternity, and peace, while also suggesting motion and sensuality.

Circles have the most enclosing effect on the eye. Whatever it encloses immediately becomes the focus of attention. There is a slight implication of movement around the circumference.

### Activity 2

Collect 5 ads that have impressed you. For each of them, describe the use of the above tools and explain how have they contributed to the effectiveness of the ads.

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## 17.8 HEADLINE

Research shows that most advertisements are not read beyond the headline. If the headline arouses curiosity only then the reader proceeds further. Naturally, the headline deserves more attention and imagination than other parts of the advertisement. And to make it a winner, the following tips<sup>1</sup> could be useful.

- Identify in the headline the kind of product being advertised. This helps to attract the prospective consumer to the advertisement. Take this example "Asian Paints introduces APCA Automative Paint". Those readers who are interested in automative paint will carry on with the rest of the advertisement.
- Promise in the headline some benefit from the use of the product. 'BANISH TUMMY BULGE WITH EASE', this headline catches the attention of the bulge conscious reader.
- It pays to add some element of news about the product in the headline. A new product or new ways to use an old product or improvements in an old product. e.g., 'Introducing Eveready Super with advanced Zinc Chloride Technology Super charged for maximum power and life.'
- The readership of the headline is about five times that of body copy of an advertisement. So it pays to include the brand name in the headline.
- Include the unique selling proposition in the headline. This requires long headlines. Research shows that headlines of the words or more, containing news and information, sell more merchandise e.g., 'Allwyn Trendy Quartz Co-ordinates. Just one watch to match every dress in your wardrobe'.
- An element of curiosity in the headline prompts the reader to read further.
- An attempt should be made to make the headline memorable.
- Set the headline, and indeed the whole advertisement, in lower case. **Capital Letters are much harder to read.**

Although every headline is unique in itself lent still some six types have been identified<sup>2</sup>.

- 1) News — e.g., 'Innovations in Electronics' an advertisement of 'National'.
- 2) Question — 'Headache?' Aspro
- 3) Narrative — 'Unlike me, my Rolex never needs a rest.
- 4) Command — 'Don't pay in Dollars' Blue Chip.
- 5) 1-2-3 ways — Its Clearasil  
1. Opens, 2. Dries and 3. Remove pimples.
- 6) How what — why — 'How to travel on a holiday when your husband travels on business'. Executive Club. (Welcomgroup)

### Activity 3

Collect 10 impressive headlines and categorise them according to the types you have studied. Which types, if any, can you select as being the most effective and why?

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## 17.9 ILLUSTRATION

Most of the advertisements contain some illustration. The basic aim of the illustration is to attract the reader's attention to the advertisement.

Next, it must arouse curiosity in the reader's mind to know more about the subject depicted in it.

Like the headline, the illustration should also convey what is being offered for sale.

In a good advertisement the illustration supports the promise made in the headline.

Research has shown that illustrations having a story appeal have attracted more readership.

The use of contrast for emphasis is another way of attention. A small dot is just as likely to stand out in a crowd of large dots as a mammoth dot surrounded by tiny ones.

Colour is also used for emphasizing contrast. All colours of the rainbow are not necessarily the answer. A little dot of orange or red on an otherwise colourless page can go a long way. Another effective way to catch the reader's attention is by being an exception to the contemporary style being followed by the competitors. The memory value of such off-beat advertisements has been found to be quite significant.

A series of illustrations showing different stages of before, during and after using the product have been found to fascinate the readers. And they make their point better than words.

It is also important to design the layout for the publication in which it will appear. It must relate to the graphic climate of the newspaper or magazine which is to carry it.

It is also worth mentioning that the subject of the illustration is more important than the technique.

There are several tools that the graphic designer uses to make an illustration. Though, each tool is capable of creating a distinct mood of its own, they are also used in combination whenever need arises.

Listed here are some tools.

Pencils, Flat sketch pencils, Charcoal pencil, Square pastel, Compressed charcoal, Speed ball pen, Crow quill pen, Lettering pen, Ruling pen, Various types of knives, Scratch tool, Wood carving tool, Felt pen, Fine Sable brush, Lettering brush, Chinese brush, Stencil brush, Flat brush, Smudger, Ruling compass, Stencils, Felt markers, Various types of paper, Several types of paints, Cameras etc., etc.

Recent addition to this list are computers.

One is also free to devise his own tools, if need be. In favour of using photographs in illustrations.

A photograph has impact not only because of its intrinsic beauty but also because of its realism. It is accepted by the general public that the camera always tells the truth.

It has been emphasised in the advertisement circle that photographs, as a rule, score high on readership.

Following are some good reasons for using photographs in advertisements :

- **Realism** — With a technically advanced camera and film, today a versatile photographer is able to come up with nearly hundred per cent faithful reproductions. It is particularly true for colour photographs.

When the product is an essential part of the picture, realism is particularly desirable. Nothing shows off the appetite appeal of food like photography. The texture of textiles can be caught in full splendors.

- **Immediacy** — In a photograph, the viewer becomes personally involved in the situation, feels he is actually there. A sense of immediacy is conveyed through a photograph.

- **Creation of Lord** to believe situations through photographs is a tool for attracting the reader's attention towards the advertisement. The stock value of these pictures is largely due to the fact that they are presented realistically in a photograph.
- **Intrinsic Beauty** — The modern camera sometimes rivals the flexibility of the painter's brush. Today, many photographs are mistaken for paintings.
- **Believability** — A photograph leads readers to feel that they are getting nothing but the truth. This is more significant when particular features of a product must be demonstrated.

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## 17.10 BODY COPY

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Once the headline and illustration succeed in getting readers attention, body copy takes care.

Research shows that if the first fifty words or so are able to fascinate the reader, it is likely that he will continue with the whole copy; be it another hundred words or a couple of pages. So, the copy should come to the point as quickly as possible, before reader loses interest.

The greatest blunder in a copy would be to tell a lie. The moment customer finds that he has been cheated the product is doomed for failure. Tell the truth; it enables the product to live longer in the market.

There is one very imaginative way of handling any weakness of the product. Here the weakness of the product is admitted but it is counter-balanced by some very unique positive feature in the advertisement itself. Example, Avis, we are No.2. We try harder.

This style has two advantages :

- 1) It informs the customer better about the product and this makes him more confident.
- 2) It prevents the competitors from attacking the product at its weak point.

Another point to note is that the consumer wants to get very specific factual information about the product. And he deserves to be given all that he requires. The copy writer must assume himself in the consumer's shoes and look at the problem from the latter's point of view.

There is enough evidence from past experience that testimonials from celebrities fetch a very favourable response from the consumers. But all endorsements should reflect credibility. Shallow recommendation seldom bears fruit.

It also matter whether the message is delivered in a personal way or generalisations have been used. A sincere personal tone of the copy gets more results.

Simple language does magic. Small words, small sentences and also small paragraphs are the ingredients of a successful copy. A friendly enthusiastic approach of the copy keeps the reader with it.

Short copies are favoured. But there is no ban on long copies. In fact for high involvement products a longer copy is more desirable.

While writing copy, an attempt should always be made to make the message memorable.

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## 17.11 COLOUR

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If used well, colour can be by for the most powerful element in an illustration. Our response to colours is much more complex than a purely visual one; they invoke reactions at an emotional subjective level. If the use of colour in an image is powerful and strikes a sympathetic chord in the viewer, it can be the very essence of the illustration. Colours invoke responses at different levels, including some that are not always possible to describe. Nevertheless, the difficulty of finding an exact terminology does not lessen the importance of what Gauguin called the "inner force" of colour. It is often more appropriate to say that we experience rather than simply see a colour.

The effects of colour work mainly on three levels. Sometimes we respond to all three simultaneously, at other times only to one or two. They are :

- 1) Visual : the objective, immediately obvious level.
- 2) Expressive : the emotional level, evoking sensations that are often subjective and non-visual.
- 3) Symbolic : the cultural level, where certain colours and combinations are associated with things that we have been brought up with.

For describing colour accurately, its hue, brilliance and saturation must be defined with precision.

Colour creates instant impact. It is a vital part of the first impression created.

The meaning of colour has interested men from all cultures through out the centuries — from the royal purple robes of ancient Greece to the red carpet we roll out for diplomatic occasions. The robe and the carpet each signal its special message by virtue of its colour; take away the colour and the message is gone.

An interesting fact to note is that the same colour may have completely different meanings for different races and cultures. In Latin American countries purple is associated with death. In Japan green is associated with youth, energy and future while it signifies Jungle Sickness in Malaysia.

Yet the following associations of colour may be safely used :

**Red** : Blood, fire, revolution.

**Orange** : Fire and flames.

**Yellow** : The sun, light, illumination. High impact to catch the consumer's eye, particularly when used with black.

**Green** : Vegetation, nature, fertility of the fields.

**Blue** : The sky, light-blue connotes day, the calm sea, cold. Dark blue connotes night and the stormy sea.

**Brown** : The earth, woods, age, warmth and masculinity.

**Gold** : Majesty, riches, honour.

**Silver** : Purity, the moon.

**White** : Day, innocence, purity, truth, cold.

**Steel Grey** : maturity, old age, winter.

**Black** : Mights, night, conveys sophistication.

**Activity 4**

Study coloured ads relating to both products and services. Do the colours used in them actually signify the meaning described to them in the unit. If yes — How ?

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## 17.12 COMPOSITION

By composition of an advertisement is implied the manner of arrangement of its different constituents; namely the headline, the illustration, the body copy and the symbol and name of the company.

Variations in composition permit to put emphasis on one factor and as also to take it away from some other.

There are men in business who outright reject the design principles of composition as a basis of a good advertisement. To counter it there is a study of outstanding advertisements which reveals that all, without exception, follow the essentials of good composition. In fact, an experienced art director follows the rules of composition as a matter of instinct without actually thinking about it.

Rules of composition are followed in every art form ever created by man. One can safely say that there can be no beauty unless the rules of proportion are followed.

A poor idea remains poor no matter how well laid out it is, but a good idea has a chance of success only if it is presented clearly on the page. The manner of arranging components on the page has a lot to do with attracting and controlling the reader's attention. The subject has also been investigated by scientists who have arrived at conclusions about eye movement and attention fatigue.

There are no set formulae that can assure effective layouts. However, there will be a great opportunity for successful layouts if the following factors are taken into consideration :

### 1) Movement

The reader approaches a page in a rather vague fashion. He is likely to start off near the optical centre, which is slightly away from the physical centre. The tendency of the eye is to begin exploration of the field in clockwise direction. And a more thorough study follows the initial survey if the subject is of interest.

The natural tendency is to linger at the top of the page. It has been found that the greatest amount of time is spent in the upper left quarter of the field.

The principles of design that causes the reader of an advertisement to read the material in the sequence desired is called movement. This can be achieved through a variety of techniques listed below :

- Through the use of gaze motion — the placement of people or animals in the advertisement so that their eyes direct the reader's eyes to the next important element to be read.
- By the use of mechanical devices, such as painting fingers, lines or arrows to direct attention from element to element.
- Through the use of comic strip sequence and pictures with captions that force the reader to start at the beginning and follow the sequence in order to grasp the message.
- By using white space and colours to emphasize a body of type or an illustration, eyes will go from a dark element to a light, from colour to non-colour.
- By taking advantage of the natural tendency of reader to start at the top left corner of the page and proceed on a diagonal Z motion to the lower right corner.
- By using size itself, which attracts attention because readers are drawn to the biggest and most dominant element on the page. And then to the smaller elements.

### 2) Balance

The reference point that determines the balance of a layout is the optical centre. Balance is the arrangement of the elements as they are positioned on the page — the left side of the optical centre versus the right, and above the optical centre versus below:

There are two kinds of balance — formal and informal.

**Formal Balance :** Perfect symmetry is the key to formal balance. Matched elements on either side of the line dissecting the advertisement have equal optical weight. In advertising this is used to strike a dignified, stable, conservative image.

**Informal Balance :** By placing elements of different size, shape, intensity of colour at different distances from the optical centre a visually balanced presentation can be achieved. An object of greater optical weight near the centre can be balanced by an object of less weight placed farther from the centre. Most advertisements are informal balance because it makes the advertisement more interesting, imaginative and exciting.

### 3) Contrast

An effective way of drawing attention to a particular element is with the use of contrast. Contrast in colour, size or style. For example, reverse print (white letters on dark background) or a black and white advertisement with red border or an advertisement with an unusual type style creates contrast and draws attention.

### 4) Proportion

Elements in an advertisement are accorded space based on their importance to the complete advertisement. For best appearance, elements frequently use varying amounts of space in some proportion. Such as three to two, to avoid monotony of equal amounts of space for each element.

### 5) Unity

Unity is the advertisement's bonding agent. It means that although the advertisement is made of many different parts, these elements relate to one another in such a way that the advertisement gives a harmonious impression. Balance, movement, proportion contrast and colour may all contribute to the unity of design. In addition, many other techniques can be used :

- Type styles from the same family.
- Borders around advertisement to hold the element together.
- Overlapping one picture or element over another.
- Judicious use of white space.
- Graphic tools such as boxes, arrows.

### 6) Continuity

Continuity refers to the relationship of one advertisement to the rest of the campaign. This is achieved by using the same design format, style, and tone for all advertisements. By using the same spokes a person is commercial. By incorporating an unusual and unique graphic element in all advertisements or by the non-use of other techniques such as a logo, character or a catchy slogan.

### 7) Clarity and Simplicity

Any element that can be eliminated without damaging the effect the advertiser is trying to achieve should be eliminated. Too many different type styles, type that is too small and unnecessary copy make the layout complex too busy. It makes the advertisement hard to read and hurts the overall effect desired.

### 8) White Space (Isolation)

White space is that part of the advertisement which is not occupied by other elements (even though the colour of the background may be black or some colour other than white). White space can be used to focus attention to an isolated element. Put a vast amount of white space around a block of copy and it appears as if it is in a spot light. White space has a great deal to do with the image the artist desires to create.

### Activity 5

Select 5 ads that you and your friends consider most effective. Discuss, in the context of each of them, how have the principles of movement (wherever applicable), balance, proportion and continuity been applied.

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## 17.13 MESSAGES AND CREATIVITY — ONE FINAL WORD

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A very useful tip in making creativity work in an advertisement is, honesty for purpose. What is expected of the advertisement? Whether it should just introduce the product or make people want to buy it? Whatever the priority, get it right. Understand the brief carefully. The concept and theme of the campaign must dovetail with the basic purpose for which the advertisement is being made. It is very important to know the scope of work. And creativity must help you in achieving the same in the best possible way.

