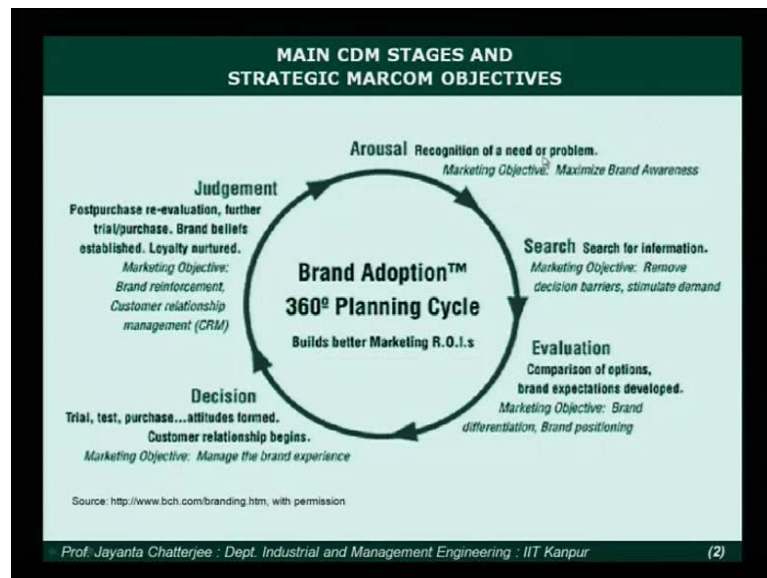


Strategic Marketing-Contemporary Issues
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Lecture - 31

We are continuing our discussion on marketing communication or rather the whole integrated marketing communication strategy, tactics and so on. We introduced in the previous session the concept of source stock that is, starting with situation analysis and then setting marketing communication objectives developing the communication strategy out of that, developing the tactical plan and then the deployment action and then control and feedback.

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I am taking back again to situation analysis and objective redefinition, that same source stock concept can be also seen with the, how the different stages of the consumer decision-making stage, CDM as we have written here, consumer decision-making stage while purchase decision-making stage and resulting into final purchase action and how across those, that the different parts of that decision-making journey, marketing communication has to play different roles. So, this goes hand in hand with the source stock principles and this is actually how you really develop your tactical plan and this is also part of your thinking framework when you do the situation assessment.

So, we know that all purchases usually arise from the need perception. So, this is what, this is the area what we call arousal. We write here arousal because even though as I said just now,

that in most cases it is, it starts with the feeling of a need or perception of a problem. Of course, through the method of arousal we can also sometimes stimulate desire. It is another matter whether that is desired or not desired, whether that leads to over consumption or over marketing, but leaving that aside for a moment it is important to note, that marketing communication not only needs to respond to a felt need or articulated need, but it may also, sometimes marketing communication need to address latent needs.

So, not really wimps or, or, or pleasure triggers, but for better marketing, Markham must recognize the need of addressing latent needs in the minds of the consumer. So, at this stage, therefore, the Markham objective is rooted in. As we said, there are three building blocks. Almost all Markham messages are based on those three building blocks, which are information, persuasion, and retention. So, in this arousal stage information and awareness creation are important roles that must be performed by the marketing communication roll-out, marketing Markham actions. In the next stage when customer is in search of information, that will meet, that will solve that felt need or problem or you have been successful in addressing a latent need and the next stage. Therefore, you have to provide information as well as this is where the role of the customer advocacy plays a very important part because it can actually help us remove decision barriers and stimulate attraction towards our brand, our offering, our reputation and so on.

So, if you are able to successfully do that, then in the evaluation stage we will be able to differentiate ourselves because that is the key role in the next stage, which is we call the evaluation stage. This is where we want to achieve differentiation and positioning advantage and then we go to the decision phase and at that stage, of course, customer advocacy, word of mouth, the buzz, the community of customers, all play extremely important part in managing the decision in your favour. And as we, as I said, there are those three building blocks of information, persuasion and retention and as we have seen in the previous session in the marketing communication, all messages, the role of persuasion remains central, but the relative position of information and retention changes over time.

So, at the later stage, therefore, the reinforcing messages, the relationship building messages become far more important. So, there is retention oriented, reminder oriented components of the Markham package becomes more important and because that is when we have to take care of the, what is talked about the cognitive dissonance of the post consumption perception, which, which we want to exceed the pre-consumption expectation, and, and, and that is the role has to be played by the Markham at these two final stages.

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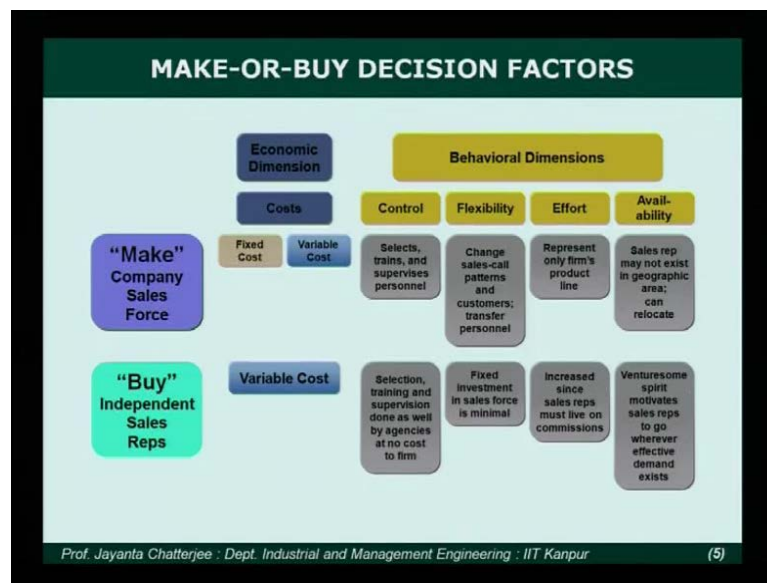


Now, let us look at some financial issues, which are related to, in the source stock we talked about, that after we have been able to deploy your tactical plan you need to continuously assess, control the actions that are getting deployed. So, there are, obviously when you are trying to assess, evaluate how effective net, how effective is your marketing or what else can be done, the financial issues become important. So, we will use the same sort of formulations that we had borrowed from Karen's book earlier, like one of them will be make versus buy that means, in this case, whether you want to in source the marketing function or outsource the marketing function.

Ten years back, outsourcing the marketing function was almost never thought of, except in case of many B to B, where we discussed earlier, that market channel management issues in B to B, we have used agents, brokers. And of course, even in B to C a part of marketing or some people would say as, when we discuss the importance of retail marketing today, we discussed that in many ways, today the retailers have become the customers, agents rather than the sellers or marketers agents today and in, in, in those scenarios, there is a significant part of the marketing effectiveness come out of the, the effectiveness comes from the effectiveness of your distributors, of your channel partners.

But to what extent you will keep the marketing function within the company through your own employees, through your own establishment and how much you will actually outsource through your channel partners or even marketing agencies, will depend on some financial calculations.

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Important issue is that when we look at, normally there is insourcing versus outsourcing, make versus buy type of the decisions. We only think in terms of that avoidance of fixed cost and moving to variable cost, which means, that we actually reduce the threshold of break even because as you know, we have to all, take all the fixed costs that we will be recovering through our margin. So, if we have low fixed cost, our break-even points will come down and so it is in a way derisking the marketing effort, particularly for a new product.

But we cannot only look at this. This slide is only to remind, that all the calculations, that we are going to look at in the next few slides must be subjected to the qualitative considerations, which are here on the right hand side, all these behavioural dimensions. That means, that to the extent we have control over our marketing, the flexibility, the availability, all of these issues are to be seen in conjunction with the economic dimension.

So, these behavioural or soft or organizational issues must be seen side by side with economy issues to come to the final conclusion, that to what extent you will insource your marketing communication and outsource your marketing communication function.

