The marketing club

IIM Ahmedabad

Niche Newsletter, July 2009

We, at Niche, are pleased to publish the first of our bi-monthly newsletters. The aim of this newsletter is to act as a medium for exchange of ideas and thoughts related to marketing. Everyone is invited to contribute. We have begun the series with this edition highlighting some of our summer experiences in sales and marketing roles. We are sure some you will find our observations and learning very interesting. At the end is a small trivia quiz, something similar to what you can expect in the upcoming brand awareness quiz.

Feel free to get in touch with us for feedback and contributions. Happy reading!

On behalf of the Niche team,

Siddharth Chaudhari (8chaudharis)
Guest Editor

Contents

Who am I? (A Brand Perspective) - Robin Joseph

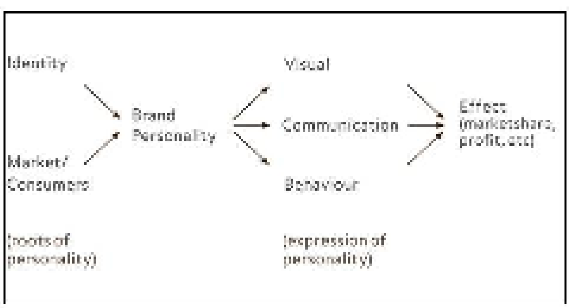
Connect the following:

Spirited, Young and Outgoing		Rolls Royce
Accomplished and competent		Nike
Wealthy and Influential		Pepsi
Athletic, Fond of outdoors, Fit		Wall Street Journal

It is surprising that we can make an almost immediate association between a brand and a personality type. Mere co-incidence or a well orchestrated strategy?

Just like people, all brands have a personality. Whether it is shallow and instrumental or deep and emotionally charged is carefully taken care of by today's marketer.

Using communicating, namely advertising and public relations, a brand gradually builds up a character. The manner in which the product or service is represented stands for the kind of person it would be, if it were human. On the whole, a personality of a product is the amalgamation of many different factors-the product, the packaging, the pricing strategy, the nature of advertising and the nature of product itself.



Over the past fifty years the mentality/approach of companies has progressively evolved in several stages:

- product based
- sales based
- market based
- marketing based
- (brand) identity based

(Ref:http://groups.haas.berkeley.edu/marketing/PAPERS/AAKER/BOOKS/BUILDING/brand_personality.html)

Brand personality explains why people like some brands in the presence of substitutable products. Brand personality is the emotional association of the brand. Thus, the totality of the brand is the brand personality.

A very recent example of a Brand personality conflict is the acquisition of Jaguar and Land Rover by the TATA group. Even though the TATA group as a whole is well respected in India, its personality across the world is not "upmarket". Jaguar and Land Rover on the other hand are seen as luxury brands. In the premium segment while products like Jaguar and Land Rover lie, a brand's personality, embodying all the qualities seen to be on offer, is the key to sustained value. In that sense, brand personality is perceived as a more important component than say primary characteristics and the functional purpose involved. This shows the clear relationship between how a company is perceived and how it affects the value associated with it.

Why bother?

A favorable personality can create a strong brand in several ways-

a) It can act as a proxy for the user to identify and differentiate himself
Eg. An apple user might identify himself or herself as casual, anti corporate and creative.
b) In the same way as human personalities affect the formation of relationships between people, brand personality can be that vital link between the customer and the brand.
c) Brand personality may help to communicate a product attribute, such as energy and youthfulness and thus contribute to a functional benefit.
d) It can make the brand interesting and memorable and provide that much needed differentiation factor from competitors.

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Sales role in the Indian fixed-income securities market – Siddharth

I worked on the Fixed Income, Currency and Commodities Sales desk at Merrill Lynch in Mumbai. For the final two weeks, I was actively acting as a salesperson and a broker for fixed-income securities like corporate bonds and debentures. I know it does not fit into traditional notion of sales and marketing. But I feel there were a number of lessons which can be applied from the sales and marketing functional area to the role I played and vice versa. Below is a snapshot of my learning.

A brief background of the market

The market for fixed-income securities issued by Indian companies is limited and illiquid. The liquidity falls exponentially below the highest investment grades. Hence the most active sellers of these securities are large Indian corporate with good credit ratings. The largest and active buyers are mutual funds, insurance companies, government agencies like LIC, IFCI, IDBI, UTI, EXIM, etc. Smaller buyers include PE firms, specialized banks, etc. The liquidity in this market also depends on the issuer and the sector of the issuer. For example, debentures issued by manufacturing companies with assets as collateral are preferred and need to pay lesser interest than those by IT services companies.

The deals are arranged by brokers like Merrill Lynch, Deutsche Bank, ICICI, etc. in the OTC market. They are in touch with both the buyers and issuers of such securities throughout the year and work to service individual client needs. However since a number of brokers are active, there is significant competition in this arena. Usually, the only criterion used for choosing between competing brokers is the price they negotiate for their clients. The quickest broker to provide an acceptable price wins the deal. Clearly, the way to win as a broker is via superior sales strategies.