Creativity adds freshness, if the product is routine. If you want to sell salt, which people must buy any way, how would you approach? Your point of view must be absolutely new, and thus most creative. Leave aside, how beautifully the advertisement would be executed on the drawing board. A creative idea will help more, wouldn't it. Look from different angles to represent something which otherwise is not novel or exciting. One has to go beyond what is commonplace, what is already known, to be creative.

Photographers use this concept very often.

Let us take for example any hackneyed subject, say, India Gate. Every one has seen it. Picture after picture registers on the mind. Now, the responsibility of the photographer is to present the subject in a fresh, interesting way; to tell through the picture more than what people know about it. One can choose different times of the day, or may be try a shot at night.

Of course, the best result will come forward only when the photographer has his definition of the problem right. "What purpose should the photograph serve?" What is its aim?

Ries and Trout, in their book positioning also mention about creativity.

"One of the great communication tragedies is to watch an organisation go through a careful planning exercise, step by step, complete with charts and graphs and then turn the strategy over to the "creatives" for execution. They, in turn, apply their skills and the strategy disappears in a cloud of technique, never to be recognised again."

So watch out. Think. Help avert such disasters. Be creative in your own right. And also keep away from the stereotype image of "creativity", as described by Ries and Trout.

Most creative people are in a habit of thinking. Though thinking is a natural process, and each one of us involve in it, are we all capable of being creative?

It is cogent thinking that leads to creativity.

Some experts feel that cogent thinking is almost akin to physical pain. Very few people can bear it and that answers why we have such a small number of creative people around us.

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## 17.14 SUMMARY

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The unit message design and development, discusses the basic tools used in message design and development. Message is the central theme on which the communication to the audience depends. Making use of its elements like headline, body copy, colour, shape, size, order of presentation and direct/peripheral approach to presentation, a message seeks to fulfil the

communication objectives, effectively. The unit suggests meaningful uses of these tools and elements for effective message design and development.

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### **17.15 SELF-ASSESSMENT QUESTIONS**

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- 1) Select two advertising campaigns and develop what you think are the objectives of the advertisements. How has the message design achieved/attempted to achieve these objectives.
- 2) Suggest what message strategies and order of presentation should be used for the following products and services and why ?
  - i) Disposable diapers
  - ii) Detergent
  - iii) Fire Insurance
  - iv) Low Cigarettes
- 3) How do colour and size affect the response to an ad. Illustrate with examples.
- 4) With the help of ads for two products and two services, illustrate the use of headline and space in creation of effective message.

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### **17.16 FURTHER READINGS**

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- Ogilvy, David, *Confessions of an Advertising man*, Longmans, Green and Co. Ltd.
- Sandage C.H. and Fryburger Vermon, *Advertising Theory and Practice*, Richard D. Irwin, Inc. Homewood, Illinois.
- Michael Freeman, *The Image*, William Collins Sons & Co. Ltd., London.
- Eukince, *Visual Puns in Design*, Watson-Guptill Publications, New York.
- Philip Kotler, *Marketing Management*, Prentice Hall of India Pvt. Ltd., New Delhi.
- Subroto Sengupta, *Brand Positioning*, Tata McGraw Hill Book Publishing Co. Pvt. Ltd., New Delhi.
- Schiffman and Kanuk, *Consumer Behaviour*, Prentice Hall of India Pvt. Ltd., New Delhi.
- Al Ries and Jack Trout, *Positioning : The Battle for Your Mind*, Warner Books, New York.

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# UNIT 18 MEDIA SELECTION, PLANNING AND SCHEDULING

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## Objectives

After going through this unit you should be able to:

- explain the concept of media planning and the role of media in overall marketing and advertising plan
- discuss the considerations relevant to media selection
- describe the dominant factors in media scheduling.

## Structure

- 18.1 Introduction
- 18.2 The Meaning and Types of Media
- 18.3 Media Planning: a Process
- 18.4 Media Selection : a Process
- 18.5 Media Scheduling
- 18.6 A Final Word on Media Plans
- 18.7 Development of Media Strategy
- 18.8 Summary
- 18.9 Self-assessment Questions
- 18.10 Further Readings

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## 18.1 INTRODUCTION

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Media management involves one of the most crucial decisions for an advertiser in its objectives to reach effectively the target markets. The decisions assume further critical importance with the wide availability of media vehicles and changing reading and viewing patterns in buying public. For instance, markets have been flooded with a large assortment of magazines in the recent times. Similarly a vast spectrum of programmes are available on televisions—as the captor of an attentive home audience. Not to be outdone, the hitherto unfamiliar media are now in vogue. Examples include matchboxes carrying product advertisements, or the postal stationery carrying marketing messages of good and social causes. Obviously, baffled the advertiser has to seek answers to the following questions.

- a) How to spend the defined funds allocated to advertising and promotional activities?
- b) How to match the media audience with the market audience for the product/service?
- c) How to benefit from seasonal variations mostly prevalent in sales of all goods and services?
- d) How to weave media with the overall marketing effort?

This unit attempts some answers itself.

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## 18.2 THE MEANING AND TYPES OF MEDIA

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Media as a term can be defined both from the users and the suppliers perspectives. To the users of media i.e. advertisers and audiences, it is "the mix of mediums that carry the advertisers message and constitute as the vital link between the company that manufactures and serves the product and the customer who buy or might wish to buy it." It is thus a second rung of marketing communication and is aimed at wider audiences located at different places.

Media suppliers on the other hand, include the institutions that offer media. To them it is a "mix of service organizations which aim to fulfil the needs of listeners, viewers and readers for information and entertainment". Note that the media are not primarily and purely for carrying the marketing messages. They render a far more meaningful and comprehensive set of beneficial services in which besides entertainment and information, marketing messages are carried to the audience. Naturally, therefore, each medium will do its best for making it more attractive and closer to its audience. Also, these media themselves have to market to the media users. Almost every medium— be it television and newspapers, has a sales and marketing department to look after this particular function.

**Types of Media**

Advertisers face virtually an oceanful media choices, though many of them may be summarily rejected as being irrelevant either to the product type or to consumer types. The following are the major types of Media:

- Directory Media
- Direct Mail Media
- Radio Advertising
- Point of Purchase Media
- Outdoor Media
- Newspaper Media
- Magazine
- Transit Media
- Screen Media
- Television Media
- Speciality Media

For a deeper understanding of the qualitative and quantitative picture of Media in India, please refer to Unit 12 of this course.

**Activity 1**

Choose a particular industry (e.g., computer or cosmetics) or a particular product line (e.g., home-refrigerators) and identify how many of the media mentioned above are actually used.

a) Name of the Industry	Media Chosen
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b) Name of the Product Line	Media Chosen
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## 18.3 MEDIA PLANNING: A PROCESS

Like any other planning, media planning is done by specialists who have necessary amount of training and experiences. Normally, the media planning answers the following questions:

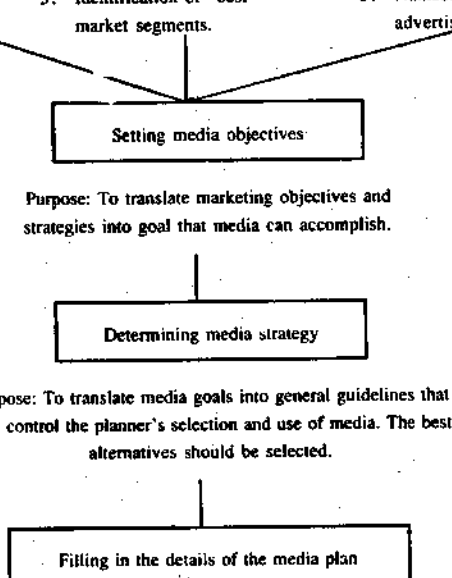
- When ? (the timing of the ad publication)
- Which ? (the selection of the media)
- How ? (the co-ordination in media planning)
- How much ? (the budgeting of the ad resources)

Thus media planning is a process "of designing a course of action that shows how advertising time and space will be used to contribute to the achievement of marketing objectives". In this process, the media planner takes into consideration factors like media strategy, media tactics, media planning models and the cumulative effect of advertising along with procedures for buying media.

Media plan is the end product of media planning and is similar to a blueprint of advertising programmes of a company. To obtain this blueprint, the company must become involved in many activities that are related to the firm's marketing situations. Figure 1 details the scope of a media plan.

Figure 1 : The Scope of media planning activities

The Situation Analysis	The Marketing Strategy Plans	Creative Strategy Plan
Purpose: To understand the marketing problem. An analysis is made of a company and its competitors	Purpose: To plan activities which will solve one or more of the marketing problems.	Purpose: To determine what to communicate through advertisements. Include the determination of.
<ol style="list-style-type: none"> <li>1. Size and share of total market.</li> <li>2. Sales history, costs and profits.</li> <li>3. Distribution practices.</li> <li>4. Method of selling.</li> <li>5. Use of advertising.</li> </ol>	<ol style="list-style-type: none"> <li>1. Marketing objectives.</li> <li>2. Product and spending strategy.</li> <li>3. Distribution strategy.</li> <li>4. Which elements of the marketing mix are to be used.</li> <li>5. Identification of "best" market segments.</li> </ol>	<ol style="list-style-type: none"> <li>1. How product can meet consumer needs.</li> <li>2. How product will be positioned to advertisements.</li> <li>3. Copy themes.</li> <li>4. Specific objectives of each advertisement.</li> <li>5. Number and sizes of advertisements.</li> </ol>



## Advertising Planning and Execution

### Selection of broad media classes

Purpose: To determine which broad class of media best fulfills the criteria. Involves comparison and broad media classes such as newspapers, magazines, radio, television or others. The analysis called intermedia comparisons. Audience size is one of the major factors used in comparing the various media classes.

### Selection of media within classes

Purchases: To company and select the best media within broad classes again using pre-determined criteria involves making decision about the following:

1. If magazines were recommended then which magazines?
2. If television was recommended then
  - a. Network of spot television?
  - b. If network, which program(s)?
  - c. If spot, which markets?
3. If radio or newspapers were recommended, then which market shall be used?
  - a. What criteria shall buyer use in making purchases of a local media?

### Media use decisions - broadcast

1. What kind of sponsorship (sole, shared, participating, or other)?
2. What levels of reach and frequency will be required?
3. Placement of spots: In programs or between programme?

### Media use decisions - print

1. Number of ads to appear and on which days and months?
2. Placement of ads: Any preferred position with media?
3. Special treatment: Gatefolds, bleeds, hi-fi, or others colour?
4. Reach or frequency levels.

### Media use decision - other media

1. Billboards: Location of markets and plan of distribution.
2. Kinds of outdoor boards to be used.
3. Car cards: Direct mail, or other media decisions peculiar to those media.

Source: J. Z. Sissors & E.R. Petray: "Advertising Media Planning", Chicago, Illinois Craia Books, 1976.p.4

At each stage of the planning process, you would recognize the importance of facts and figures, and ways to study them in order to take the 'sub-decisions'. So, the relevance of information analysis base begins right at the first stage and stays right through till the evaluation stage. What information is required at each stage will be studied as we go along. Let us study the important stages in the planning process.

### Setting Media Objectives

Why do you think we need to set objectives at all?

Objectives are guidelines— laying out just what is required of the plan. They answer questions of WHO the advertising needs to reach, WHERE, WHEN, HOW, HOW MANY, HOW OFTEN, HOW LONG, and in WHAT ENVIRONMENT.

What is the kind of information required, or what are the factors which would influence setting media objectives?

By answering this, you are essentially in the first stage in the planning process — situation analysis. There are broadly five elements in a media objective statement:

Target Audience — defined in relevant terms

Geographic Concentration

Timing Considerations

Reach, Frequency

Creative Requirement

Let us examine each of the above

**a) Target Audience**

Identifying, whom the communication is aimed at is the very first task. This is done by identifying those persons, who are recognized to be major contributors to a brand's sale or on the basis of their value as new entrants to the product category. For instance, the target audience for motorcycles would most likely be men in the age group 18-35 years with a monthly income of Rs. 1500 and above.

The kind of information which is looked at this stage is product usership data in terms of the target audience's demographic and psychographic profile. While the first identifies the person, the second highlights his lifestyle/interests.

**b) Geography**

A brand's sales pattern would differ from market to market. Certain markets are higher in priority either due to their status as being large volume markets, having considerable competitive activity or being developmental markets. Media objectives need to specify increased impact/weight planned for such markets.

The information looked at for this purpose are:

- Market performance — comparative market shares, tonnages, etc.
- Advertising performance — comparative brand awareness and recall by market
- Comparative advertising — strategy and activity by market.

Some examples are shown below:

MARKET SHARES — BOMBAY									
		1987				1988			
Brand	X	QTR1	QTR2	QTR3	QTR4	QTR1	QTR2	QTR3	QTR4
	Y								
	Z								

ADVERTISING RECALL — BOMBAY					
		1988			
BRAND	X	JAN	FEB	MAR	APR
	Y				
	Z				

COMPARATIVE TV ADVERTISING — BOMBAY		
1988		
BRAND	NO. OF SPOTS	EXPENDITURE
X		
Y		
Z		

**c) Timing**

This factor relates to the relative importance given to a certain time period in order to capitalize on either a market seasonality or a media event opportunity. For instance if the campaign is to launch a low-interest item such as lozenges, it would be pertinent to build high initial awareness and thereafter provide continuing support through the key consumption period. Another example — Thums Up Cola drink using the Reliance cup as a media event opportunity — heightening its communication which involved endorsement of the drink by cricketers.

**d) Reach/Frequency**

Based on the Marketing objectives, it is always important to quantify the actual numbers of target audience desired to be covered and the number of time the target person is to be

exposed to the advertising — in order to effect the desired response. These are the physical dimensions of the achievement of any plan.

The actual number of target persons covered is known as **REACH**, and the number of exposures they are to receive is the **FREQUENCY**. Another consideration to be enunciated is the interval at which the exposures must occur or the **CONTINUITY**.