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MAKE-OR-BUY DECISION EXAMPLE

<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px; background-color: #2e8b57; color: white; text-align: center;">Company Sales Force</div> <div style="display: flex; justify-content: space-between;"><div style="width: 45%;">Commission = 3%</div><div style="width: 45%;">Salary and Administration = ₹500,000</div></div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px; background-color: #800080; color: white; text-align: center;">Independent Sales Reps</div> <div style="display: flex; justify-content: space-between;"><div style="width: 45%;">Commission = 5%</div><div style="width: 45%;">X = Break-even sales level</div></div>
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- At what sales level (X) would a company sales force cost more or less than independent sales reps? [Hint: This is a form of break-even analysis.]
- Set the cost equations for both types of sales reps equal to each other to solve for the sales level (X)

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So, this is a simple calculation that at what sales level a company sales force cost more or less than an outsourced? So, it is a kind of break-even analysis. So, as you see on the left hand side, we have 3 percent company's sales force commissions and salary and other things, add up to 500000. And on the other side you have to give to the independent sales representatives, may be brokers, agents, you may have to give 5 percent. So, then, that means, what is the value of x?

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MAKE-OR-BUY DECISION EXAMPLE

Cost of Company Sales Force

Cost of Independent Sales Reps

$(\text{Commission} \times X) + \text{Salary and Administration}$

$(\text{Commission} \times X)$

Setting the cost equations equal to each other solves for the break-even sales level:

$$\begin{aligned} (\text{Commission} \times X) + \text{Salary and Administration} &= (\text{Commission} \times X) \\ (0.03 \times X) + ₹500,000 &= (0.05 \times X) \\ ₹500,000 &= 0.02 X \\ X &= ₹25,000,000 \end{aligned}$$

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So, obviously, we can achieve it by looking at this, that means, commission into x, that is the sales value plus salary and administration cost. And on the other side, we have commission into x because there is no salary and administration cost. So, $0.03x$ plus 500000 should be

equal to $0.05x$ and that means, that it is 25 million. If x is 25 million, then we have, that means, if it is less than that, it is, it is better to go for...

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MAKE-OR-BUY DECISION EXAMPLE

The break-even sales volume (X) at which the costs of a company sales force and independent sales representatives are equal is ₹25 million.

Cost of Company Sales Force = Cost of Independent Sales Reps

Break-even Sales Level (X) = ₹25,000,000

Company Sales Force Use if expected sales volume is $> ₹25$ million

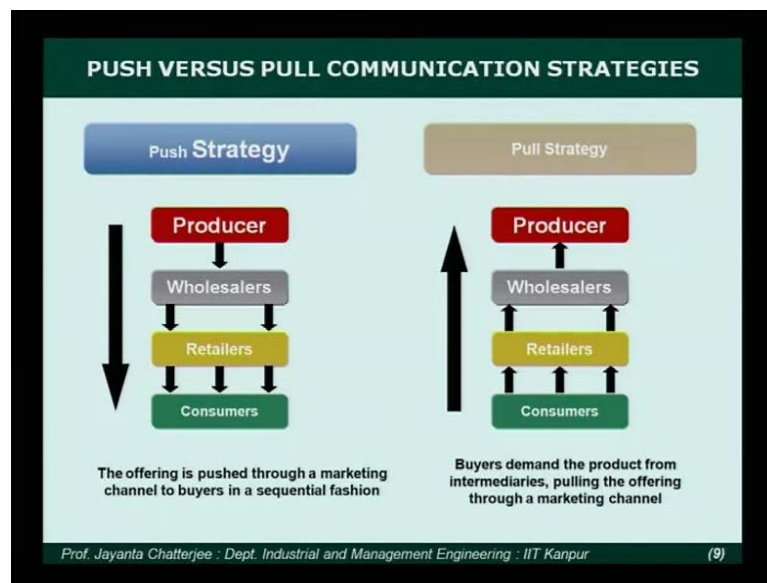
Independent Sales Reps Use if expected sales volume is $< ₹25$ million

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So, that is the, so if your expected sales volume is more than 25 million then it may be worthwhile to use company sales force. And if it is less than 25 million, then you may need to use independent sales force. But as I said again, that this is not always going to be true because you have to do this simple economic calculation but subjected to the caveats of the behavioural side.

For example, in case of a new product, particularly if it is radically new to the world type of product or service, then it is far better to rely on your own sales force because the role of information and persuasion will be far higher. So, but in a, in a steady-state condition or in the middle of the life cycle, when you have already hit the early majority or when you were in the late majority condition, this type of calculations may whole good.

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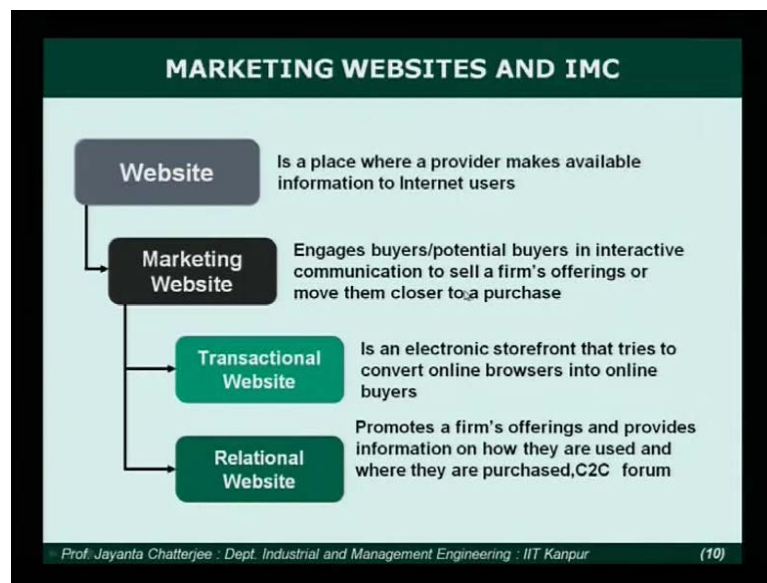


The other important point is, is, is quite well known strategic consideration in the marketing communication, packaging, this whole area of push and pull. So, the, when we look at the concept of channel, then we know, that the role of marketing in one sense is to push the offerings through the whole-sellers, through the retailers, to the consumer.

This slide explains, that the success of your ability to push volume, to push more and more, obviously that is the aim of all marketing function to increase your top-line, but our ability to push more and more volume through the channel will depend on the pull, that we have been able to create through our marketing communication across all different media, the pull that we have been able to create in the minds of the consumer. Because it is only when the consumer demands, prefers, seeks lower offering from the market place, the retailers will then gladly stock display your products and offerings.

So, the push strategy and the pull strategy, they have to succeed simultaneously, so that you are able to achieve your preferred position when this purchase decision is made. So, obviously, if you are not present on the shelf, you are not, your products are not available at the, at the retail outlet, then this will not succeed very well in the B to C context. But to achieve that prominent availability display, it is important to manage both the push side as well as the pull side.

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Now, the push and pull concept, earlier it was kind of, one could manage it on two different streams, so there was a pull strategy created through the TV ads, through the print ads and so on. And there were, of course, various kinds of push strategies through retailer incentives, distributor's incentives, point of sale, merchandising, displays, hoarding posters and various types of incentive schemes. So, this is the way we usually manage the push side as well as the pull side.