So how do you differentiate?

Information asymmetry – The sales manager for Nirma uses the power of his brand to sell his product while a Big Bazaar uses the volume of sales as a tool to offer lower prices and entice buyers. Here, information is the salesperson's biggest sales tool. Being an OTC market, there is significant information asymmetry and it is very important to be well aware and well connected. By performing market information dissemination, brokers perform a service for their clients in hope of getting business. They perform price discovery for each security and negotiate an agreement to pocket a commission. Through their intimate knowledge of client preferences and history, they perform number of additional value added services like connecting preferred sellers to issuers, providing kickbacks on older deals, doling out favors, disseminating market information to clients, etc.

Personal relations – This is an important differentiate which helps clinch deals. Trust by your clients in your evaluation of the market will get you business. This is developed by knowing your clients well and being able to read what they do not say. For example, there can be very different meanings when person A says that 'It looks difficult to do this deal' than when person B says it. If person A was a Japanese, it would mean a refusal to do the deal while if person B was American, it would mean an interest in negotiating further. Knowing your client is how this difference can be judged.

Personalized service – By understanding the needs of the issuer and customer *a priori*, brokers can signal a personal interest in the business of the clients. For example, brokers track when a large commercial paper (CP) issue bought by client XYZ from issuer ABC is about to expire. As a result, they can proactively ask ABC if they would like to again raise money by issuing a fresh CP two weeks before the maturity. Simultaneously they can track what XYZ intends to do with the inflow of money at maturity and if they can fix up a deal with another issuer. They can perform superior price discovery, work faster to sell securities and clinch deals without too many competitors even coming to know of the deal. Also, by knowing the urgency of the situation and more information than competing broker, one can get a better deal covenants, spread positive reviews of the clients and enhance or tarnish their image.

Employing these three strategies can consistently get you deals and clients in this market and help you become a successful securities salesperson.

Valuation of TV advertising – Amogh Bhole

The slowdown in the Indian economy has meant that more and more firms are looking to control expenditures seen as unnecessary and adding little value. For most firms, it's the promotional and advertising budgets that get hit first. In such a scenario, managers need to justify their advertising spends and meet required advertising ROI targets. This calls for an accurate way of measuring advertising effectiveness. Effectiveness is essentially measured through the advertising medium's reach. For TV, advertisers want their ad to be seen and hence the task is to find the cost of reaching an eyeball. The primary indicator used in TV advertising deals is 'Cost per rating point' or CPRP. Another parameter, 'Cost per thousand impressions' or CPT may also be used.

The following terms will be useful to understand the valuation of ad deals.

Universe

The Total/Actual number of people in a defined target audience.

TV rating points (TRPs)

These are measured by audience measurement agencies like Television Audience Measurement (TAM) and these help to express the viewership for programming on television in numerical terms.

TRPs take into account two factors:

1. Reach- The number of viewers for a particular program
2. Time Spent- The amount of time spent by these viewers watching the program

Example: Consider the universe to be made up of 4 viewers A, B, C and D. The following shows the viewership details for a TV program.

Person	Time Spent	Minutes Available
A	6	10
B	0	10
C	8	10
D	5	10

TRPs= $$\frac{\frac{6}{10}+\frac{0}{10}+\frac{8}{10}+\frac{5}{10}}{4\ or\ A+B+C+D}\ X\ 100$$

TRPs= 47.5% or 47.5 TRPs

This is can be construed in two ways:

1) 47.5% of the target audience watched the program for its entire duration (i.e.10 mins).
2) The entire target audience watched the program for 47.5% of the program duration.

The first meaning suggests that TRPs give the percentage of the target audience that has been reached by a program and hence also reached by the ads shown in the program slot.

Gross rating points (GRPs)

GRPs represent the sum of all TRPs achieved in a period. Hence, GRPs are not program-specific and can be calculated for a diverse set of TV programs.

Cost per rating point (CPRP)

CPRP represents how much it would cost to deliver one target rating point, or 1% of target audience, i.e. a TRP of 1%. That is, CPRP represents the price charged by a TV channel to an advertiser to deliver a TRP of 1%. In the Indian TV industry, this CPRP is for a 10 second slot during a program.

Cost per thousand impressions (CPT)

It is the cost of delivering a thousand impressions. For example, a viewer watching a 10-second slot in which an ad is shown would be one impression.

Valuation of an ad deal

A television channel has an estimate of the ad inventory that it wants to sell in a year (or more). This ad inventory refers to the total ad time it can sell, say 10000 hours in a year. The channel sells a portion of this inventory to advertisers in long-term deals of 1 year (3 year deals are less common). The channel promises the advertiser a specific number of GRPs that it will deliver during that one year and the advertiser is charged a price for these GRPs.

Value of the deal= CPRP X GRPs X total number of slots

Each of these slots is of 10 seconds. The issues that form the focus of the negotiations are the number of GRPs and the CPRP. If the slots sold by the TV channel fail to provide the promised GRPs, the TV channel compensates by giving the advertiser bonus time, i.e. ad slots free of cost. If instead, more than the promised GRPs are delivered, the advertiser would have to pay some extra for the extra GRPs. These details are thrashed out in intense negotiations between channels and advertisers.