Strategic Media Planning incorporates setting **EFFECTIVE REACH/FREQUENCY** objectives, which are nothing but specifying what portion of the target segment must be reached with the essential minimum frequency. Given below are the broad guidelines, arrived at through years of international experience on the approach to setting effective frequency goals:

**GENERALLY ACCEPTED FREQUENCY GOALS IN RELATION TO BRAND POSITION**

FACTORS	LOW (2+)*	MEDIUM (3+)*	HIGH (4+)*
Brand Awareness	Established Product	←————→	New Product
Purchase Cycle	Long	←————→	Short
Competition	Minimal	←————→	Competitive
Message Complexity	Simple	←————→	Complex
Scheduling Pattern	Continuous	←————→	Flights

\*Within a purchase cycle of four weeks.

Refers to actual scheduling of media activity depending on the objectives related to reinforcing and sustaining the brand messages.

The Time Frame for achieving these goals must also be specified in the media objective statement.

**e) Creative Requirements**

Relevant communication characteristics such as where demonstrability of the product in use, or an audio-visual presentation of the product giving its benefits — dictate the kind of media characteristics and environment required. Some situations of creative related requirements for the media :

COMMUNICATION CHARACTERISTICS	QUALITATIVE REQUIREMENT
Demonstration	Authority/Believability
Visualization	Humour/Fun
Sound	Music
Colour	Imaginative/Stimulating

Creative units are mutually agreed upon by the creative and media departments. Examples :

- TV/Radio — 30 sec/15 sec commercials
- Press — Full page colour

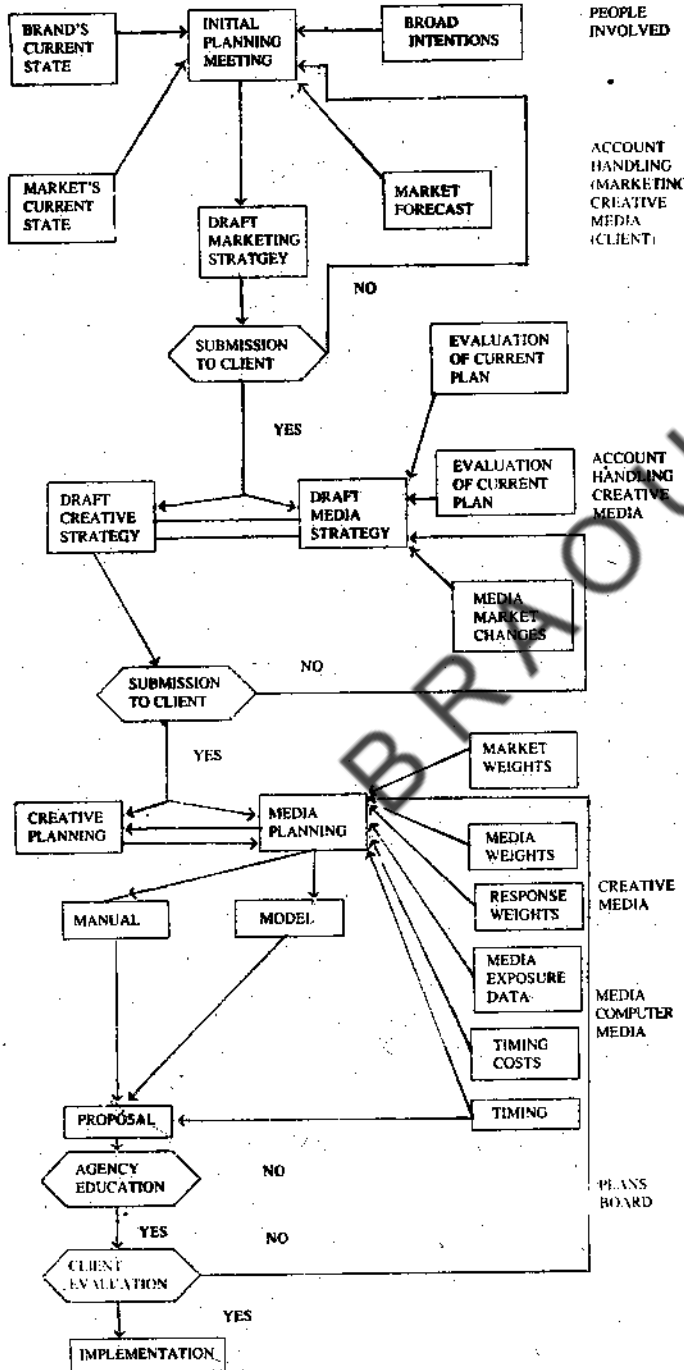
**Activity 2**

Study the media plan as given in Exhibit 1. Suggest modifications, if any, that you would incorporate in a media plan for (a) a pharmaceutical company selling cough-drops (b) a national tour operator agency aiming to increase inland tour traffic in India.

- a) .....
- .....
- .....
- .....
- b) .....
- .....
- .....
- .....

**A Step by Step approach to Media Planning**  
Exhibit 2 provides a step by step approach to media planning.

Exhibit 2: A Step by Step Approach to Media Planning



**Activity 3**

A small-scale manufacturer of your locality has asked you to develop media activities for his domestic grinding machine. Study the Exhibit 2 carefully and recommend an approach. You may make necessary assumptions.

**Some Illustrations of Media Plans**

Exhibits 3 and 4 show two media plans for two different product categories.

**Exhibit 3: Media Planning Guide for a detergent powder**

Media Objectives	Planning Guidelines			Research and Analysis Guidelines	Information Source	Decision to be Made
<p>1. What kind of Consumers?</p> <p>Middle and Upper income above 20,000 per annum. Age 25-49, both sexes but women are preferred to men.</p>	<p>Magazines, radio, television, outdoor, &amp; newspapers can achieve this objective</p>			<p>1. What newspapers, and what newspaper editions reach more women than men?</p> <p>2. Is one newspaper more efficient than another?</p>	<p>1. Newspaper audience analysis</p> <p>2. Newspaper circulation efficiency analysis</p> <p>3. Newspaper coverage analysis</p>	<p>1. What Newspaper or newspaper should be basic?</p> <p>2. What newspaper should be secondary, if any?</p> <p>3. What are preferred editions, sections, in preferred newspapers?</p>
<p>2. Message Dispersion:</p> <p>Broad coverage of target groups: most ad run for only a day or two. At least 60% coverage required per ad.</p>	<p>Television &amp; Newspaper Preferred:</p> <p>Radio and magazines take more than a day to build broad coverage &amp; radio requires broad station use to develop broad coverage. Outdoor runs at least 30 days</p>	<p>Television &amp; Newspaper Preferred:</p> <p>Radio and magazines take more than a day to build broad coverage &amp; radio requires broad station use to develop broad coverage. Outdoor runs at least 30 days</p>	<p>News-papers Preferred:</p> <p>Television covers, National network.</p>	<p>3. Should more than one newspaper be used? Which ones? Why coverage and efficiency criteria.</p> <p>4. Do newspapers differ in their ability to relate to detergent need?</p>	<p>1. Express opinion with available research substantiation on qualitative media values.</p> <p>2. Ask creative people.</p> <p>3. Analyse magazine and television production costs.</p> <p>4. Investigate regional magazine edition for colour cost &amp; availability. Standard Rate and Data.</p>	<p>1. Will the use of television, regional magazines or outdoor contribute more to achievement of corporate image goal than is lost in abandoning newspaper cost and coverage advantages?</p>
<p>3. Seasonal Regional or Special Characteristics:</p> <p>Geographic coverage limited to North since 90% of customers come from this area.</p>				<p>1. What qualitative media values do television, magazines or outdoor have related newspaper for corporate image campaign?</p>		
<p>4. Media Quality Requirements:</p>			<p>Newspapers satisfy this requirement</p>			

Media Objectives	Planning Guidelines					Research and Analysis Guidelines	Information Source	Decision to be Made
Standard media are all acceptable; no need for special or prestigious units of time or space or special media opportunities								
5. Message Peculiarities:  Approx. 90% of all ad will feature its price.					Can fashion image be conveyed more effectively through regional magazines, television or outdoor?	2. Do creative people prefer to use magazine or television or outdoor for corporate image goal? Which do they prefer most to use for this objective?  3. What costs are involved in adding magazines or outdoor or television to basic newspaper schedules for 10% of total effort devoted to image campaign?		

Exhibit 4: Media Planning Guide for a Full Line Computer Manufacturer

Media Objectives	Planning Guide Lines				Research and Analysis Guide	Information source	Decision To be Made
1. What kind of consumers?  a. General corporate executive especially corporate officers.  b. Corporate officers responsible for specifying and approving computer acquisition	General business magazines and business publication Television should be considered.  Radio and general newspapers do not select corporate executives well, nor does outdoor.				1. Examine available audience data on efficiency and coverage by television of target groups.  2. Recommend full screen television even if adequate audience data are not available.	1. Ratings, coverage and efficiency analysis. Support judgment with data from #1.  2. Examine individual publications and exercise judgment.	1. Can television be justified on media grounds?  1. Find optimum general business magazine list.  2. Find optimum specialized business publication list.
2. Message Dispersion:  Each of the target groups should be covered completely.	General business magazines, business publication, and newspapers of comparable quality.				1. Examine audience and coverage data to develop best list of general business magazines to maximize reach of target groups while minimizing frequency.  2. Examine colour reproduction quality and costs of general business publications; eliminate those with inadequate colour reproduction.		3. Avoid overruns or drop inscriptions to fit budget.
3. Seasonal, regional or special characteristics: None	Does television demonstrate either complete coverage of target groups?						1. Can television make a communication break through this category?
4. Media quality requirements:  Good colour reproduction is required.	General business magazines, business publications, and newspapers of comparable quality.  General business publications quality?				3. Examine audience and coverage data to develop best list of specialized business magazines to maximize reach.		

**Advertising Planning and Execution**

Media Objectives	Planning Guide Lines				Research and Analysis Guide	Information source	Decision To Be Made
<p>5. Message peculiarities:</p> <p>Lengthy messages may require large or long media message units.</p> <p>Message is complicated and requires technical explanation for understanding.</p>				<p>target groups while minimizing frequency.</p> <p>4. Add or drop insertions to meet budget.</p> <p>Do individual business publications offer adequate colour reproduction efficiently?</p> <p>Newspaper of convenience do not offer colour.</p> <p>Can television deliver a complex technical message?</p>	<p>1. Examine the possibility of dramatic use of television in conveying complex technical message with creative groups, if television is justifiable on media grounds.</p>	<p>1. Ask creative people for opinion.</p>	

**Activity 4**

a) Study Exhibits 3 and 4 carefully and write down as many conceptual similarities as you can. Identify in both Illustrations.

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b) Comment upon the general value of the above similarities in media planning.

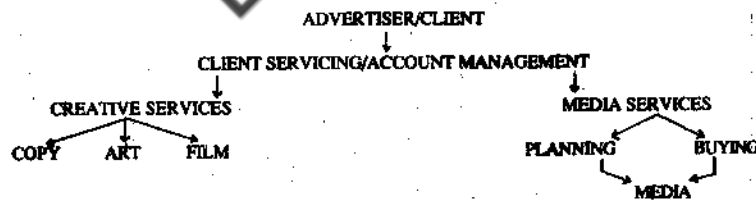
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**The Media Planning Function**

Having understood the concept of Media Planning, let us see, how its function fits into the overall advertising agency functions in developing campaigns:



Media Planning therefore is one of the dual functions of the media department. Both planning and buying are closely linked: the latter essentially concerned with the execution of the media plan.

In the development of an advertising campaign both the creative and media departments work in close interaction since the respective tasks of each functions are influenced by decisions taken by the other.

**18.4 MEDIA SELECTION : A PROCESS**

Media Selection is a highly involved task for a marketer. The major reason for this involvement is that there could be no single best media strategy that would apply to different situations. The attempt is, therefore, to identify a fit between media choice and market preferences. Differences in these choice approaches necessitate a change in media mixes. Further, media selection differs continuously on account of an imperfect state of knowledge that exists about the media scene. Finally, the patterns of advertisement expenditure on

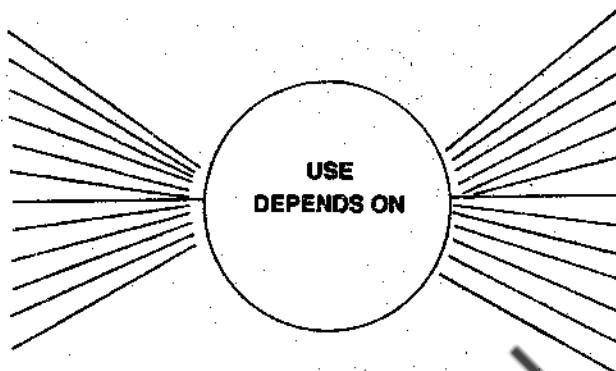
that exists about the media scene. Finally, the patterns of advertisement expenditure on media vehicles keep on changing with the passage of time. Thus, advertisers and marketers in the same industry may be found spending different amount on various media instruments even though the product and markets are the same. Exhibit 5 outlines the major considerations in media selection.

**Media Selection,  
Planning and Scheduling**

**Exhibit 5: Major Consideration in Media Selection**

**TYPE OF MEDIA**

- Directory Advt.
- Direct Mail Advt.
- Radio Advertising
- Point of Purchase Advt.
- Outdoor Advt.
- Newspaper Advt.
- Magazine Advt.
- Transit Advt.
- Screen Advt.
- Television Advt.
- Speciality Advt.
- Other Ad.



**MAJOR CHOICE RULES**

- Product characteristics
- Advertising Objectives
- Cost
- Advertising by competitors
- Media selectivity
- Media Coverage
- Media availability
- Media restrictions
- Media flexibility
- Media life
- Media acceptance
- Quality of workmanship
- Media support Media benefits

Source : Advertising : W.H. Bolen p. 191.

In view of the complexities and involvement in media selection, a managerial framework is quite helpful. The following selection process deals with a series of questions that need to be answered in the pursuit of media selection:

**What kind of consumers does the advertiser wish to reach?**

Although it is expected that the marketing plan would make a specific mention of the target consumers, it must still be given a specific interpretation for a creative media strategy. The objective of the media strategist here is to define the kind of consumers that the advertising will reach. Thus, it attempts to find out those media that will reach the target consumers either exclusively or largely, and which are efficient too. The media strategist knows that to identify a particular consumer characteristic is one thing while it is quite another thing to find descriptive media data adequate enough to use that characteristic for media purposes. One option however, is to use the consumer demographics, consumer psychographics and product usage. Table 1 provides a hypothetical description of these usage data for hair cream users for media selection purposes. It also outlines areas of data requirement for media choice and for target market choice.