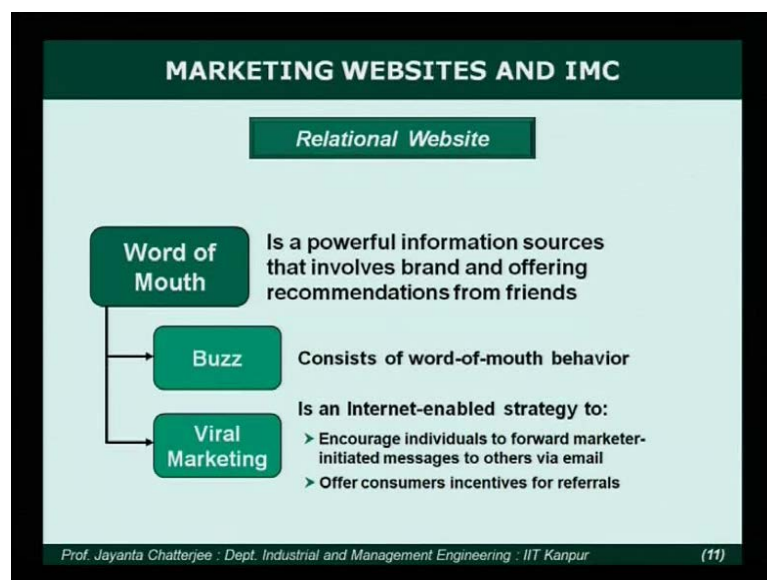
But today, when we look at the marketing deployment across multiple media, particularly the interactive media, like a website, then both of these strategies, in a way they have to, kind of play together. So, websites today, therefore are both, transactional informational and the better website are also relational. For example, at the Amazon website or many of the good Indian e-marketing websites, like the Flipkart or Jabong, it remembers your previous transactions, it remembers products that you looked at, but did not buy it, remembers the combinations that you went for, whether you bought two books and three CDs or you looked at luggage as well as sport shoes and some hiking gear and immediately comes up with other related suggestions, which you will often appreciate.

And this ability to derive information out of your transaction pattern and then create relational offerings, even sometimes suggesting that the people who bought this particular book also bought this book and this book and this book, or people who looked at this type of luggage also looked at this and this type of luggage, or people who looked at this mobile phone also looked at this computer or this tablet. These communications at the transaction point on the website derived out of your previous shopping pattern and delivered in a sort of

understated manner, not in a very on your face type of intrusive, aggressive style. So, you are not, they actually quietly come at that bottom-of the page and not flashing images as happened earlier.

So, we have understood now how to combine these three types of messages of taking that advantage of the information and persuasion and retention issues together. So, the marketing websites today, actually, deploy both the push strategy as well as the pull strategy simultaneously. So, it, if you, if you think conceptually, that means, the products that you are looking for are placed in front of you efficiently, but at the same time the products you are not exactly looking for, but it may be latent in your mind, so those latent needs can be very effectively addressed today through the use of this type of integrated IMC and that, that also relies on this whole issue about C to C.

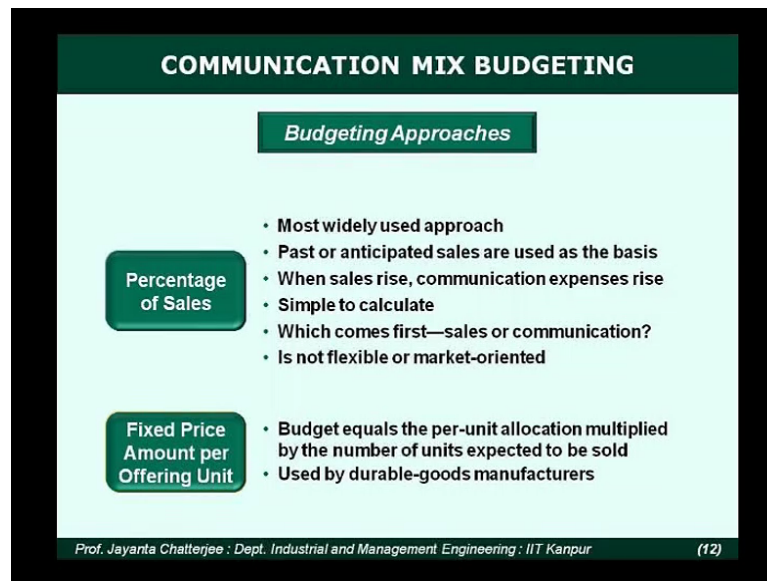
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So, you will see in most of these websites, as I mentioned, on Filpkart or Amazon or ebay and so on, they not only show you the other products that you had looked at before or you might be interested in, they also offer opinion from other customers, which can reinforce that pattern. That means, this particular travelling bag goes with this kind of other luggage products or sunglasses or outdoor hiking equipment and so on.

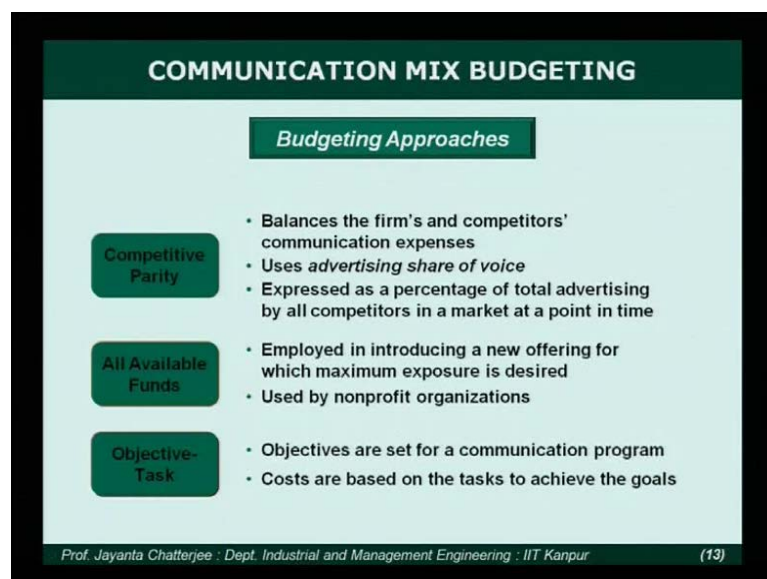
So, this form of using other customer's opinion as a kind of advocacy for related offering are very powerful marketing communication possibilities today, that will become more and more powerful because of the technologies, that are getting developed.

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So, all those so called location-based marketing, that means, you are at a particular place and your mobile phone, when you are looking for restaurants, might also give you suggestions with respect to movies or other entertainment outlets and so on and which we will discuss in another session in more detail.

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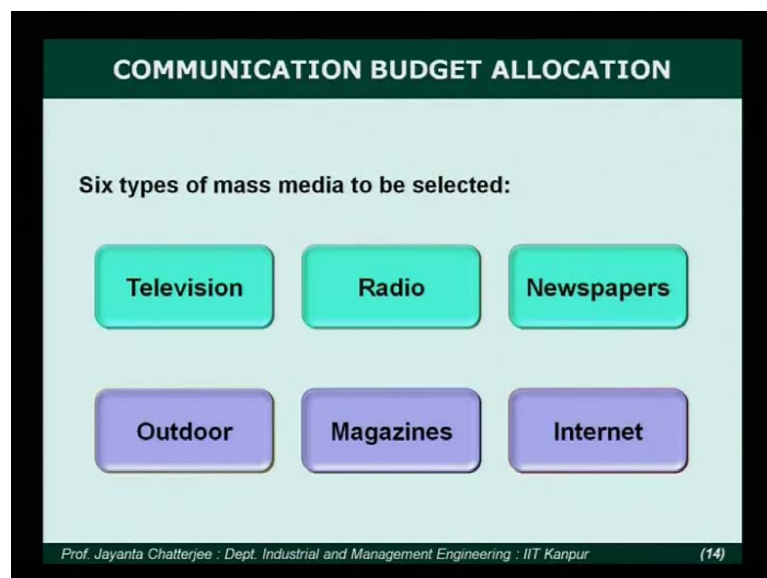


But when we think about budgeting, so in communication mix budget, remember the communication mix means, budgeting for advertising, budgeting for sales promotion, budgeting for public relations activities, budgeting for direct marketing, budgeting for exhibitions.

