

# Product Management

{ Unit V- Dr.S.Manoharan

# Advertising Decisions

- ◆ A coherent communications mix is referred to as IMC (Schultz 1993)
- ◆ There is no predetermined communication tool, rather coordinates the necessary communications

# The target audience

- ◆ Primary Audience – Secondary audience
- ◆ Children (play value) - parents (Educational value)- BYJUS App
- ◆ **Target audience depends on** – who is the most influential in the decision process
  - who do you think can influence
- ◆ **When multiple parties are involved**
  - relative importance of diff. target audience
  - susceptibility of the audiences to advertising
  - cost to reach them
- ◆ **Describing target audience**
  - product behaviour (current customer, competitors customer and non customer)
  - Demographics

# Setting Ad budgets

- ◇ Large amounts are involved
- ◇ Immediate impact on costs & long term effects on sales
- ◇ Ad spending (Investment vs. Expense)

## Most widely used methods (six)

1. Objective & task method
2. Percentage of sales method
3. Competitive parity method
4. Affordable method
5. Experimentation method
6. Decision calculus

# Objective & Task Method

- ◆ Logical method
- ◆ Product manager determines objective ( target audience, reach, frequency, goals)
- ◆ Then choose advertising plan (then budget) to achieve the objective

# Percentage of Sales Method

- ◆ Normal causal thinking
- ◆ Ad/sales ratio may be used
- ◆ Convenient and safer than non- traditional spending

# Competitive Parity method

◆ SOV, rather than absolute advertising dollars to determine sales per share point & to set budgets accordingly

◆ Varies based on PLC

◆  $SOV = \frac{\text{Brand Advertising}}{\text{Total Market Advertising}}$

Total Market Advertising

# Affordable Method

- ◇ Considering advertising as a cost of doing business
- ◇ Vicious cycle- poor results- less advertising money
- ◇ Advertising less affordable – brand may do poorly
- ◇ Role of advertising becomes important

# Experimentation

- ◇ Different levels of spending – tried by Managers
- ◇ Different regions
- ◇ More controlled settings
- ◇ Monitoring the results
- ◇ Use the results to select among the different advertising budgets & plans

# Decision Calculus

- ◆ Decision calculus models are quantitative models of a process that are calibrated by examining subjective judgments about outcomes of the process (e.g., market share or sales of a firm) under a variety of hypothetical scenarios (e.g., advertising spending level, promotion expenditures) (AMA)
- ◆ **ADBUG** - To determine optimum level of advertising expenditure to achieve a desired level of sales
  - To determine how to change advertising expenditure over time to maximize profits

Subjective data combined to facilitate decision making.

# Evaluating Ad copy

## (Laboratory based Measures)

Variables- spokesperson, message itself (copy) , the execution (appeal), media and other factors

### a. Ad related tests

1. Consumer jury
2. Portfolio tests
3. Readability tests
4. Physiological methods

# Consumer Jury

- ◆ Focus Group Discussion (FGD) led by a moderator
- ◆ Uses Story boards
- ◆ Multimedia technology allows to use more realistic ads

Eg. Dove campaign for real beauty

## Issues

- ◆ Consumer perceptions as experts
- ◆ Halo effect
- ◆ Rep of target market rank in order of merit+ provide suggestions



# Portfolio Tests

- ◆ Shown control and test ads
- ◆ Group (portfolio) of ads in one show
- ◆ Highly recalled and highly liked ads are considered effective

## Readability Tests

- ◆ Focuses on syllables, words and sentences
- ◆ Reading skill and comprehend the group advertisement to the target

## Physiological Methods

- ◆ Pupil dilation- pleasant vs unpleasant
- ◆ Galvanic skin response
- ◆ Eye tracking
- ◆ Brain scans (neuroscience)- STM & LTM

## b. Product Related Tests

### 1. Theater tests/ trailer tests

- ◆ Participants are recruited by phone , mall intercepts , direct mail , internet
- ◆ A TV show or some entertainment in a movie theater like facility with commercial breaks
- ◆ The show is not entirely on commercials , may be a cover story
- ◆ After viewing ads, questioning about recall, attitudes, interest etc.

## 2. Laboratory Stores

- ◆ Simulating a shopping environment
- ◆ Respondents shown ad copy
- ◆ Virtual stores are new options (because of internet explosion)

<https://www.youtube.com/watch?v=iXccAzruLq0>

# Real World Measures

1. Dummy advertising vehicles
2. Inquiry Tests
3. On the air/ Recall Tests
4. Recognition Tests
5. Sales/ Minimarket Tests

## 1. Dummy Advertising Vehicles

- ◇ Dummy magazines+ regular editorial matter + regular ads + set of test ads
- ◇ Distributed to determined geographic area
- ◇ Consumers interviewed for editorial content and test ads

## 2. Inquiry Tests

- ◇ Direct response ads/ toll free, reader inquiry
- ◇ Advantage- track the number of enquiries