**Table 1 : Consumers and Non-Consumers of a hair cream**

Media data requirements	Demographic data requirements of the Target Market				
	Particulars	Users of Hair Cream			Non-Users
Total Population		Heavy	Light	Total	
Consumers are					
# 25 to 35 4.08 crores	5 crores		4,00,000	8,00,000	12,000,000
# Live in Major Town	2.5 crores	3,00,000	5,00,000	8,000,000	2.42 crores
# High Literacy	1.8 crores	3,80,000	5,20,000	9,000,000	1.71 crores
# Party goers	1.0 crores	2,00,000	50,000	2,50,000	97,50,000

**What kind of message dispersion is required ?**

In answering this question of strategic importance in media selection, a string of small questions crops up. For instance, should the message strive to reach smaller audience but more frequently? Or, is it more profitable to reach a bigger audience yet reach it less often?

In normal circumstances, a media selection is based on the consideration that message should be delivered to as many consumers and prospective consumers as possible. Thus, if a media planner for a toothpaste has to choose between two plans A and B, where plan 'A' consists of 8 primetime television exposures within 4 weeks delivering one advertising message at least once in 4 weeks to about 70% households, and where the plan 'B' consists of 32 afternoon TV exposures at least once in 4 weeks, the choice will be plan 'A'. The name of the game is thus the 'number of people reached'. However, many research evidences bring a note of caution in the above selection. These evidences suggest that one exposure is usually ineffective and thus, the central goal of media selection should be to place emphasis on enhancing frequency of exposure rather than reach. Also, it is believed that an exposure frequency of two within a purchase cycle is quite effective while increasing the frequency beyond three exposures within a brand purchase cycle — even though spread out period of four or even eight weeks, continues to build advertising effectiveness but at a decreasing rate with no evidence of a decline (M.J. Naples : Effective Frequency : The Relationship between Frequency and Advertising Effectiveness, NY, 1979).

The issue gets further complicated with the introduction of message dispersal over time. For instance, should advertising messages be released in an even flow from day-to-day or month-to-month basis or should some other pattern called 'pulsing' or 'waving' be followed? Many media strategists support the pulsing or waving pattern of message release on the ground of Cost efficiency. They feel that it strengthens the threshold level of advertisement and serves as a forerunner for the consumer decision to purchase the product in question.

**Activity 5**

An established manufacturer of a colour television with a national brand has introduced a new VCR in the market. He has sought views (a) psychographics as the basis of media-user profile; and (b) your choice between 'pulsing' and 'uniform' patterns of releasing message. Give at least one argument for your choice.

- a) .....
- .....
- .....
- .....
- b) .....
- .....
- .....
- .....

**What kind of seasonal and/or regional concentration is required for advertising?**

The task of media selection is conditioned by the element of seasonal/regional variations in the media intensity (concentration). It is especially important for those products and services that have seasonal/regional demand. Examples range from ice-creams, soft-drinks to ceiling fans. Festive demands from Puja, Christmas etc. put further pressure on media selection. Finally, the subcultures (e.g. Punjabi or Bengali) and life styles found in the regional markets with a marked bearing on product demand, call for a special consideration in media selection.

Setting the media in the mode of seasonal concentration is usually easier than regional concentration. The answer lies in having media message either adapted to regional demands and preferences or create a series of different messages catering to the demands of individual regions.

**What attributes should be inherent in a selected media?**

Media must 'add' value to the marketing messages. This is the most important attribute that is inherent in a good media. This 'value' is both qualitative and quantitative. Qualitatively, the media and their weight to the messages. Thus, if a particular newspaper is known for its

fair editorial content and for its judicious selection of advertisement, any marketing message that appears in such a newspaper will carry an 'added' effect.

Marketers and media strategists often face two options in this regard. The first option represents an extreme situation of a media that is highly inexpensive but can deliver the message only at a broad scale. Examples of this option could be hand-bills, posters and the like. The other option represents a 'specialized' media that is highly expensive and selective in delivering the message. The examples may include top-of-the-drawer magazines and some highly rated TV programmes. Obviously it is not easy to decide between these two options. Yet a decision is called for.

There are ways in which media strategists find solutions. Firstly, the perceiving media selectors are keen to spot and exploit any media opportunity which may add value to the message and help accomplish the media objectives. Secondly, they fully recognise what it is that advertising media can do and what it cannot.

#### Activity 6

The television media can 'add value' to the marketing message in the form of ..... (identify the benefits) but cannot provide ..... (identify the limitations). All this is true for ..... (all, selected, few) product categories. (Fill in the gaps by choosing one of the given options.)

#### What degree of Synergy can be achieved between message content and media ?

The answer to this question may perhaps provide the last missing piece of the zigsaw that a media selection often is. It attempts to strike a synergy between the type of marketing message to be delivered and the media chosen. It is because there are several media and messages which, if combined well, may be outstanding in their potential impact of the target consumers. For instance, if long arguments and substantive messages are to be given, television may not be the right media to select. Similarly, for creating a close-to-life visual picture of a product, the printed media may perhaps be the wrong one to select. An effective media manager must ever strive to invest his media selection with an understanding of the advertising process. For detailed description of computer models in media selection, refer to Unit 17.

## 18.5 MEDIA SCHEDULING

Once the media planning and selection is accomplished to the satisfaction of both advertisers and agencies, the attention is diverted to the task of deciding the media scheduling. It concerns answering such questions as how many of each media vehicles space and time units be bought? Over what and time units, this will be bought? Over what period, should such buying be? Do we want a steady schedule or do we want a 'pulsed' campaign, concentrating heavily in the beginning and later slowing down?

Normally media scheduling is considered for a four-week period. Thus, to an advertiser, the following six types of schedules are available.

- **Steady pulse:** Steady pulse is the easiest types of schedules to prepare. For instance, one ad per week for 52 weeks or one ad per month for 12 months may be prepared.
- **Seasonal Pulse:** Seasonal nature of products dictate the use of seasonal pulse in advertising. Examples include Ponds Cold cream; ceiling fans; air-conditioners etc., in the months of winter and summer respectively.
- **Period Pulse:** Scheduling of media at regular intervals but not related to the seasons of the year, is called the periodic pulse. Examples may include media scheduling of consumer durables (e.g. mixies) and non-durables (e.g. semi-processed food to eat) during Puja or X-mas festivals, for gift purposes.
- **Erratic Pulse :** When advertising is spaced at irregular intervals, it is called erratic pulse. Erratic pulse by itself is not to be ignored. It is quite likely that the advertiser is

trying to cause changes in typical purchase cycles. For instance, ceiling fans, soft-drinks etc. Advertising in months other than the summer months, could attempt to even out purchases throughout the year.

- **Start up Pulse** : It is quite common to see a heavily concentrated media scheduling to open either a new product or a new campaign. This is called as start up pulse. For instance, the scheduling adopted by Videocon PIP television, or ONIDA - 21 or even the Liril Lime Soaps seen in the July - September 1989 period, had a distinct start up pulse.
- **Promotional Pulse** : This scheduling pattern suits only a particular promotional theme of company. Thus, it will be more in the nature of one-time only and advertising will be heavily concentrated during a particular time. Examples of promotional pulse would include the recent advertising for share/debenture issues by several companies and the MRF media campaign for the Jawahar Lal Nehru Centenary Sports meet in 1989.

Even though several scheduling patterns are available with their unique characteristics, it would be wise to remember that scheduling is a part of media strategy. Hence, a regular review of the scheduling patterns is beneficial to the advertisers.

**Analysing Reach, Frequency and Continuity**

Any thoughts on media scheduling will be dictated by a careful analysis of three factors of media. They are Reach, Frequency and Continuity (RFC). Several researches have been conducted on analysing the data pertaining to RFC. Given below are some major findings which media planners would do well to remember :

- Continuity assumes importance because advertising is often forgotten if not reinforced by continual exposure. It would thus, be unwise for a marketer to spend money one week on running an advertisement which is to be followed by another run say, after six months only. Such long gap will fail to reinforce the message.
- Repeated exposures are needed to impress a message on the memories of a large proportion of consumers.
- As number of exposure increases, the number of persons who remember it increase. Not only this the length of time for which they remember also increases. Remembering is a key thing to media planners.
- An intensive 'burst' of advertising is more likely to cause a large number of people to remember it, at least for a short time than spreading the campaign uniformly.
- In many cases reaching as many people as possible may be as important as the task of reaching a fewer number of people but more frequently.

It goes without emphasizing that media planning is more an art than a science because not many credible and universally applied scientific methods have been evolved as yet. It tests, therefore, the knowledge, perception and skills of any media planner. For a description of the minimum reach and Frequency Model (MRF), please refer to Unit 17.

**Activity 7**

- a) Suggest in the following cases which will be the most dominant consideration in media scheduling.

Test-Situations	Dominant Consideration		
	Reach	Frequency	Continuity
1) Government Family Planning Campaigns			
2) Introducing a new toilet soap			
3) Announcing better range of services by a bank			
4) Attracting dealers for consumer durables			

b) Why you think so .....

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## 18.6 A FINAL WORD ON MEDIA PLANS

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Having gone through the complex process and components of Media Planning, advertisers and media strategists may evolve the following three types of plans (a) The National Media plan (b) The Key Market plan and (c) The Skim plan.

**National Plan :** Largely applicable to marketers of national brands, the national plan seeks to reach the masses. Obviously, national network of television and national newspapers and magazines will be chosen as the key media vehicles under this plan.

**Key Market Plan :** In the case of national brands and regional brands, media strategists seek to cover effectively the key markets rather than spread over the entire market thin. This plan is most needed at the introduction stages of the product life - cycle (PLC). It is also required for those products that have regional formulations to suit regional climatic conditions.

Regional newspapers are the major media vehicle under this plan.

Although there could be several small major key market media plans, it is desirable that they are co-ordinated well. The adverse results of one key market media plan can adversely affect the media plan for another key market. Similarly, customers located on the fringe of two key markets should not get totally confused by the two different advertisement programmes. The key market media plans may be different but they should not be diametrically opposed so as to avoid the confusion.

**Skim Plan :** As most key market media plans concentrate on geographic areas, skim plans aim at a market from a demographic or psychographic perspective. In these plans, the marketers first aim to skim off the cream of a segment and then sell it in general to the other markets.

For instance, the first attempts of the marketers may be targeted at well-to-do segments. Later marketers may scale down to serve lower markets. For instance, Quartz watches or premium textiles were sold in the fashion. It is based on the Trickle-down theory of communication regarding the innovative products. However, in many cases, marketers prepare skim plan for higher segments with no intention of moving down to other segments. Ceraosa classic is a case in point. Finally, skim-media plans may also be prepared to target on customers with specific interests and enthusiasm. Sport lovers or computer-buffs are segments for which skim market plans may be prepared by marketers of the related products.

### Activity 8

Select a real or hypothetical example of any marketing offering that would respond to the needs of national, regional, key market and skim media plans in India.

### Answer

- a) National Media Plans are suitable to the products like .....
- .....
- b) Key Market Media Plans are suitable to the products like .....
- .....
- c) Skim Market Media Plans are suitable to the products like .....
- .....

## 18.7 DEVELOPMENT OF MEDIA STRATEGY

To refer back to our planning process chart—why indeed do we need to have media strategy?

To draw an analogy from the world of sports, competing teams would always have a game-plan or a strategy which is designed to win or at least not to lose a match. Similarly the media strategy is the overall game plan which is geared towards strengthening the communication while countering any move the competition may have.

Media strategy therefore defines and provides rationale for the recommended media, spelling out the specific role each one plays either in complementing or supplementing the others. It is not however the tactical plan specific vehicles and exact allocation of budget.

Four basic elements of Media strategy statement are :

- Media Mix
- Usage of Media
- Geographic Allocation
- Scheduling Strategy

Let us examine what each of these are :

### Media Mix

For each target market, a market-media match exercise needs to be done and the role each medium would play in contributing to the achievement of media objectives is described. Summary explanation of the approximate allocation by medium is also provided.

### Usage of Media

Each medium lends itself for use in various ways, by way of commercial forms in which it is available. How each is to be used in terms of spot buying vs. sponsorship on television, time/space units general interest vs. special interest publications, prime time/space vs. non-prime time/space, colour vs. black & white, main issue vs. supplements and so on — are decisions to be taken so as to extract the best mileage out of the selected media.

### Geographic Allocation

In view of the market priorities and the differential media objectives set for such market, how the media mix is to be used in order to allocate the advertising effort is explained in strategic terms.

### Scheduling Strategy

The extent and spacing of the media activity in a time frame is expostulated. Rationales for controlling the continuity of the exposures are also provided. These are dependent upon various factors drawn from various background analysis done earlier on seasonality, competitive advertising, budgetary considerations, brand purchase cycle and so on.

Any other factor which is of strategic media significance and is believed to have a positive impact on the success of the media plan also needs to be highlighted in the Media strategy statement.

### Example

Brand X is a cough tablet distributed nationally, with a concentration in Maharashtra. Target audience: Men 8-45 years with an income of Rs 750 + per month, residing in urban areas, smokers who seek temporary relief by consuming brand X. Creative is based on Audio-Visual demonstration of product in use. The role of advertising is to keep the product at a 'Top-of-mind' recall level since it is an impulse purchase product.

### Media Strategy Statement

Given the target group exposure, the role of Advertising and the national coverage requirement, Television emerges as the most cost efficient and effective medium.

While National Television is to be used to provide for a national coverage, regional inputs for priority market of Maharashtra would be to provide with the use of the regional Television network. Programmes with consistent Men viewership would be chosen. Continuous advertising cannot be provided due to budgetary limitations, hence a 'PULSE' scheduling strategy is to be employed to maintain a perception of consistent presence.

### The Media Plan

The Media Plan consists of three broad sections:

- Media vehicle selection
- Media Plan and cost details
- Media activity schedule

What in your opinion would be the criteria to select media vehicles ?

If you have said Cost and Reach, then you've hit the nail on the head. However in order to drive the nail home, you need to rank the vehicles in order of merit, so that selection is possible. Ranking can simply be done by combining the two to get a cost-efficiency index.

### Media Vehicle Selection

Having obtained a somewhat large listing of various TV programmes and publications, you would then need to examine how well you could use these vehicles. Since a higher level of average exposure can be desired from a combination of two vehicles which have low levels of audience duplication, this factor has to be kept in mind.