So, all those different blocks in the marketing communication mix that we saw in the previous session, there we have to decide the allocation, not only depending on the life cycle stage of the product or not only based whether it is a radically new offering or it is a market penetration objective or it is a market development objective. Besides those we know, that the B must be designed, the so called marketing mix elements must be decided with respect to the three Cs, the consumer, the competitors. So, here we are looking at that.

We must therefore balance the competitive activities as well as the capabilities of our people. So, competencies or, and the resource availability must be balanced with competitor activities and to derive the final mix.

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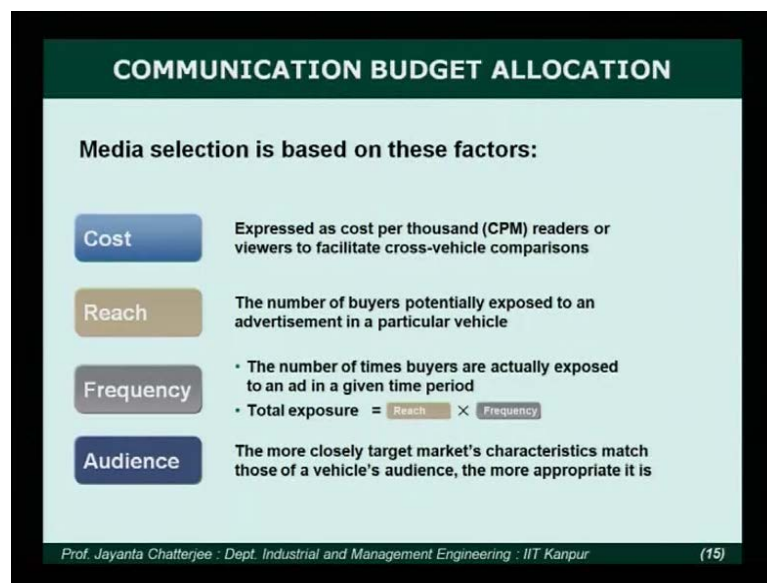
So, the budget allocation across television, radio, newspaper, outdoor hoardings, magazines, internet, these are the media selection. So, this media budget will therefore, depend on what kind of resources you have available, what are the competitive activities going on and what is the communication mix that you want to achieve in terms of information, persuasion and retention components in your messaging. So, the resource part, the competitive activity part and the messaging imperatives, the message mix will determine that how much fund allocation we can do.

Obviously, as you can see, the internet maybe the, the most economically efficient and the television may be the most expensive or in some cases, maybe the outdoor, maybe also equally expensive, but most often, most 99 percent cases, the television, these are the two extreme points. This may be the most economic, this may be the most expensive.

But all of them, they, they have roll to play and there are great examples how companies have succeeded like from some, some, one of the regional brands in detergent like Ghadi in northern India primarily relied on a radio advertising. It has, in fact, started investing in television advertising very recently and even then it is far subdued, but it relies heavily on its radio advertising, its outdoor advertising and through vernacular newspapers. And, and obviously, as it is you can clearly see, that the detergent, the internet may not be the right vehicle for the detergent.

On the other hand, if it is a mobile phone, particularly if it is an expensive phone, then customer will be looking at lot of information to evaluate alternatives. So, the internet will be very important to help the customer with the rational elements or what we call the cognitive side of the behaviour, whereas we need television ads or sometimes the magazine ads to support the effective part of the consumer buying behaviour.

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So, having decided the mix, one can look at the, also the more detailed calculation and that is very easy to understand. We call it cost, reach, frequency and audience. So, cost is usually a cost per thousand readers or viewers, so that you can compare radio with television with newspaper and so on.

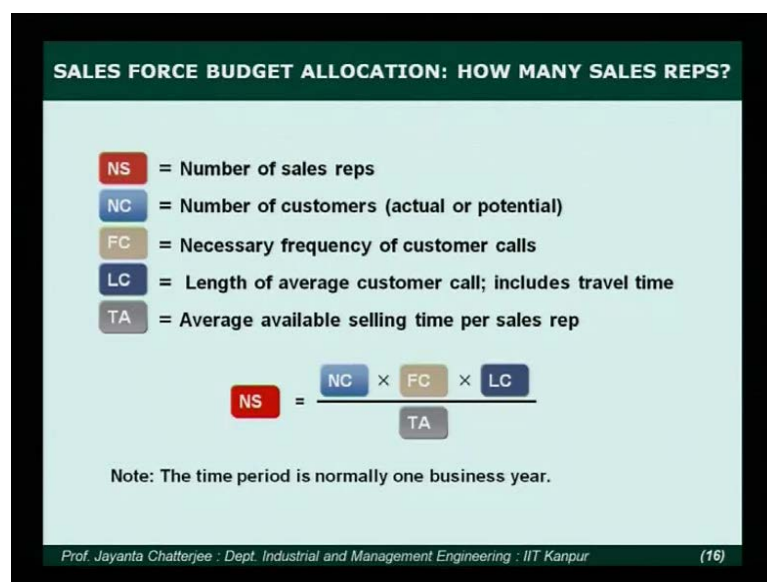
The reach, that the number of buyers who can be potentially exposed, the frequency, that means, how many times the buyers will actually be exposed and how the audience matches, now this calculations are useful. We can do different kind of calculation, but before that here we can look at these elements. But one has to understand, that in most of these media the

numbers are estimated or one can only go buy, so the proxy figures. That means, if you are looking at a magazine, then we will look at its circulation, but it did, does not necessarily mean, that all that number or all the people who subscribe to that magazine will be your potential buyers.

So, one has to then go into the deeper analysis of the, that how the characteristics of their subscribers. So, if you are actually trying to promote a new after-shave lotion through a print ad, then obviously, one has to see to what extent that particular magazine has. So, if it is a magazine, which is on male fashion like GQ, then that is the right vehicle. But in all these there are exceptions, will not go in to that much of the detail discussion because there are people who also the, men who read women's fashion magazines are also quite a few, so that is why you will, you should not be surprised if you find some after-shave lotion ads in women's fashion magazines.

But the key point here is, that these numbers, the cost per thousand readers, whether that, those thousands are really your potential buyers or not, these are on one will have to do some probabilistic calculations to derive the budget allocation.

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But it is, in the other case, like for example, this is another interesting kind of calculation, which in B to B marketing communication we have to often do, like how many salespeople we will need because that is the, that is the budget part of marketing communication in complex products, in business to business selling, as we discussed right in the beginning. And then, we go through to this kind of, this calculation, that is, the number of sales

representatives will be found out by, if there are 2500, because in B to B we can identify the customers if we are making steering columns.

Then, we know, then the other, the customers are our India's truck manufacturers, car manufacture. So, you will have 7, 10, 12, 15 potential customers and within those customer organizations there maybe number of people to call upon. Say, if there are 2500 people who need to be addressed and if there are four customer calls per year, so there are 2500 into 4 and 2 hours average call and then in a year, roughly, there are about 1340 hours, which you can calculate by the number of working days and number of working hours per person leaving out the holidays and so on. So, then if you divide that by 1340, then you can see, that you need 15 sales representatives.

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SALES FORCE BUDGET ALLOCATION: HOW MANY SALES REPS?