## 3. On the Air/ Recall Tests

- ◇ Real TV ad is inserted in a TV program in one or more test markets
- ◇ Consumers are then contacted – seeing the ad, recall copy points , brand etc

#### 4. Recognition Tests

- ◇ Through the book method- post testing print ads (Starch Inra Hoopers, Inc- Daniel Starch)
- ◇ Seeing the ad, read, recall

Starch scores- 3 types (track and evaluate campaigns)

Noted- seen

Associated- half of the written information

Read Most- product, company and division

#### 5. Sales / Minimarket Tests

- ◇ Split cable method (two different copies)- purchasing behavior
- ◇ Different banner ads- Internet advertising- time of the day, week, type of site

# Media Selection

- ◆ Media planning often done by experts
- ◆ Basic media plan- where/ when
- ◆ **Where-** Efficient audience selection
- ◆ Target audience- different vehicles
- ◆ Reach= Rating point
- ◆ Impressions= OTS\* =Exposures
- ◆ Impressions= Reach x Average Frequency
- ◆  $GRP = \frac{\text{Impressions}}{\text{Defined Population}}$

# Media Selection

- ◆ Ad impact = target market x exposures
- ◆ CPM =  $\frac{\text{Advertising cost}}{\text{Impressions generated (\#in thousands)}}$
- ◆ There needs to be media level fit and contextual fit ( product image & image of the vehicle)
- ◆ Duplication and Wear out- multiple exposures of the same ad across vehicles (overlap)- customer tired
- ◆ Varying the copy though expensive – slows ad wear out

# When

- ◆ Seasonality issue
- ◆ Viewership
- ◆ Listenership
- ◆ Time & Day of week
- ◆ Focusing on seasonality & spending patterns
- ◆ Ad spending- varies across PLC
- ◆ Even vs. uneven spending

# Evaluating Advertising Effects

1. Tracking studies- TOMA (unaided recall)/ repeat main copy points
2. Past sales and Advertising –  $S = F(\text{Advtg})$
3. Experimentation
  - Field experiments in actual settings- costly/ time consuming
  - Hard to obtain acceptance (regional & corporate levels)
4. Linking objectives to incremental contribution
5. Evaluating ad budgets

# Promotions

- ◇ Aimed at active customer response within a short period of time
- ◇ 2 Types of objectives
  - Final customer promotions
  - Trade Promotions

# Final Customer Promotion Objectives

No	Objective	Typical Programs
1.	Long run (Relationship Building) a. Awareness Enhancement b. Image Enhancement	Sweepstakes, contests, tie-ins, sponsorships
2.	Short run (Transactional) <b>a. Current Customers</b> 1. Buy More 2. Be More Loyal 3. Buy Now	Volume discount/ special value package In pack coupons, premiums, Frequent buyer programs Rebates, Coupons
	<b>b. Occasional Customers</b> (Deal prone brand switchers) Capture next purchase	Coupons, displays, rebates
	<b>c. Non customers</b> Trial	Trial sizes, sampling

# Trade Promotion Objectives

No	Objective	Typical Programs
1.	Transactional : Increasing stocking levels	Volume allowances, financial terms, discounts, price cuts, slotting allowances
2.	Transactional: Increasing sales efforts	Advertising allowances, display allowances, premiums, contests, sales force incentives
3	Relationship Building	Free goods

# Promotion Budgeting

◆ Total ad budget including promotions- How much on promotions?

## 7 factors affecting total budget for advertising & promotions

1. Product is relatively standardized
2. There are many end users
3. Typical purchase amount is small
4. Sales is done by intermediaries
5. Product is premium priced
6. Product has high contribution margin
7. Product/service has a small market share

# Final customer promotions

## Product based promotions

- ◇ Additional volume/ bonus packs
- ◇ Samples
  - Central location
  - Direct (mail)
  - Attachment (in/on pack coupons)
  - Media placed (clip and send coupons)
- ◇ Premiums
- ◇ Place based promotions (disp, int- site based)
- ◇ Games (sweepstakes, contests)

## Price based promotions

- ◇ Sale price
- ◇ Coupons
  - Central location
  - Direct (mail)
  - Attachment (in/on pack)
  - In media (websites)
- ◇ Refunds / Rebates
- ◇ Financing terms
- ◇ Frequent users

# Trade Promotions

- ◆ Product based

Free goods

Consignments/ returns policy

- ◆ Price based

Buying allowances

Financial terms

- ◆ Place based

Slotting allowances

Display allowances

Warehousing/ delivery assistance

- ◆ Advertising and promotion based

Cooperative advertising

Selling aids

Cooperative selling

- ◆ Sales based

Bonuses and incentives

Contests and prizes

# Allocating money between Advertising and Promotions

- ◆ Amount of resources available
  - less budget ( promotion)
  - adequate budget ( advertising and promotions)
- ◆ Customer factors
  - degree of brand loyalty – high ( promotions)
    - low ( advertising)
  - type of decision/ info processing
    - complex- Advertising
    - routine- promotions
- ◆ CFB ratio
  - consumer franchise building ratio- >50-55% ( healthy brand)