Having done an optimization exercise which is maximizing returns (in terms of Reach/Frequency) on investments (in terms of media costs), a qualitative judgement is necessary to see whether the editorial environment is compatible with the advertising message, or evaluating a vehicle's audience profile in terms of the brand personality.

### Media Plan and Cost Details

Exact number of Television spots to be bought with each selected programme, in what duration, at what cost over what network for precisely which market and similarly the exact number of press insertions to be bought with each selected publication, in what size, at what cost, for which market — is indicated in great detail followed by Media Cost Summaries. The latter provide a management summary of the plan outlay by time period, market, medium etc.

### Media Activity Schedule

The calendar of media activity is provided on an actual visual diagram (see example below) wherein for each market, what precisely is planned through the campaign is provided at one glance.

		Activity Schedule					
Bombay			Rate	Cost	Jan '89	Feb '89	Mar '89
Television	Prog.	Dur.					
Chitragat		30 sec			xx	xx	x
Marathi Film		30 sec			x	xx	x

## 18.8 SUMMARY

- Media Planning is a decision making process, aimed to arrive at three basic decisions :
  - What should be the media objectives
  - Which media should be selected
  - How are the selected media to be used
- A media plan evolves from and is fully integrated with the marketing/advertising/creative objectives.
- Setting media objectives is essentially laying guidelines as to who the advertising must reach, where, when, how, how many, how often, how long and in what environment.
- Evaluating media opportunities is to explore which media are available and what role they could play in the coverage of the target audience.
- Developing a Media Strategy entails describing how precisely the selected media-mix would be used in relation to each other with a view to achieve the set media objectives.

It specifies geographic allocation and scheduling strategy.

- The media plan consists of actual media vehicle selection and their usage in terms of activity, the selection is based on both quantitative and qualitative parameters.
- Media plan evaluation is a crucial final step to check whether the planned media programme conforms to the objectives as set for it. The evaluation is necessarily qualitative and Reach and Frequency levels are fine-tuned if needed before the plan is implemented.

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## 18.9 SELF-ASSESSMENT QUESTIONS

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- 1) Explain the importance of media scheduling in general and for a specific line of products (either hypothetical or real) whose market has not yet fully developed. What strategic orientation you would like to give? Differentiate between various media plans as explained in Section 18.6.
- 2) Discuss the various steps involved in media planning. Is it going to be different in the case of industrial products than in consumer products? How?
- 3) "Television advertising is too expensive to be flirted with." Do you agree with the statement? List five characteristics that a product must have before advertising it on the television.
- 4) Are there any constraints on media planning? Identify media constraints in developing countries. Explain how you will deal with these constraints in developing media plans for (a) in-home video games (b) eradication of illiteracy among rural women.
- 5) You have understood that a media strategy must be based on adequate information. As a media strategist of a forest-based product, you have to decide :
  - a) Whether to use demographic pattern or the product usage pattern of your audience or both; and
  - b) Whether to use single media or multimedia for the products.State your objectives of the media strategy, collect information on media used by products similar to forest-based product, and explain your media strategy.
- 6) Assume that you are an advertiser of a stereo sound equipment. Would you:
  - a) Use a magazine or outdoors;
  - b) Radio or Television.Once you have selected the media and defended your selection with logical reasons, develop cost estimates for the same and their reach and frequency. For cost considerations, you may refer to Unit 17.
- 7) As a media planner for a pharmaceutical firm, your task is to develop media plans for a new cough-syrup to be sold in poly-sachets. Develop its objectives, media selection, and its likely pay-off.

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## 18.10 FURTHER READINGS

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- A.M. Barban, S.M. Cristoe and F.J. Kopek (1976), *Essentials of Media Planning* (Chicago: Illinois Crain Books).
- J.Z. Sissors & E.R. Petray (1976), *Advertising Media Planning* (Chicago, Illinois Crain Books).
- D.H. Gensch (1973), *Advertising Planning : Mathematical Models in Advertising Media Planning* (Amsterdam : The Netherlands Elsevier Scientific Publishing Company).
- W.H. Bolen (1981), *Advertising* John Wiley & Sons, N.Y.
- C.L. Bovee & W.F. Alens (1982), *The Contemporary Advertising* R.D Irwin, Inc. Homewood Illinois.

## Annexure 1

### Computer Models in Media Selection

Many agencies and advertisers are making effective use of the computer in storing and retrieving audience information. For the first time it is possible to make sophisticated use of data on reach, frequency, gross rating points, cost per thousand prospects and so on, for a wide variety of media. While this is largely a data processing function, the pay-off in more precise media selection has been great indeed. In practice, to date, most computer analysis is for intramedia comparisons. The qualitative difference across media cannot be reduced to number very well.

Another advantage has been the growing demand for more and better audience data. The media information services have in large part experienced greatest growth since the advent of the computer.

Finally, there is every reason to expect that the computer models discussed here and other yet to be devised will overcome many of the present limitations.

#### 1) Linear Programming Model

1.1 Linear Programming is intended to derive maximum values for a linear (straight-line) function, given certain constraints on the decision space. When applied to media selection, the model takes the following general form:

Maximize:

$$\text{Total exposure:} = \sum_{i=1}^I R_i x_i$$

$$\text{Subjected to:} \quad \sum_{i=1}^I C_i x_i \leq B$$

Where:

$$x_i \leq L_i$$

$$x_i > 0 \text{ for } i = 1, 2, \dots, I$$

$x_i$  = Number of insertions in medium  $i$

$C_i$  = Cost per insertion in medium  $i$

$B$  = Total advertising budget available

$L_i$  = Physical limit on insertions in medium  $i$

$R_i$  = Rated exposure value of a single insertion in medium  $i$

The computation routine consists first of dividing each  $R_i$  by  $C_i$  to derive the rate exposure value per rupee. Then, the objective is to select to medium that returns the highest rated exposure value per rupee ( $\frac{R_i}{C_i}$ ) and purchase as much as is possible, given the limits

imposed by  $B$  (advertising budget) and  $L_i$  (the total number of possible insertions, say 12 issues of a monthly magazine). Then the solution proceeds to the medium with the next-highest rating and continues until a media schedule is chosen which maximizes the objective function, subject to the constraints imposed.

1.2 The steps in a well-conceived LP media allocation procedure are as follows:

- Establishment of a target market objective.
- Procurement of data on the audience profiles of various candidate media.
- Application of effectiveness rating procedure encompassing at least two phases : (a) audience profile match and (b) analysis of qualitative considerations.
- Determination of the objective function in terms of rated exposure values per rupee.

- Quantification of all constraint conditions, including budgetary limits, limits on media availability, and judgement with respect to the maximum number of insertions desired in certain media.
- Application of a LP computational routine.
- Analysis of the resulting media plan to determine its sensitivity to changes in the constraint condition which are applied as well as changes in the rated exposure values of various candidate media. This will require a series of LP computations so that resulting changes can be isolated.
- Selection of the final media plan on the basis of judgement as to which solution seems most appropriate in terms of stated objectives.

**1.3 Advantages of Linear Programming:** The LP approach described above is valuable because it:

- Forces Definitions of Markets to be Reached.
- Requires Quantification of Qualitative Factors.
- Establishes a Clear Need for Audience Data.
- Can be applied to Problems with Variety of Media.
- Allows the Blending of Many Factors.

**1.4 Limitations Linear Programming.** The following limitations of linear programming should be recognized:

- The Assumption of Equal Effects Repeat Exposures.
- The Assumption of Constant Media Costs.
- The Danger of Fractional Time or Space Purchases.
- Solutions Determined without Consideration of Audience Duplication.
- The Illusion of Definiteness.

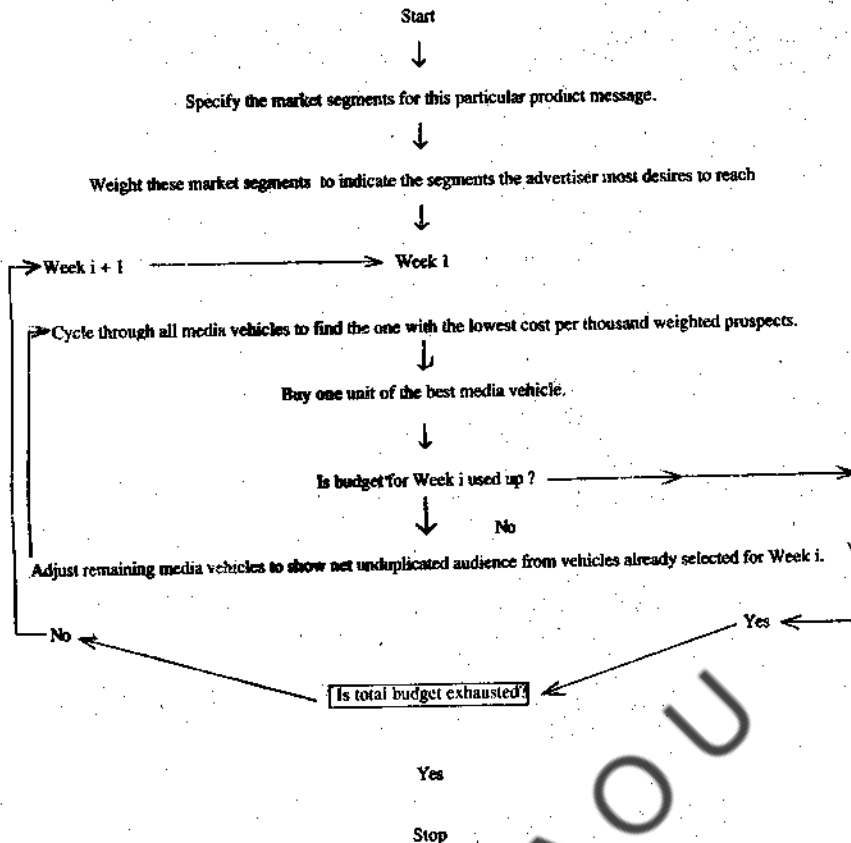
## **2) Iteration Models**

Media scheduling has made limited use of iteration models, in which the approach is to bring one media at a time into the solution, depicted below in Section 2.1.

Note that the medium with the lowest cost per thousand prospects is selected first. Then remaining media vehicles are adjusted to show net unduplicate audience from the vehicle or vehicles already selected. The process continues until the budget is exhausted.

While the iteration model is not hampered with the linearity assumption of LP it has the disadvantage that it cannot guarantee an optimum or "best" solution given stated constraints. This is because the computer algorithm is progressively limited as each medium is chosen. It cannot computer the value of different combinations of media because of the necessity of starting with the highest rated medium and proceeding to the next accordingly. While the first vehicle in the solution might be optimum, there is no guarantee that an optimum solution will rest with two or more media candidates.

## 2.1 Flow Diagram for the Iteration Model



Source: Dennis H. Gensch, "Computer Models in Advertising Media Selection," *Journal of Marketing Research*, Vol. 5, (November 1968), p. 416.

## 3 Simulation Models

Simulation models are designed to assess how a given media schedule or group of schedules will affect a target market. The approach in effect consists of storing the characteristics of a number of individuals in the computer and then evaluating their probable response to the media input. Three different approaches to simulation are in fairly widespread use: [1] the CAM model, [2] the Simulmatic model, and [3] COMPASS.

**3.1 The CAM Model.** In 1964, the London Press Exchange began operational use of its Computer Assessment of Media (CAM) model. It simulates the process by which individuals are exposed to both magazine and television advertisements. Viewing data are provided in four-week segments by Television Audience Measurement Ltd., and the data are converted into probabilities of viewing over the period of a year. Similar steps are taken on magazine data supplied by the National Readership Survey. Then the individuals into the two samples are carefully paired off so that television viewing and magazine reading patterns are assigned to each individual. These data are then stored in a computer.

Next a target audience for a campaign is selected and weighted. A perception value is assigned to each media vehicle, which attempts to assess the impact an advertisement will have on the viewer or reader in terms of exposure. This is further weighted by variations in prestige and influence from one publication to another. A final series of weights called impact weights is then assigned the message on the person who sees or views it.

The model makes use of a single score which describes how much advertising an individual will receive. The probability of receiving an impression (PRI) is computed as follows:

$$\text{PRI} = \text{Adjusted probability of seeing or viewing the media vehicle} \times \text{perception} \times \text{selectivity} \times \text{impact.}$$

Media schedules then are run, and a single score is produced from the simulated response of the sample of individuals which serves as the criterion of choosing between media schedules

**3.2 The Simulmatics Model.** The Simulmatics Corporation stores information on nearly 3,000 imaginary individuals representing a cross section of the U.S. population four years of age and over. Data are included on socio-economic characteristics as well as media exposure habits. As with the CAM model, the simulated audience is exposed to an actual media schedule. Modifications are introduced to account for habit formation, saturation with too many of one type of medium, and so on. The summary statistics depict the probable viewing or listening audience and the extent of their exposure.

**3.3 Compass.** Ten large advertising agencies have retained a consulting firm to develop a simulation model referred to as COMPASS (Computer Optimal Media Planning and Scheduling System). No details have been made public.

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## Annexure 2

### The Minimum Reach and Frequency (MRF) Model

#### 2.1 Introduction

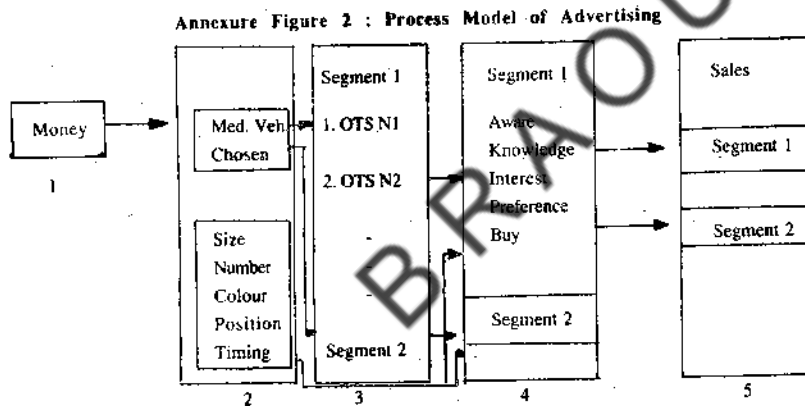
Every advertiser, whether in India or abroad, makes a decision about media planning at least once a year, if not more. In India, the decisions have been based so far on intuition and non-formal procedures. But formal methods can help an advertiser to utilize his advertising rupee better. Motivation for an advertiser to use formal methods in media planning stems from two factors: firstly the expenditure in advertising is very high the Indian industry spent over Rs. 3000 crores on media during 1988-89 and secondly, the number of alternative media available is very large.