Example:

- NS = Number of sales reps
- NC = 2,500 potential customers
- PC = 4 customer calls per year
- LC = 2 hours average customer call; includes travel time
- TA = 1,340 average available selling time per sales rep

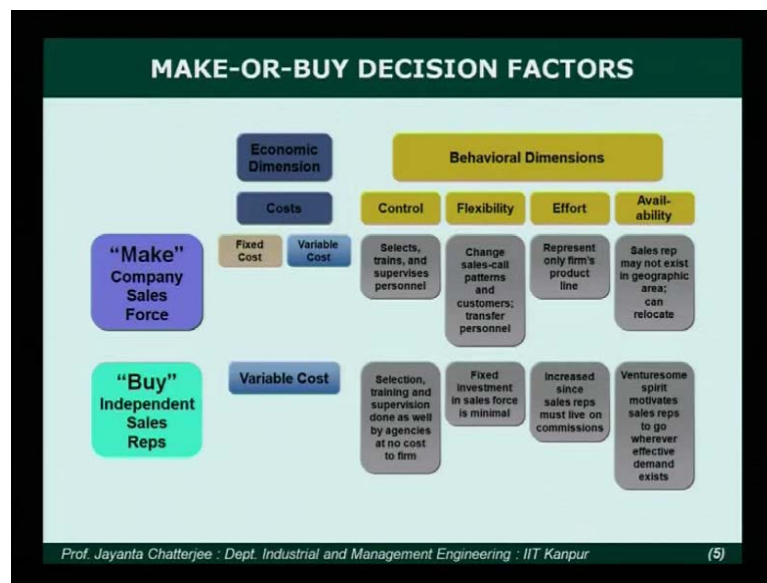
$$NS = \frac{NC \times PC \times LC}{TA}$$
$$NS = \frac{2,500 \times 4 \times 2}{1,340}$$

NS = 15 sales reps needed

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Now, which is to highlight the fact that this calculation could be far more accurate compared to this calculation because this is, these numbers, the cost to reach frequency audience of the kind of media, that we looked at, will not be as deterministic as the kind of numbers we are looking at here. So, conclude therefore, that the marketing communication budgeting has to always balance some probabilistic issues like as we discussed here.

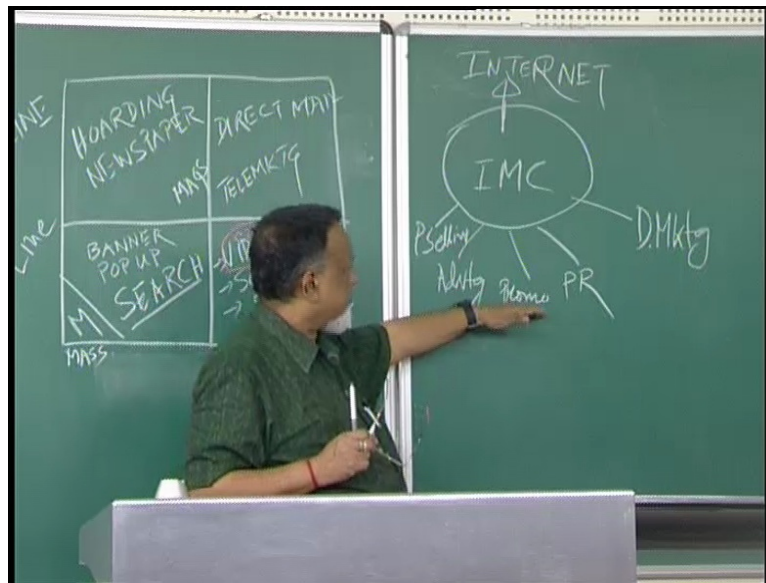
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Some soft issues and hard issues as we discussed, that means, the economic dimensions that numbers the cost, that can be calculated, and the factors, that cannot be so accurately calculated, but some cost and benefit can be achieved, can be evaluated. These, the hard side and the soft side, the deterministic and the probabilistic elements need to be considered together. And similarly, the push and the pull strategies need to be considered together to finally create the marketing communication budget.

And the decision about media mix and decision about the communication mix and overall the source stock, that is, the situation analysis, objective setting, strategy formulation, tactical deployment, action and assessment and control. Those elements then can be seen in conjunction with the circular diagram that we presented right in the beginning of this presentation. The source stock in this taken together and remembering that you have to evaluate always the deterministic numbers with the probabilistic issues, the hard side with the soft side; you can create a good marketing communication strategy.

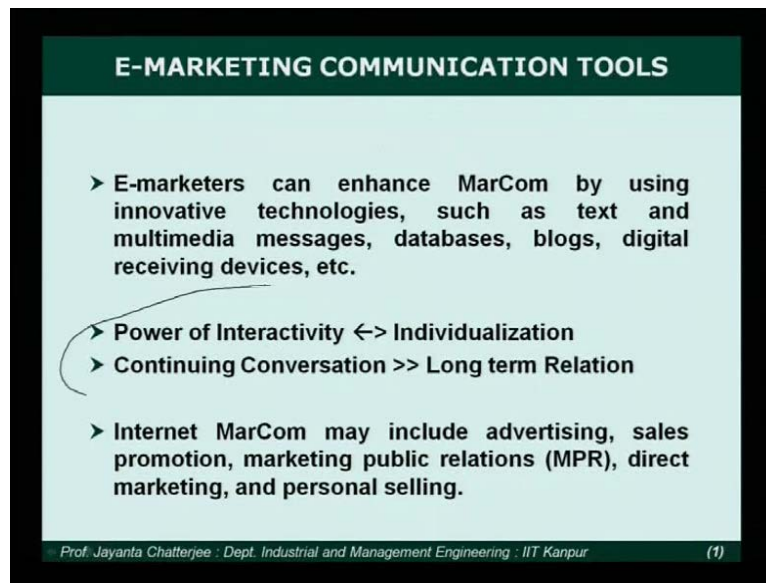
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We have been discussing about integrated marketing communication. We have discussed the different forms of integrated market communication, like advertising, sales promotion, public relations, direct marketing, personal selling, and we earlier eluded to internet as a form of channel for marketing communication as one of these.

But in some respect, actually the impact of internet, particularly the hybrid form or the blended form of internet with other ICT or information communication technologies, like call store-and-forward or machine based interactive voice response system, etcetera, all of this put together, that actually can create quite a powerful, almost new format, for marketing communication and that is why, today we have a short session to supplement our earlier discussions on integrated marketing communication, which we are calling digitally integrated marketing communication.

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E-MARKETING COMMUNICATION TOOLS

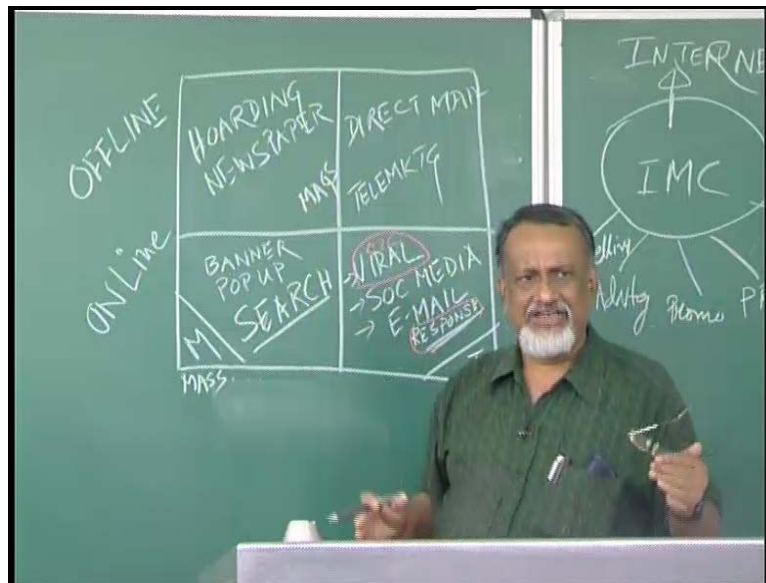
- E-marketers can enhance MarCom by using innovative technologies, such as text and multimedia messages, databases, blogs, digital receiving devices, etc.
- Power of Interactivity <=> Individualization
- Continuing Conversation >> Long term Relation
- Internet MarCom may include advertising, sales promotion, marketing public relations (MPR), direct marketing, and personal selling.