Calculating CPT

The cost per thousand impressions is an indicator of the absolute reach of the TV medium. It is calculated as follows:

CPT= total value of the deal/ number of people reached (in thousands)

Since 1 TRP means that 1% of the target audience is reached, the total number of people reached can be found out using the universe size.

Number of people reached= TRPs X universe size

What's the right metric- CPRP or CPT?

It depends on whose point of view we consider. Most deals today are done using CPRP as the measurement metric. TV channels claim that this system of valuation is unfair since CPRP is based on rating points, which indicate only percentages of the target audience reached. Considering that the target audience watching these channels is increasing in absolute terms, more people have to be reached by the TV channels to get the same TRPs. TV channels are thus demanding a shift to using CPT in negotiating ad deals with advertisers.

References:

TRPs: http://www.televisionpoint.com/lounge/lounge.php?id=1175340695

Other Terminology: http://www.allied-media.com/Services/media_Placement.htm

CPRP vs. CPT: http://www.afaqs.com/media/opinion/kiran2.html

http://www.indiantelevision.com/interviews/y2k7/executive/paritosh1.htm

Special Thanks to Leroy D'Mello, PGP 2008-10, IIM Ahmedabad

You '09 and The Collective – Rex Thomas

A venture by the Aditya Birla Group, The Collective seeks to redefine the luxury fashion retail space in India. Sensing a gap in this space an idea germinated as to why marquee brands cannot be brought under one roof. Armani Collezioni, Versace Collection, Hugo Boss, Rock & Republic, Ted Baker, Valentino, Church's and Puma Black are amongst the 75 brands that The Collective has brought together. With a lone store in operation in Bangalore and another planned at Mumbai after nearly a year of existence, the skeptics have had a field day in questioning the business model. The economic crisis did not help in any way either. It was in this background that the "You '09" campaign was launched by The Collective.

The You'09 campaign is one of the most innovative promotional campaigns designed and implemented in India. It was developed in conjunction with Saatchi & Saatchi for The Collective's Spring Summer'09 collection. What was so special? It was the shift in focus from fashion products to the "look" and the targeting of individual customers. The Collective through the campaign wanted to promote the primacy of that elusive look which goes beyond individual merchandise.

Apart from the traditional advertisements in the print media the campaign had certain innovative promotional mechanisms which included

- In Store Promos - Small tags were added to each shopping bag with You'09 branding and You'09 photo frames were designed for distribution to the customers
- A You'09 teaser magazine which was entirely blank was printed and directly distributed to previous customers and other selected high net worth individuals in Bangalore. Gift vouchers which could be redeemed at the various store counters were distributed through the magazine. Curiosity does kill the cat.
- In store activation- Photo op walls were put up in the store and any customer purchasing merchandise from the store was clicked along with the merchandise. These images were immediately printed and handed over to the customer in a You'09 photo frame
- The finale- To mark the end of the campaign all the customer images are planned to be compiled to create a fashion magazine which is to be distributed to all the people who feature in it.

By all accounts the word of mouth publicity obtained has been enormous. It has also converted into footfalls and has created the critical threshold of awareness which is so necessary for such a venture. So what are the major takeaways? Firstly innovation is appreciated. Finding a customer who still gets excited and all worked up by the same old newspaper promo and the dance routine on prime time TV happens only in movies. Not only do you have to capture the customer's attention competing against a whole plethora of stuff from T20 to rival campaigns, you also have to sustain the interest over a sufficiently long period. Newer methods like the You'09 campaign are required. Secondly segmentation and focused targeting of customers if viable, is the way forward. Even Indian companies are waking up to the efficacy of this method. Thirdly, it never hurts if you can spread a little free publicity around. Bragging rights never go out of fashion.

Special Thanks to Sneha Mahant, The Collective.

Trivia spot

1. Which company does the brand 'Beat' belong to?
2. What do Dynamic Vector and Stripes signify?
3. Why does the symbol for Audi have four rings?
4. Which of the top 10 Businessweek brands has insignificant B2B presence?
5. Who does the brand Tanishq belong to?
6. Name and creator of Asian Paints' logo?
7. Which is the most frequently used word in taglines?
8. What does '*It's the real thing'* remind you of?
9. Most valued financial services brand according to Businessweek
10. Most valued alcohol brand according to Businessweek

1. Swatch
2. Reebok and Adidas
3. Four auto companies merged to form Audi
4. Intel. All others have major B2C presence
5. The Tata group
6. Gattu, R. K. Laxman
7. You
8. Coca-Cola - *It's the real thing* campaign
9. Citi at No. 20
10. Budweiser at No. 33

A brand needs to reinvent itself to stay on top. And what better example than one of the world's largest brands Pepsi? http://www.pepsi.com/faqs.php?section=history_of_the_pepsi_cola_logo

For more interesting trivia and links to marketing, branding and advertising websites (both global and India specific), check out our blog: http://nicheiima.blogspot.com/