The prevalent practice of press media planning in India is to use available circulation and readership data to draw up media plans that will give the desired "reach" and average frequency of exposure among the target audience. Plans drawn through conventional non-formal methods obviously lack in precision and result only in crude estimate of the "reach" and the average frequency of exposure.

This annexure presents a quantitative model for press media planning which uses available audience data and research. The model selects the lowest cost media plan which achieves the desired "reach" and "average" exposure frequency per person in several target audience groups.

#### 2.2 The Process Model of Advertising

Figure Annexure 2 shows the process model of Advertising



The Advertising process starts with the total money available (or required by) the media planner for buying time and space in different media vehicles (Box 1). The planner, through some decision process, converts money into physical quantities like choice of media vehicles and size, number, colour, position, and timing of the advertisement in each of the media vehicles (Box 2). The choice of media vehicles, depending on the audience profiles of the chosen vehicles results into providing zero opportunities – to – see (OTS) to some members of the target audience group(s). The distribution of OTS along with the other decision variables of Box 2 (size, number, etc.) influences the "effect of advertising" in each of the target audience groups. The effect is to be measured in terms of the states of mind and behaviour of the group, e.g., unaware, aware, knowledge, and lastly a state "buy" (Box 4). The distribution of members of each of the target audience groups in these states will decide the level of sales generated during current and future time periods (Box 5).

For using this advertising process as a basis for developing a media planning model, it is necessary to obtain the following relationships either theoretically or empirically:

- 2.2.1 Relationship between the choice of media vehicles and the distribution of OTS.
- 2.2.2 Effect of distribution of OTS and other variables of Box 2 on each of the states listed in Box 4.

2.2.3 Relationship of distribution of the members of each target audience group in state to sales achieved in current and future time periods.

Relationship 2.2.2 and 2.2.3 above singly or jointly are termed as response functions.

2.3 The Model

Since the existing model of media selection are not suitable to Indian conditions, this model has been developed to select a minimum total cost media plan so as to achieve:

- A desired minimum reach in each of the target audience groups.
- A desired average OTS per member reached in each of the target audience groups.
- The actual number of insertions in each selected media vehicle between a minimum and a maximum number specified by the planner.

The detailed mathematical model is given in Section 2.5.

An equivalent verbal representation will be as follows :

$$\text{Min : Sum of } \{ \text{vehicles under consideration, } \} \tag{1}$$

Such that :

$$\text{Minimum achieved reach} \geq \text{Desired minimum reach for all target audience groups} \tag{2}$$

$$\text{Achieved avg. OTS per person} \geq \text{Desired average OTS per person for all target audience groups.} \tag{3}$$

$$\text{Desired maximum number of insertions} \geq \text{Number of insertion in the media vehicle if selected in each media vehicle} \geq \text{Desired min. number of insertions} \tag{4}$$

A major difficulty in obtaining a solution of the above model is that the method of obtaining the minimum reach of a media plan is complex. A mathematical formulation for obtaining the minimum breach of a media plan is given in Section 5. If this is incorporated in the model, it will not be possible to obtain a solution with existing techniques of optimization.

2.4 The Heuristic Method to Solve the MRF Model

To circumvent the problem, constraints (2) and (3) are combined to get a single constraint. As reach times the number of OTS per person reach is total OTS, constraints (2) and (3) become

$$\text{Achieved total OTS} \geq \frac{\text{Desired reach} \times \text{Desired OTS per person}}{\text{Desired OTS per person}} \tag{5}$$

The derived problem then becomes :

$$\text{Min : Sum of } \{ \text{Cost per insertion} \times \text{No. of insertion in all media vehicles} \} \tag{6}$$

Such that :

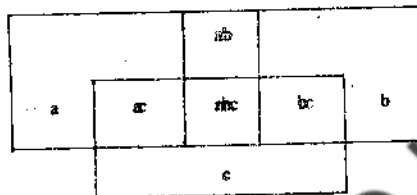
$$\text{Desired maximum number of insertions} \geq \text{Number of insertions in a media vehicle if selected in each media vehicle} \geq \text{Desired Minimum Number of Insertions} \tag{7}$$

$$\text{Achieved total OTS} \geq \frac{\text{Desired minimum reach} \times \text{Desired average OTS in each target audience group}}{\text{Desired average OTS in each target audience group}}$$

To solve the original problem (1 - 4), the modified problem 6, 7, and 8 is first solved. As the solution to this problem gives the publications selected in the media plan, the reach and average OTS of this media plan are tested for each target audience group (through constraints 2 and 3). The calculations of reach is made by solving the mathematical programme of Section 2.5. If the reach and the average OTS achieved in each target audience groups are more than the desired values, the media plan obtained is the best (optimal). However, it is possible that in one or more target audience groups the achieved reach and the OTS are less than desired. In such a case, increase the desired OTS in that audience group in the modified problem and resolve the modified problem. The procedure terminates when either all reach and OTS constraints are satisfied (solution obtained - or one or more reach and/or OTS constraint cannot be satisfied implying that the media vehicles under consideration cannot achieve the desired values, i.e., no solution exists for the problem as defined).

### 2.5 Explanation for Data Requirement for finding Reach

2.5.1 Supposing that three are media vehicles and only one target audience group under consideration. They are A, B, and C. Let the individual audience be a, b, and c. The common audience of A and B will be ab, of B and C bc and of A and C be ac. Also let audience common to A, B and C be abc. The exact reach as is obvious from the diagram, will be  $a + B + c - ab - ac - bc + abc$ . So, data on abc (higher order overlap) is needed to obtain the exact reach. Similarly, it can also be shown that data on higher order overlaps is needed for finding distribution of OTS.



2.5.2 The MRF Model formulation is as follows :

$$\text{Min : } \sum_{j=1}^m = 1^c_j x_j \quad (1)$$

Subject to

$$R_j \geq R_i^* \text{, for } i = 1, 2, \dots, S. \quad (2)$$

$$\frac{\sum_{j=1}^m A_{ij} x_j}{R_i} \geq F^* \text{ for } i = 1, 2, \dots, S. \quad (3)$$

$$\left. \begin{aligned} x_j - L_j z_j &\geq 0, \\ k_{j_1} z_j - x_j &\geq 0, \end{aligned} \right\} \text{ for } j_1 = 1, 2, \dots, m. \quad (4)$$

all  $x_j$  are 0 or 1 and  $x_j$ 's are non-negative integers.

where

- $m$  : Total number of media vehicles (publications) available for selecting a media plan.
- $S$  : Total number of target audience groups to be considered.
- $R_i^*$  : Desired minimum reach in target audience group  $i$ , for  $i = 1, 2, \dots, S$ .
- $A_{ij}$  : Audience of the media vehicle (publication)  $j$ , in the target audience group  $i$ , for  $i = 1, 2, \dots, S$ , and  $j = 1, 2, \dots, m$ .
- $A_{j_1 r}$  : Common audience of the media audience group  $i$  for  $i = 1, 2, \dots, S$ , and  $j_1, \dots, j_r = 1, 2, \dots, m$ , where  $r = 2, 3, \dots, m$ .

- $C_{j_1}$  : Cost per insertion in media vehicle  $j_1$ , for  $j_1 = 1, 2, \dots, m$ .
- $L_{j_1}$  : Minimum no. of insertions to be put in the media vehicles  $j_1 = 1, 2, \dots, m$ , if selected.
- $K_{j_1}$  : Maximum number of insertions to be put in the media vehicles  $j_1$  if it is included in the media plan, for  $j_1 = 1, 2, \dots, m$ .
- $R_i$  : The reach attained by a media plan in target audience group  $i$ , for  $i = 1, 2, \dots, S$ .
- $F_i$  : The frequency (average OTS) attained by the media in target audience group  $i$ , for  $i = 1, 2, \dots, S$ .
- $z_{j_1}$  : 1, if the media vehicle  $j_1$  is included in the media plan.  
0 otherwise, and
- $x_{j_1}$  : The number of insertions to be placed in the media vehicle  $j_1$ .

The modified problem used in obtaining a solution was as follows :

$$\text{Min : } \sum_{j_1=1}^m C_{j_1} x_{j_1} \quad (1)$$

Subject to

$$K_{j_1} z_{j_1} - x_{j_1} \geq 0 \quad \text{---for } j_1 = 1, 2, \dots, m. \quad (4)$$

$$x_{j_1} - L_{j_1} z_{j_1} \geq 0$$

$$\sum_{j_1=1}^m A_{ij_1} x_{j_1} \geq R_i F_i^* \quad i = 1, 2, \dots, S \quad (5)$$

all  $z_{j_1}$ 's are 0 or 1  $x_{j_1}$ 's are non-negative integers.

### 2.6 Micro Lower Bound on the Reach of Media Plan of Vehicles

The micro lower bound on the reach of a media plan of  $m$  vehicles would be given by the optimal objective function value of the following non-linear mathematical programme.

$$\text{Max } \{ (M^* - 1) \sum_{j_1=1}^M A_{ij_1} z_{j_1} - \sum_{j_2 > j_1 = 1}^M A_{ij_2} z_{j_2} z_{j_1} \} / (M^*) \quad (1)$$

Subject to

$$m^* \geq \{ [2 \sum_{j_2 > j_1 = 1} A_{ij_2} z_{j_2} z_{j_1} / \sum_{j_1=1}^M A_{ij_1} z_{j_1}] + 1 \} \quad (2)$$

$$m^* \leq \{ [2 \sum_{j_2 > j_1 = 1} A_{ij_2} z_{j_2} z_{j_1} / \sum_{j_1=1}^M A_{ij_1} z_{j_1}] + 2 \} \quad (3)$$

$z_{j_1} = 0$  or  $1$ , for  $j_1 = 1, 2, \dots, m$  and  $m^*$  in a positive integer

The above programme seems to be intractable in nature. However, if  $m^*$  is assumed to be fixed, it can be reformulated as a 0-1 quadratic programme.

$$\text{Max } \{ (m^* - 1) \sum_{j_1=1}^M A_{ij_1} z_{j_1} - \sum_{j_2 > j_1 = 1} A_{ij_2} z_{j_2} z_{j_1} \} / (M^*) \quad (4)$$

Subject to

$z_{j_1}$ 's are 0 or 1.

It is obvious that the value of  $m^*$  would lie between 2 and the integral part of

$$(2) \sum_{j:2 \rightarrow j = \bar{j}} A_i j^2 / \sum_{j:1 \rightarrow \bar{j}} A_i + 2 \text{ say } M^{**}$$

For each value of  $m^*$  starting from 2 to  $m^{**}$  a different 0-1 quadratic programme could be formulated and solved. It would be easy to check back whether the actual value of  $m^*$ , in different cases, satisfied the constraints (2) and (3). The maximum objective function value corresponding to the solution for which  $m^*$  satisfies constraints (2) and (3) would be the optimal value of the non-linear programme (1) - (3). As such, this value would be the micro lower bound on the reach of the media plan in target audience group  $i$ .

## 2.7 The Implementation Model

The MRF and the solution procedure outlined above were applied to develop a media plan for a frequently bought, low value, daily use convenience—packaged product in one of the four zones of India. The model required some judgemental data as well as some hard data.

### 2.7.1 Data for the Zonal Plan

The media plan was to be developed only for the western zone. The user decided that the target audience groups for the product were all adults residing in urban areas in:

- a) Middle-middle income category
- b) Upper-middle income category
- c) Upper income category
- d) Gujarat State
- e) Madhya Pradesh State
- f) Maharashtra State

2.7.2 The following data was then generated for the MRF model. The judgemental data was arrived at through discussions with the user.

- a) **Publications to be considered** : In all, 46 publications were considered to be appropriate for advertising the product.
- b) **Minimum and maximum number of insertions** : For each of the 46 publications, a minimum and a maximum number of insertions were specified. The minimum number of insertions was decided on the basis of the judgement that if a publication was included at all in the media plan, it would have a number of readers who did not read other publications; therefore, such readers should be provided a minimum number of OTS to get some response. The maximum number of insertions reflected the judgement of the user that a larger number of insertions would not lead to added response.
- c) **Minimum reach** : On the basis of past research on the usership of the product and the expected sales in the period for which the media plan was being developed, reach targets in the three income groups for the zone as a whole were specified. Minimum reach was not specified in the three states because it was assumed that the reach in each income category of a state would be proportional to the reach for the zone as a whole in the category (see Table 2.1 (annexure) for the reach specified by the user).
- d) **Minimum average OTS**: For the three income categories, it was thought that an average of 20 OTS per person would be required to evoke reasonable response from an individual.
- e) **Total OTS**: The minimum total OTS desired in a state was specified as proportional to the sales potential of the state in the zone.

(Item g — e constituted the judgemental data required for the MRF model. In any application of the model the user has to provide these judgemental data.)

- f) **Media audience and cost data** : The audience of each of the 46 publications in each of the six target audience groups was obtained from the NRS report. Common audience of all combinations of two of the 46 publications in the three income categories (in which minimum reach was specified) was also required in the model. The NRS report provided common audience data on the basis of overall media vehicle audiences and not in each income category. To obtain the common audience between any two publications in each income category, the user agreed to make an assumption. The assumption was that the ratio of the common readership of one publication with another

to its readership would be the same in all the income categories in a zone. For example, assume that 10% of all the readers of the Times of India also read The Indian Express. Then, in each of the income categories also, 10% of the readers of The Times of India were assumed to read The Indian Express.

- g) The cost per insertion in each of the 46 publications was provided by the user.

### 2.8 The Results

Using the above data, the MRF model was formulated and solved to obtain the minimum cost media plan. A comparison of the desired reach and OTS values in each target audience group and the values achieved by a media plan developed by the user and the plan developed by applying the heuristic method was made.

Results of the comparison are presented in Table 2.1 (annexure). It may be noted that knowledge about the reach and average OTS per person for the user's plan could be had only by using the method of estimating reach suggested here.

These results showed that the media plan developed through the application of the method had about 40% lower cost in comparison with the plan developed by the user.