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Now, the key point here, why enhancement of marketing communication by using technology, such as text, multimedia and integrating that with databases and data mining and also on the other hand, social media formats like blogs or, and all of that. The reason why it is creating a completely new paradigm for marketing communication is for these two major factors, one is this almost integrative exponential power created by the interactivity and individualization.

So, the interactivity and individualization, we will see how it happens in a short while, creates an opportunity for continuing conversation and therefore, to achieve the strategic marketing goal of long term relation and customer advocacy and, and therefore, the power of internet is not only just as an alternative channel, but in some respect it actually creates almost new format.

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If you look at this diagram, it kind of tells us, that if we make it 2 by 2 matrix, that here we have online and offline and here, for example, we put mass communication and on this side we put individualized communication, in that case, as you can see here, online individualized communication will mean some very powerful new formats starting from a little older, but still very widely used and very powerful is this email, but not a simple email, which is like mass email, which in fact, in some respect is not very effective because as you know, there are various kinds of protection against spamming.

So, this mass email, which is unsolicited email, is what we call a spam and that consumers can actually block that with the technology that is available. But on the other hand, an email, that is actually sent in response to your request or in, as a part of your registration process with a particular website, what we call as sort of permission marketing, that means, an email, which has been sent with your explicit acceptance, sometimes maybe tacit acceptance, that is, when you have registered for some information and you have provided your e-mail id, so but it is a kind of a tacit acceptance.

But most sites today ask for your specific permission, that yes, you are ready to receive their messages, not only related to your request, but even a mail from their associates or mails that are related. For example, you might have ask for information for a particular book or for a particular report or for information on a new mobile phone that will be released soon on Flipkart, but at the same time we might have actually already accepted that similar new market launches or similar books when they are released, etcetera. They, the marketer will be permitted to send you a mail. That is what we call a response type of email or permission

marketing oriented email and that is extremely useful because it is a very precise communication and that can often generate continuing conversation, what we were discussing just now and therefore, it can be the basis of a long term relation.

The other one, which is also as a, is extremely, very powerful marketing tool today, which we call costumer to customer or consumer to consumer or C to C viral marketing, this is actually the online form of the word-of-mouth publicity and that again is individual to individual communication, very powerful online. So, this is actually the domain that attracts most of our attention, the most effective format in this whole domain of digital integrated or digitally integrated marketing communication.

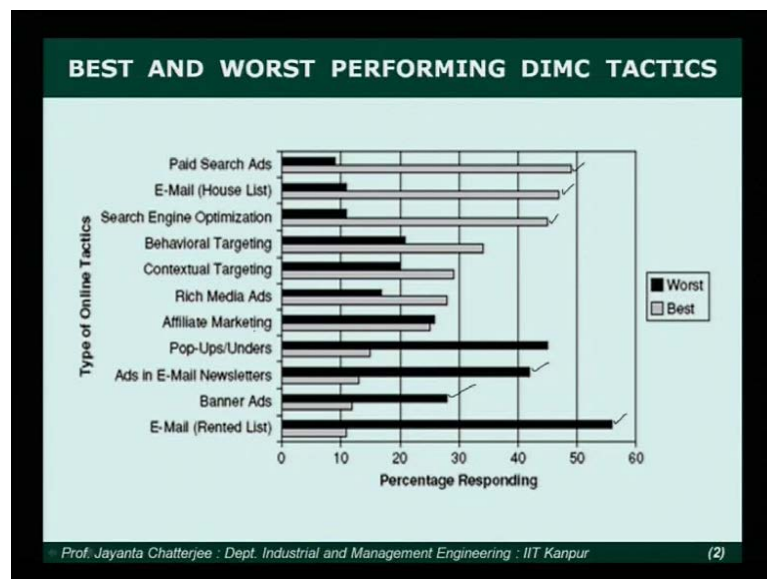
Of course, we have the traditional offline mass communication like hoardings and newspapers and magazines, which are slightly on this side because it is a bit individualized, because magazines can be targeted to a particular audience. It can be so what called trade magazines. So, in the in place of, say B to B marketing, we can have a magazine that is dedicated for electrical automation and control products. So, in that magazine call control and automation will then have almost individualized subscription, so that will be more effective than say, advertising in the newspaper for specialized products.

So, there are other formats of specialized magazines for say, bath and light or home decoration and so on and so forth, but travel magazine. So, they kind of move from this side to that side a little bit. And individualized offline examples will be telemarketing, which often is actually, because many times there are unsolicited calls and in fact, many consumers block such calls, they are almost equivalent to spamming. There can be also, nowadays, mass or bulk SMS that is sent out. That also is frowned upon, but it could be also marketing telephone call from a mobile service provider or your bank whom you might like or your credit card.

So, direct mail, telemarketing, are formats of individualized offline at, you can clearly see that compared to the individualized offline communication. These online formats of those that we have just described can be far more powerful, of course, online. We have also examples of mass communication or mass advertising, those are the banner ads, that you see when you are actually going to the Economic Times website or the website of Business Standard or other, Times of India and other newspapers and magazines at that, you know, you can see some banner ads on top or something that crawls across or something that pops up again. Those are not as effective, as, as these.

And of course, something that is becoming more and more powerful because technologies are developing in that direction is what we call search. To begin with, search engines are actually an example of mass communication online, but they have the power of more and more moving people from this segment to this segment and that is why this is becoming. So, you can actually attract a large number of people and that is why we will just discuss, that why Google AdSense has become so powerful and so remunerative.

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So, so the best and worst performance, digitally integrated marketing communication tactics, this is actually a well published comparison and as you can see here, there is a comparison that means paid search are, are, are seen as very powerful or email, which is actually from a permitted list, what is called a house list, is again, as you can see dark, is worst in, in the opinion of people who have responded and best. So, the best actually this opted for email, search engine optimization, these are some very, very powerful ones.

On the other hand, as you can see here, banner ads are considered as quite ineffective or email, which is from a rented list or you know, that means almost that comes like spamming, unrelated emails, both are considered as bad or ads in email newsletters not very effective.

So, as you can see here, from this to this you can see all the different types of digitally integrated marketing communication and they, we have this search engine optimization, behavioural targeting, contextual targeting, we will discuss these ideas a little bit more. Affiliate marketing also can be quite affective, that means, when you were looking at something on Flipkart website and you may be looking at a book, but it can be an example of

related product marketing. An affiliate marketing means, that you are actually on Economic times website, you may be looking at particular news at the same time, which relates to the weather in or some incidents that is there in Kerala, but at the same time we can, ET might allow the Kerala tourism to, at that time been, are communicated an ad to you promoting Kerala tourism. So, this is something like affiliate marketing and occasion based marketing or contextual marketing and we will discuss all of that. So, let us go one by one.

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INTERNET ADVERTISING FORMATS

- **Keyword search is the fastest growing and most important technique.**
- **Display ads are the second largest.**
 - Display ads include traditional banners and many additional sizes.
 - Formats include rectangles, pop-ups, banners, buttons, and skyscraper display ads.