Table 2.1 (Annexure) : Comparison of Media Plans for a Zone

Characteristics	Desired Minimum Value	Media plan developed by Heuristic	
		User	Method
1. Publications in the final plan (Nos.)	-	46	28
2. Total Cost (Rs.)		1,88,366	64,690
3. Minimum reach in income category (in lakhs)			
a) Upper	6.5	8.58	8.82
b) Upper middle	12.2	13.2	12.3
c) Middle	19.6	24.0	23.06
d) Total	38.3	45.70	43.30
4. Average frequency (DTS) per individual in income category (Nos.)			
a) Upper	20	25.0	21.0
b) Upper middle	20	24.4	21.0
c) Middle	20	23.5	21.6
5. Total OTS in state (in lakhs)			
a) Maharashtra	467	981.00	813.73
b) Gujarat	161	389.00	346.85
c) Madhya Pradesh	138	212.00	235.70

### 2.9 The Evaluation of the Model

The MRF model provides certain advantages to the media planner. But it has its limitations.

#### 2.9.1 Advantages

- Solution of the mathematical programme provides the user with an improved (lowest cost) media plan as compared with the non-formal, manual method. The improved results are mainly due to a better method of estimating the minimum reach of a media plan and a systematic search for improved solution through higher speed devices (computer).
- The decision parameters used in the model are the ones currently being used by advertising practitioners in India (i.e. reach and average OTS per person reached). As the methods of obtaining these parameters for a media plan were not well known so far in the profession, the use of even these parameters was not explicit. The MRF model forces a media planner to state explicitly the requirement of reach and average OTS which will be consistent with the general marketing objectives. As such the use of this model will, most probably, help the practitioners in sharpening their own judgement.
- The model in its current form is capable of dealing with multiple target audience groups.

### 2.9.2 Limitations

- a) Since the model uses the NRS data, it is essentially meant for press media planning only. However, this is a data specific limitation rather than the limitation of the model itself. If detailed data on audience of individual vehicles or different media is available, the same model can be used for developing a multimedia plan or a separate media plan for radio and cinema.
- b) The output parameters used in the model are only the reach and the average OTS and not the response of the audience groups. However, as pointed out earlier, the lack of research studies and unwillingness of practitioners to provide judgemental data makes the formulation of a response model an impossible task for the time-being. It is believed that experience with this model will stimulate efforts in future for more research on advertising response functions. Response functions will help in specifying the proper reach and the OTS parameters for the MRF model.
- c) It is possible to argue that the model required considerable judgemental data. However, in the absence of research work, it is necessary to use judgement. Also, it requires no more judgement than what the practitioners are currently making and are familiar with.
- d) The model provides the total number of insertions in each publication and not their timing. This definitely is a limitation of the model. However, once again, if scheduling of advertisements has to form a part of the model, the effect of timing on target audience would have to be known. As already pointed out, response functions are not available so far in India.
- e) The model, as it exists, does not consider the casual readership of publications. Steps in that direction are under way. Also, the solution procedure is only a heuristic which does not ensure the best results (minimum cost). In a set of small sample problems, the results obtained through the heuristic method were within 1-2% of the optimal results. This, however, does not ensure the same level of accuracy for large problems.

### 2.10 Imperatives

As the model uses complicated mathematics and requires analysis of large data, a high speed facility with memory (like a computer) is necessary. For making the MRF model operational, the development effort will involve writing computer programmes and writing the entire NRS data on a magnetic tape which can be used along with the programme. All this effort is likely to cost to a user. Operating costs of running the model for developing a media plan will include costs of punching of the input data, running the programmes on the computer, and interpreting the results. The total cost of developing a media plan, therefore, will include the operating expenses (which will vary according to the type of computer and the facilities that a computer centre offers) and an amortization amount towards the development costs.

# UNIT 19 MEASUREMENT OF ADVERTISING EFFECTIVENESS

## Objectives

A careful study of the unit will enable you to :

- make a thorough examination of the concept of advertising effectiveness and its measurement problems
- determine objectives of such evaluation for ensuring better pay-offs
- discuss the types and techniques of advertisement evaluation and
- derive practical lessons for coping with the real-world difficulties in advertising evaluation.

## Structure

- 19.1 Introduction
  - 19.2 Concept of Effectiveness and Measurement
  - 19.3 Types of Advertising Evaluation
  - 19.4 Pre-testing Techniques of Advertising Evaluation
  - 19.5 Post-testing Techniques of Advertising
  - 19.6 Advertisement Evaluation – Some Final Points
  - 19.7 Summary
  - 19.8 Suggested Readings
  - 19.9 Self-assessment Questions
- Appendix — a note on correlation between Advertising Expenses and Sales Revenue

## 19.1 INTRODUCTION

By now it should be evident to you, that promotional decisions—especially advertising have a momentous impact on an enterprise and its standing in the market. Crores of rupees are spent in researching, designing and executing advertisement with the objective of creating a favourable impact. However, evaluation of this impact is often tricky. Marketers face anxious time to demystify the process of advertising evaluation. The endeavour of this unit is to contribute to this process of clarity.

## 19.2 CONCEPT OF EFFECTIVENESS AND MEASUREMENT

The trials and tribulation of marketers begin as they set out to conceptualize the two key terms of advertisement measurement viz. effectiveness and measurement. A liberal use of such familiar terms as productivity, performance, ability, efficiency and impact has further confounded the confusion. Reddin's (1970) description of effectiveness, however, comes very handy in this context. According to him, effectiveness "means doing things rightly, producing creative solutions, optimising resource allocation and utilization and obtaining results".

The task of defining 'measurement' too is fraught with several issues. The fact that multiple approaches and models for measurement are available and that, many of them may run contrary to each other, is likely to impair further the process of advertisement evaluation.

However, to cut through this maze, marketers should regard these differences as merely "family squabbles within a scientific community" and take a positive view that these techniques only aim at broadening our measurement perspective.

**Why Measure at all ?**

The advertising and marketing world appears divided on whether it should measure the effectiveness of advertisement. Since most advertisers demand proof that funds allocated for advertising have paid off, this measurement has to be conducted. However, a majority of advertising agencies are sceptical about the evaluation process. Firstly, they feel that there is no, and indeed there can never be, precise concept of 'effectiveness' and its 'evaluation'. Secondly, according to them, creativity and evaluation are *per se* incompatible. In spite of these divergent views, the advertisement community feels on balance, that arguments for evaluation outweigh the ones against it and that evaluation can help advertisers and agencies both in achieving a better understanding of their customers. It is further felt that expensive errors of judging advertising strategy can also be prevented and that advertisers can have tangible measures of advertising measures effectiveness, besides sales results. Table 1 presents the nine measures called PACT (Positioning Advertising Copy Testing).

Table 1 : The PACT Principles of Advertising

An effective advertisement evaluation

1. Provides measurements which are relevant to the objectives of the advertising.
2. Requires agreement about how the results be used in advance of each specific test.
3. Provides multiple measurements, because single measurements are generally inadequate to assess the performance of an ad.
4. Is based on a model of human response to communicate the reception of stimulus, the comprehension of the stimulus, and the response to the stimulus.
5. Allows for consideration of whether the advertising stimulus should be exposed more than once.
6. Recognizes that the more finished a piece of copy is, the more soundly it can be evaluated and requires, as a minimum, that alternative executions be tested in the same degree of finish.
7. Provides controls to avoid the biasing effects of the exposure context.
8. Takes into account basic considerations of sample definition.
9. Demonstrates reliability and validity empirically.

**Activity 1**

Identify one possible advantage and disadvantage of advertisement evaluation each from social, economic and technical perspectives.

**Answer**

- a) The social advantage and disadvantage of advertising evaluation will include .....
- b) The economic advantage and disadvantage of advertising will include .....
- c) The technical advantage and disadvantage of advertising evaluation will include .....

**DAGMAR Approach**

As suggested above, to get on with the task of evaluating advertising several solutions have been preferred. They aim at conceptualizing both 'effectiveness' and 'measurement' of advertising. One such approach is called DAGMAR --- Defining Advertising Goals for Measured Advertising Results. It is felt that DAGMAR is the only legitimate way to evaluate advertising.

The DAGMAR approach was presented by Russel H. Colley in 1961. As the title suggests, it begins by setting specific goals for a particular timeframe but putting them in writing. These goals may pertain to sales, image, attitude and awareness. Later a comparison is made

between performance on these counts and projected goals. Thus, if a company expected an increase of 15% in the annual sales as a result of advertising, the advertisement would mean to have achieved its purpose if the sales had recorded the projected rise.

DAGMAR has both its supporters and critics. According to its supporters, the approach functions as a planning tool for executing control and guides the creation of advertisement. To the critics, setting up of clear objectives — a basic input to DAGMAR, may not be so easy and may also inhibit creativity.

### 19.3 TYPES OF ADVERTISING EVALUATION

Marketers have a choice for conducting either pre-test evaluation or post-test evaluation or both together. The objective of pre-testing is to increase likelihood of preparing most effective advertising message. It can help detect and eliminate weaknesses or flaws that may ultimately result in consumer indifference or negative audience response.

Post-testing evaluation, on the other hand, pertains to determining effectiveness of an advertisement or campaign after it has run. It is normally more expensive and time-consuming. However, it is superior to pre-testing because the former uses real-life setting to collect and analyse data in order to evaluate advertisement effectiveness. The findings obtained from post-testing can provide useful guidelines for future advertisements.

Figure 1 illustrates areas where research can be done for pre-testing as well as post-testing advertisement effectiveness.

Figure 1: Areas of Evaluation in Pre-testing and Post-testing

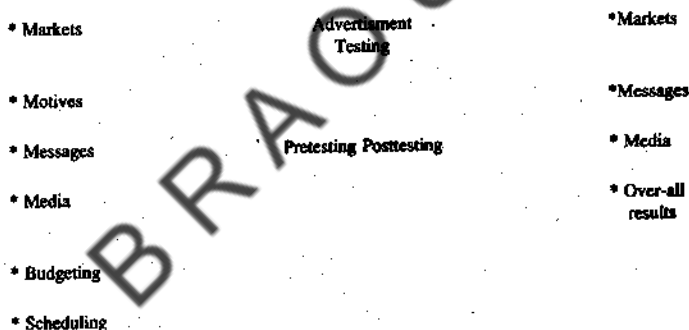


Table 2 provides a bird's eye-view of various techniques using two dimensions of Advertising and Product related tests and the experiment setting between laboratory and real world measures :

Table 2 : Classification of Advertising Test

	Advertising Related Test (reception of or response to the message itself and its contents)	Product-Related Test (impact of message on product awareness, liking intention to buy or use)
	Cell — I	Cell — II
Laboratory Measures (respondent aware of testing and measurement process)	<b>Pre-testing Procedures</b> 1. Consumer jury 2. Portfolio tests 3. Readability tests 4. Physiological Measures 5. Eye Camera 6. Tachistoscope 7. GSR/PDR	<b>Pre-testing Procedures</b> 1. Theater tests 2. Trailer test 3. Laboratory stores

	Cell — III	Cell — IV
Real-world Measures (respondent aware of testing and measurement process)	<b>Pre-testing Procedures</b> 1. Dummy advertising vehicles 2. Inquiry tests 3. On the air tests.	<b>Pre-testing and Post-testing Procedures</b> 1. Pre-post test 2. Sales tests 3. Mini-Market Tests
	<b>Post-testing Procedures</b> 1. Recognition tests 2. Recall tests 3. Association Measures 4. Combination Measures	

**Activity 2**

Complete the following sentences :

I will recommend pre-testing/post-testing or both (tick as appropriate) for evaluating :

- a) advertisement for admission by a leading management institute because .....
- b) advertisement for announcing the entry of a superior brand of photocopier in India because .....

**19.4 PRE-TESTING TECHNIQUES OF ADVERTISING EVALUATION**

Pre-testing advertisement effectiveness has been both applauded in marketing world for its early-warning signals and assailed for its unreal testing environment. Having said that, it must be recognised that pre-testing may become indispensable in many decision situations — especially relating to new product introduction or to a complete overhauling of media strategy. This section focuses on the pre-testing techniques for evaluating both print ads and broadcast ads. Additional techniques too have been mentioned.

**Pre-testing Prints Ads**

There are numerous popular techniques used by researchers to pre-test print ads. Table 3 summarises them :

**Table 3 : Techniques for Pre-testing Print Ads**

- Order of Merit Test
- Paired Comparison
- Portfolio Test
- Mock Magazine Tests
- Direct Questioning
- Perceptual Meaning Studies (PMS)
- Focus Group

The first technique i.e. **order of merit test** seeks to obtain a ranking given by the potential prospects to the test-advertisement. The test hopes to have a consensus ultimately, about the best ad even though the advertisement with the highest ranking may turn out to be the best among the worst ones. The second technique i.e. the **paired comparison** attempts a one to one comparison between the test ads. The technique is easier to use than the order of

merit method. The technique of **portfolio test** seeks to mix the test ads with other regular advertisements. The potential consumers and audience is divided in two groups called experimental groups and control groups. While the experimental group is shown the large portfolio containing test advertisements with regular ones, the control group evaluates the ad portfolio without the test ads. Later a recall test is conducted to determine reactions to the test ads. **Mock Magazine** is a variation of portfolio method and uses a real magazine instead of portfolio created for testing. The method, also dubbed as too-in method, introduces test ads in a magazine to an experimental group to read. The magazine is like any normal one. The control group will read the same magazine but untempered by the introduction of test ads. Later a recall test would be conducted to determine effectiveness of test ads. The technique of **Direct Questioning**, on the other hand, seeks fuller answers to such questions as to what do test advertisements say? What could be the purpose of advertising etc.? It seeks meaningful reactions to test ads. The **Perceptual Meaning Studies (PMS)** uses time-exposures to test the ads. It may use electronic tachistoscope presentation instrument. The respondents see the test ad for a predetermined time. Later, they are questioned on the recall of product, brand illustration copy and the main ad copy. This exercise may be repeated several times over to gain further reaction/response. Focus group is, by now a very familiar technique, and quite useful in the present context as well.

**Activity 3**

Select the most appropriate technique for testing a recruitment-ad by a large drug manufacturer in India. The ad is for attracting women in its sales force. Explain why you have chosen the technique?

**Answer:** I will recommend .....

(name of the technique) because .....

**Pre-testing Broadcast Ads :** Besides the ones noted above, a number of other methods are used to pre-test radio and television commercials. Table 4 displays these techniques.

Table 4 : Pre-testing techniques for Broadcast Ads.