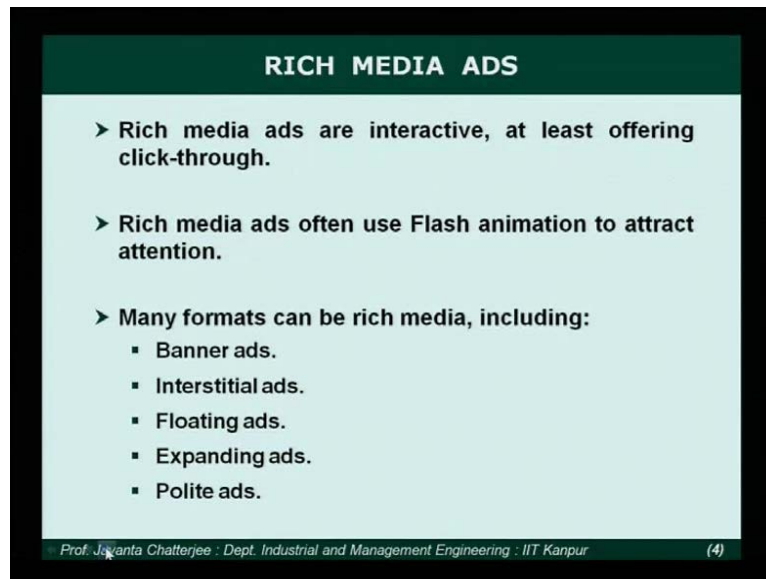
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Keyword search is, this is obviously the fastest-growing, a very important technique because it allows us, somebody who has come to us from a spray and pray communication to bring a very targeted communication. So, it allows us to move a customer from this segment to this segment to develop long-term relationship. And display ads are the second large, largest and hence I have some interesting statistics.

For example, in India in 2009, the total spend on internet, these kinds of display ads, that means, both traditional banners and many other formats, like rectangles, pop-ups, banners, buttons, all this kind of ads on internet, the total spend was 450 Crores, against that the spend on TV ads was 10000 Crores. So, as you can see, it was almost more than 20 times, that means, the ads spend on internet was still nascent. But look at the figure in 2012. In 2012, the spend on internet ad has come almost like 870, say 900 Crores, which means, it actually has doubled, almost doubled compared to the 2009. So, in, in this, sorry, this figure is for 2011. So, just in two years time, the 450 Crores almost reach 900 Crores in case of internet ads and again, that the TV ads spend climbed from 10000 Crores to 11000 Crores.

So, even though TV ads continue to be a much bigger engagement area, but as you can see, it is almost in case of internet ads, the spend is doubling almost every two years and whereas, in the other case, it rose just by about 15 percent or 10 percent over two years. So, so in time it is expected that because of the power of this interactivity and individualization, which creates long-term conversation and that power is therefore causing this rapid rise in internet ads spent because even when people are using these banner ads or floating ads, etcetera, there are opportunities there we have.

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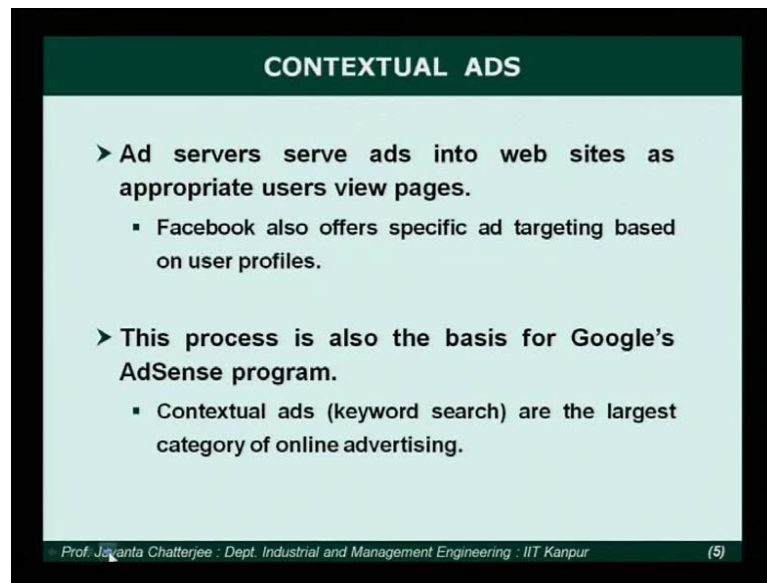
RICH MEDIA ADS

- Rich media ads are interactive, at least offering click-through.
- Rich media ads often use Flash animation to attract attention.
- Many formats can be rich media, including:
 - Banner ads.
 - Interstitial ads.
 - Floating ads.
 - Expanding ads.
 - Polite ads.

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Because of this, which media and various kinds of animation techniques, etcetera, that can be used, you can attract the customer's attention and the customer may click on it and which can actually then take the customer more towards this segment and therefore, more interactive possibilities.

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CONTEXTUAL ADS

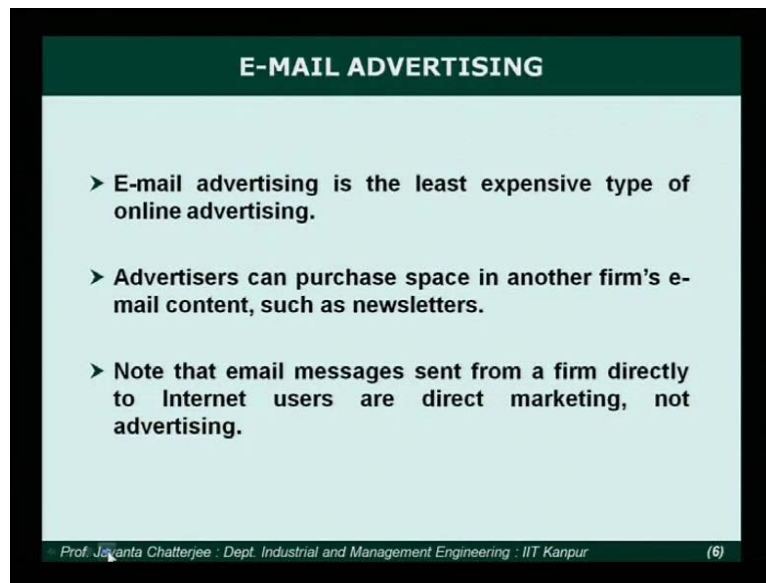
- **Ad servers serve ads into web sites as appropriate users view pages.**
 - Facebook also offers specific ad targeting based on user profiles.
- **This process is also the basis for Google's AdSense program.**
 - Contextual ads (keyword search) are the largest category of online advertising.

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Contextual ads, again we are very familiar with this today because of Google AdSense, that means, if I am actually searching for information on philosophy and then the AdSense will, in that context, show me on the right hand side, either some books on Aristotle because I might have been looking at Aristotle's philosophy as applicable to marketing or management and at the same time it can promote to me, maybe some, depending on the text that I am looking at, it might even show me some tourism development promotion ads from Greece or, or depending on the context it can actually very powerfully use this keyword search and kind of, use some kind of, what we call, a mapping technique and it can show us many different related, closely related and somewhat distantly related. And as we progress through the search, as we click out of many options, that are or many results that are displayed in Google. We click on a particular, want to read more immediately, we will see on the right hand side, the contextual ads will be changing.

So, this is the power, that as customer branches out and goes on deeper search, you can actually create more and more refined contextual searches. So, this is another great example of how we are moving people from this left quadrant to the right quadrant.

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E-MAIL ADVERTISING

- E-mail advertising is the least expensive type of online advertising.
- Advertisers can purchase space in another firm's e-mail content, such as newsletters.
- Note that email messages sent from a firm directly to Internet users are direct marketing, not advertising.

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E-mail advertising, as I mentioned, can be, if it is opted, it can be very powerful. That means, if it is permission oriented or if it is actually out of your house list, that means, your subscriber list, suppose you are one of the members of say, SBI credit card group and so, if you get mail from SBI credit card giving you some additional offers, allowing you to become a member of the priority club or something like that, then that is something that is quite effective.

On the other hand, if you get a completely unsolicited email, which has no meaning for you and it, it might be just coming out of some list that somebody has purchased, then that advertising is may be very inexpensive, but it can be quite ineffective as well. So, so, when it is direct marketing, which is based on your permission or your interest, then it can be almost a conversation and it actually is not mass advertising, it becomes much better communication channel because it is coming on this site.

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MOBILE ADVERTISING

- Mobile Internet usage grew about 25% annually from 2007-2010.
- Techniques for mobile devices include:
 - Display ads
 - Messaging
 - Location-based ads
 - Paid search
 - Video
- Advertising on mobile devices is likely to increase.

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Similarly, mobile internet, as it is rapidly penetrating, is giving us different new possibilities like this location based ads, which means, that if I am in the vicinity of a market place, then it can actually start sending me ads, which are related to stores, that are available nearby, the restaurants that are available nearby and this, with a little bit more data based, data mining technique can be very powerful.

It is available now in many cities in Europe, that means, if you are from India and you are roaming around in say Pompey, and which is a relatively smaller town compared to Rome and you are from India, but as your telephone is on roaming mode, the local mobile phone service will recognize, that your SIM originates from India and it can actually use that data and based on your location it start showing you, that where you can find Indian restaurant in Pompey and this is a very powerful facility of course. And in many cases, the customer can actually ask.

In fact, as soon as you land, it is available right now in India. If your phone is on roaming mode, as soon as you land in Ahmedabad, you will get a message saying, that call this number for anything that you want to know about Ahmadabad. So, if you are in the evening looking for a restaurant, which can serve you Italian food in Ahmedabad, you can actually get, send a SMS to that number and you can get. So, it is a little bit deviation from the automated location based ads. This is using push, not push format, but a pull format. Customer is pulling for that information and very precise promotion messages can then be sent across to you and can be very useful. So, this is a form of a paid search and, and it is quite useful today.

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METRICS FOR ELECTRONIC AND POSTAL MAIL	
Determining Return on Investment (ROI) for 5,000-Name Mailing	
Postal Mail	E-Mail
Mailing list with five select categories—₹500	E-mail list with three select categories—₹300
Development of mailing deliverables, mail house services and fulfillment—₹2,500	E-mail designed and sent to customers, tracking data—₹500
Net costs—₹3,000	Net costs—₹800
Response rate—1% (50 new customers)	Response rate—0.2% (10 new customers)
Avg. new purchase—₹75	Avg. new purchase—₹110
Mailing list campaign resulted in a 25% ROI (₹750 Net Revenue / ₹3,000 cost)	E-mail list campaign resulted in a 37.5% ROI (₹300 Net Revenue / ₹800 cost)

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This shows you, that some, some return on investment and these numbers can be, you know, different in different places. These are but this is just to indicate, that the scale at which you are, you can save money. So, your net cost in case of postal mail will be 3000 rupees as against net cost of 800 rupees. These numbers may be different, but this scale will not change. That means, your, your expense using email list for, for, for mailing out can be almost 20 percent, 25 percent.

Of course, the other interesting thing is, that in case of a postal direct mail the response rate has always been very low, but in case of email it can be even lower. But if we see finally the numbers, this number can be further improved if we have an automated system for follow-up and for reminders, which is kind of expensive to implement in case of postal mail, but can be quite easy in case of email. It can be even done without human intervention to send out a gentle reminder automated after 15 days if there has been no response to that mail.

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PERMISSION MARKETING: OPT-IN, OPT-OUT

- When consumers opt-in, they are giving permission to receive commercial e-mail.
- Marketers should obtain lists that are guaranteed to be 100% opt-in.
- Opt-in techniques are part of a bigger marketing strategy called permission marketing or “turning strangers into customers.”

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In email, as we were discussing and in general obviously, the opt-in option, that means, when the consumer give you permission to receive an email, that can become very powerful, and it is not easy of course, but it is possible to buy from lists where you can have 100 percent opt-in. This is because when you say, subscribe to a credit card or you subscribe to a new magazine over the internet, then you might agree like for example, when I have subscribed to Harvard Business Review, I have agreed and I have given permission, that their affiliates can send me e-mail showing me the offers on new books or publications in the areas of my interests, like marketing or strategy and so on. And in that case, the mailing list that is generated by Harvard Business School Press from people who have given them this permission, then that permission is equivalent to creating a mailing list, which is 100 percent opt-in.

Opt-in strategies part of bigger marketing philosophy today, which is permission marketing, which is very important today because that indicates, that you are moving people from this stranger segment quadrant to a familiar or related customer segment. So, this published marketing, particularly because of this digital era where it is very tempting for people to spam or send out mass text messages and so on, the customers are forcing marketers to give a much higher importance to this whole form of permission marketing.

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VIRAL MARKETING

Viral marketing is the online equivalent of “word of mouth” marketing.

- Hotmail is a viral marketing success story.
- Movies such as Blair Witch Project and American Psycho were promoted using viral marketing techniques.
- Burger King’s Subservient Chicken campaign drew 14 million visitors in the first year.

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And then, permission marketing leads to often viral marketing where the word-of-mouth publicity creates a buzz. A great example is hotmail, which people came to know about its free email service through friends and relatives and it just spread worldwide. There is also many other examples around the world.

There has been examples in India, Europe, USA, and many more new examples are always coming in how powerful viral marketing can be, like the entrepreneurship society, which was created here at IIT Kanpur using the viral marketing technique. It actually solicited and got members from all around and became a very powerful platform with a very minimal expense.

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LOCATION-BASED MARKETING

- Location-based marketing includes promotional offers pushed to mobile devices and based on the user’s physical location.
- Google is on the leading edge with its local search.

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Location-based marketing, we just discussed that.

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DIRECT MARKETING METRICS

- Response rate and ROI are the most appropriate metrics for direct marketing campaigns.
- E-mail receives a widely varied and generally low click through rate, but the highest ROI of any direct media.
- In a study of SMS campaigns, 94% of messages were read by recipients and 23% showed or forwarded messages to a friend.

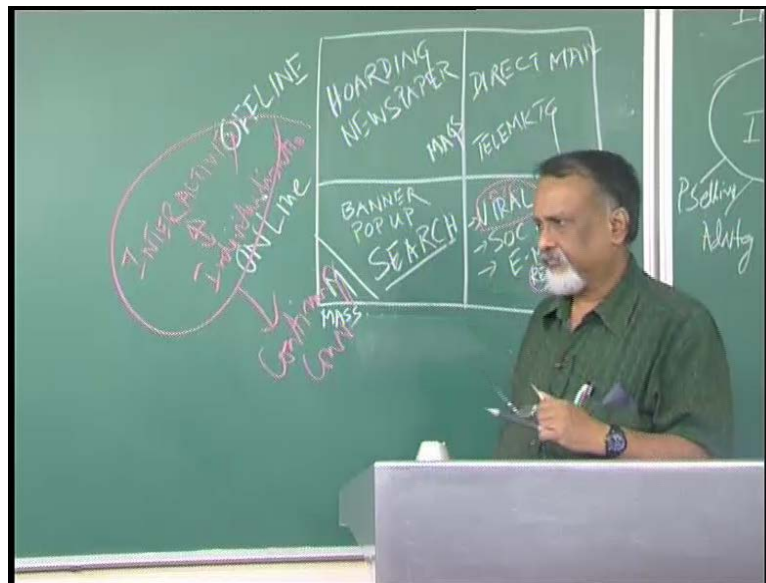
AIDA

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So, there are some metrics that we should use to measure all of these and those metrics are, we can, we can easily make this calculation, like in study of SMS campaign, that how many percentage of SMSs were actually read by recipients, how many of them forwarded that message to a friend. This, the mobile phone service companies can easily track.

Similarly, we can do that for the email and these are some metrics that we can use that how on the AIDA progression that moved from awareness to sort of interest and then of course, we have to use other techniques to find out that whether that led to purchase action. So, that is kind of our brief ad-on to the earlier discussion on integrating marketing communication mainly to show you, that the introduction of the digital technology actually creates completely new paradigms.

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So, it is not only just ad of internet as another channel of marketing communication, but it is more and more becoming a new form of marketing communication integration because, because of the power of what we call interactivity and individuality, individualization of the message. We can create a continuing conversation, which can become the bedrock of relationship marketing.

Thank you.