- In-home Projection Tests
- Trailer Tests
- Theater Tests
- Live Telecast Ads

The **in-home projection test** — often called the 'Black-Box' method, uses a small movie projector (16 MM) to run test commercials at respondents' home. The respondents are questioned before and after the exposure, on ad-related questions to measure change caused by the exposure. It, thus, provides an early evaluation of strengths and weaknesses of the ad. The **Trailer tests** are conducted at a natural shopping environment to measure actual consumer behaviour. The tests may be set up inside a shopping centre, its parking lot, rear portions of the shopping complexes, etc. The potential customers are invited to the display and interviewing. The invitation also promises discount coupons for purchasing displayed brands. Another group of buyers may be given the same discount coupons but without having been shown the test ads. The difference in redemption rate of coupons between these two groups, will measure effectiveness of test ads. Compared to in-home method, this method is less expensive and less selective too. The **theatre test** is the most popular method for evaluating test ads. The test offers captive audience collected for entertainment. Here, respondents selected on a random basis, may be sent a questionnaire to fill up. Later, they are sent free tickets to the programme where test ads are run. Once they have viewed, another set of questions could be mailed to find their assessment of the product, brand and ad theme. Finally, the **Live telecast tests** are done under normal viewing conditions in order to reduce inaccuracies noticed in artificial testing environment. Also known as on-air or in-the-market test, these may include broadcasting test ads on closed circuit and cable TVs, or even on regular channels by substituting regular ads with the test ads. Thereafter, through telephone or personal interviews, reactions of the potential customers can be measured for the test ads.

#### Activity 4

A large multi-product company is entering capital market for the first time for an equity issue worth Rs. 350 crores. It has designed television ads to promote the share issue. Recommend the most appropriate pre-testing technique for measuring the two test ads that it has prepared. Also explain why?

Answer: I will recommend .....(name of the technique) because .....

#### Additional Pre-testing Techniques

Table 5 lists additional pre-testing techniques available at the discretion of marketers.

Table 5 : Additional Pre-testing Techniques

- Sales Experiments
- Direct Mail Tests
- Physiological Testing
- Psychological Testing

**Sales experiment**, its a pre-testing technique that involves running of one or more ads on a small scale as a prelude to the national campaign. Under the method, two or more comparable marketing areas are selected for running the test ads for a prescribed period usually one to four months. The test requires a careful and precise planning and implementation to produce valid results. It, thus, could be quite expensive. It is more relevant for an advertising that aims to motivate immediate sales response. It is also advisable in testing the ads for frequently purchased products. However, care has to be taken that competitors do not copy the ads.

**Direct Mail Test** are normally conducted by mail order markets on their prospects selected on a random basis from the mailing list. These prospects are then sent the different test ads usually printed on the mailing card. The orders received against each test ad, often accompanied by a discount or free sample offer, will determine the effectiveness of advertisement.

**Physiological Testing** aims to measure subconscious responses to test ads. The concern is interested in what the subject does as a response to the advertisement rather what he says about it. The most common methods of physiological testing use sophisticated equipments to record the subjects' physical responses. These include pupilometric devices, eye movement cameras, galvanometers and tachistoscopes. Recently some use has even been made of electroencephaiographs. Table 6 illustrates these briefly:

Table 6 : Physiological Pre-testing Techniques

- **Pupilometric Devices** : This method was developed by Eckhard Hess and James Polk and is used to evaluate interesting or appealing visual stimuli. It assumes that pupils dilate when the subjects are exposed to these stimuli for a period of 10 seconds. Subjects left eye is photographed with an eye camera to record pupils dilation at the exposure of neutral and test stimuli. The percentage change in pupils dilation indicates test ad effectiveness.
- **Eye Movement Camera** : Regarded as more accurate in evaluation, it seeks to track the subjects eye movement over the layout of the test ads. The route that the subject's eye travels is super-imposed over the advertisement to show the path taken and the areas of interest and attention of the subject.
- **Galvanometer** : This method measure changes in body response as the subject looks at the advertisement, by linking zinc electrodes to the subject palm and a forearm. A 25 multiampere current is then passed through the subject in at the palm and out at the elbow. When the subject reacts to the advertisement, his or her sweat gland activity increases, electric resistance decreases and the current passes through faster. These changes are recorded on a revolving drum apparatus. The method is based on the assumption that greater the tension created by the advertisement, more effective the ad is. It has most relevance to strong feeling advertisements.

- **Tachistoscope** : The method evaluates the physical perception of the subject under varying conditions of speed, exposure and illumination. It controls the subjects exposure to an advertising message with a view to find how long it takes respondent's to reach the intended point of headline, body text and illustration.

The description so far of pre-testing advertising devices demonstrates clearly that there is no one superior method among the array of available ones. Each method has its own weaknesses and strengths and scope and limitations. The artificial environment is perhaps the most common limitation of all pre-testing methods. On the other hand the subjects themselves may not truly represent the actual buying behaviour. Further more the respondents tend to assume their status as that of an expert. Finally, the halo-effect may also reduce the accuracy of their ad measurement.

**Activity 5**

A social organisation aiming to improve female literacy in rural areas, is planning a newspaper advertisement. Advise the organisation whether it should pre-test the message and if yes, how ?

**Answer**

- a) I will/will not recommend pre-testing because .....
- .....
- .....
- .....
- b) (if the answer to (a) is positive) I recommend the .....  
(name of the technique) for pre-testing the intended advertisement.

## 19.5 POST-TESTING TECHNIQUES OF ADVERTISING

Post-testing techniques of evaluating advertisements aim to determine what awareness or attitude changes have been achieved and what impact the advertising has had on sales results. Following are the major categories of Post-testing techniques.

**Major Post-Testing Techniques**

- Aided Recall (Recognition/Readership)
- Unaided Recall
- Attitude Tests
- Enquiry Tests
- Sales Tests

**Aided Recall (Recognition/Readership/Viewership)** : Aided recall tests have a 65 year old history dating back to 1923. It was Daniel Starch who detailed them in his book entitled Principles of Advertising (Chicago : A.W. Shaw 1923). Since then, the tests are the common routes towards determining ad effectiveness.

In the method, interviewers contact the target audience/buyers with the prints ads or the TV commercials on a tape, and question them about their recognition, readership and viewership. Those interviewers may hail from the ad-agency concerned or to an independent marketing research organization. The tests provide answers to the questions on current ads and comparative readability with the past ads etc., either on the same brand, or product category or for the advertisers.

**Unaided Recall** : The unaided recall test aims to measure penetration of an advertisement. They are regarded as more demanding than the aided recall. They make viewers/readers recall what advertisement they had seen and what they remembered.

Several routes of unaided recall are in vogue in advertising world. For instance, it could be a **Day-After-Recall (DAR)** where the readers and viewers are questioned about the advertisement a day after it has been aired or published. Another route is **Total Prime Time (TPT)** where viewers are researched for the amount of television-viewing time. The third route is the **Triple Associates Test (TAT)** where depth of the message is measured

by giving the respondent two associative clues about the advertisement. Later, they are asked to supply the third associative clue. Thus, the advertisers of Air India wishing to test their new campaign, may interview its fliers like this : Name the public sector flying company in India which says (a) We are changing and (b) We have converted our losses into our profit. If the third association is Air India, the ad will be considered effective.

**Attitude Test:** These tests measure the change in attitude of potential buyer towards a company, its products, or brands as a result of its advertising. It is assumed that purchases are often preceded by a favourable attitude. The tests can be done in conjunction with recall/recognition tests and may use direct questioning or some indirect story build-up.

**Enquiry Tests :** Of late, many advertisements particularly those of consumer durables, electronic products, and business to business products, carry a reply coupon offering a free demonstration or more details. The number of enquiries received as a result will indicate effectiveness of the advertisements. It would enable the advertiser to develop the cost of enquiry and help design its sales force decisions.

**Sales Tests :** Given below are six routes that can be followed by a company to determine the incremental sales generated in response to an advertisement. It is done by recording pre and post advertisement sales levels:

**The Six Routes of Sales Tests**

- Measures of Past Sales
- Controlled Experiment (field studies)
- Matched Consumer Samples
- Mail Order Selling
- Consumer Purchase Tests
- Sales Inventory Audit

**Past Sales Test** is the most common route where sales figures are obtained for a specified market, product and brand before and after advertisement. The difference is attributable to advertisement impact. The **Controlled experiments** seek to change usually any of the marketing mix elements like product pricing, advertising, media used and the message in a market called experimental market. It is compared with the sales figures of another market, matchable in other respects. The difference in the sales figures is attributed to the presence or absence of element under experiment. In **matched consumer samples**, the above procedure of testing is repeated with the difference that it is conducted among consumers instead of two markets. **Mail order selling** is relevant to direct marketers who attach buying offer coupons in their ads. **Consumer purchase tests** are conducted by multiproduct companies like Hindustan Lever by Independent or client sponsored research organizations. They run consumer panels. The **Inventory audit** is testing the dealers stock before and after the advertisement. Obviously, the inventory audit test is more beneficial to consumer product manufacturers.

**Some observations on Post-testing Techniques**

A close examination of post-testing techniques for measuring advertisement effectiveness reveals again a varying spectrum of merits and demerits of each testing techniques. For instance, recall/recognition test do not measure advertising effect on buying behaviour. They remain confined to the task of measuring readability and/or attraction. It is possible that a greater number of consumers may buy a product after it has been advertised, though not necessarily because of advertising.

In sum, ad measurement techniques whether pre-test or post-test, serve as a counterforce against any snap and subjective evaluation of an ad. And it is very desirable also in the overall interest of consumers, marketers and advertising world.

**Activity 6**

Write down two major benefits of post-testing approach over pre-testing approach for evaluating an ad for a company engaged in courier business. The ad seeks to inform its users why courier service is superior to FAX services.

**Answer :** .....

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## 19.6 ADVERTISEMENT EVALUATION — SOME FINAL POINTS

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Table 7 summarises the seven things to remember in relation to advertisement evaluation.

Table 7 : Ad Evaluation — Some points to remember

1. Remember advertising costs. Stand cautioned against any proposal on 'non-increase' advertising budget.
2. Keep your advertising agency on its toes and demand superior results.
3. Give ample time to your agency for discussing, reviewing and approving test ads.
4. Treat your agency like one of your family if you desire commitment.
5. Look at your advertising through the eyes of a prospect — not the eyes of a fond and protective parent.
6. Don't let anybody tell you that advertising is a mysterious force that only a few insiders understand. Good advertising always makes sense.
7. Insist on your ad-agency to go in the field for first hand knowledge about the buyers and markets.

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## 19.7 SUMMARY

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The unit attempts to answer the perennial question about advertising i.e., can advertising effectiveness be evaluated? In the pursuit of the answer, the unit describes both conceptualisation and measurement difficulties of the term effectiveness. As the term can often be highly subjective and contextual, it is proposed that effectiveness of advertising should be linked to its objectives. Thus, DAGMAR approach comes very handy in this respect. A variety of techniques, pre-testing and post-testing are mentioned. Pre-testing techniques whether for evaluating print ads or broadcast ads, render an early warning system to marketers. The limitation, of these techniques is their simulated or laboratory environment which considerably reduces the credibility. Post-testing techniques, on the other hand, measure the contribution made by advertisement in the form of incremental sales, more favourable attitude, stock held by the dealers etc. Finally, the unit lists some points to remember in the context of advertisement.

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## 19.8 SUGGESTED READINGS

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W.J. Reddin : *Managerial Effectiveness*, McGraw Hill, 1970, p.6.

R.H. Colley : *Defining Advertising Goals for Measured Advertising Results*, NY, Association of National Advertiser, 1961.

W.H. Bolen (1981) : *Advertising* J. Wiley and Sons.

W.M. Weilbacker (1984) : *Advertising* McMillan Publishing.

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## 19.9 SELF-ASSESSMENT QUESTIONS

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- 1) Examine pros and cons of evaluating advertisements. What major difficulties may arise in the task of measurement ?
- 2) Is DAGMAR an effective solution to the problems faced in advertising evaluation ? In what ways will the DAGMAR itself become a source of difficulties ?

- 3) "It is always better to pre-test an ad than to post-test it." Do you agree? Describe two major pre-testing techniques.
- 4) Why should institutional advertisers have less use for market tests of advertising than do the packaged good advertisers? Illustrate your answers with relevant Indian examples.
- 5) Select five advertisements by various manufacturers of a specific product category (e.g. detergent soap, or two-wheelers). Interview five persons in your neighbourhood before and after showing them the selected ads. Report on the differences you found and the methodology you had selected.
- 6) Develop a print ad of any product you like most. Question about five target-consumers of the product on whose you have made the ad. Use two pre-testing techniques for the purpose. Report the differences you found in the opinion of test ad. Also describe the research methodology used in the execution of the project.

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## Appendix

### A Note on Correlation between Advertising Expenses and Sales Revenue by the Economic Times Research Bureau

The sales income generated by companies manufacturing consumer goods, appear to be highly correlated with the expenditure incurred by these companies on advertisement and sales promotion.

Such an exercise for Brooke Bond, Colgate-Palmolive, Food Specialities, Hindustan Cocoa and Hindustan Lever, has shown that the correlation co-efficient has been as high as 0.99 for Colgate-Palmolive, Hindustan Cocoa and Hindustan Lever, while it has been 0.96 for Food Specialities and Brooke Bond.

Advertisement for sales promotion has been increasingly looked upon by companies as an important factor from the point of view of profits and sales. Expenditure on advertisement and related promotional activities is often construed as a selling cost by the companies. But it becomes a production cost forming part of the cost of manufacturing and distribution for a new or supposedly better product. The selling cost is the cost incurred generally in maintaining or enlarging the market for products which are already in the market stream.

An exercise to find out whether a linear relation exists between the level of advertisement expenditure and the sales income — keeping all other variables as constant, has shown that, among the five companies, namely, Brooke Bond, Colgate-Palmolive, Food Specialities, Hindustan Cocoa and Hindustan Lever, the advertisement-push-effect on sales income is larger for Brooke Bond and Hindustan Cocoa than for other three companies.

A linear relation such as  $S = (a) + (b) \text{ multiplied } A$  — where  $S$  is sales income;  $(a)$  the parameter representing the effect of all variables other than advertising expenditure;  $(b)$  the parameter representing the marginal impact on sales on account of advertising expenditure and  $A$  representing the advertising expenditure incurred by the companies — has shown that the parameter  $(b)$  has been high at 179 for Brooke Bond, 22 for Hindustan Cocoa, 21 for Hindustan Lever, 17 for Colgate-Palmolive and 11 for Food Specialities.