

PGDM (R M), 2015-17
Integrated Marketing Communication
RM-406

Trimester – IV, End-Term Examination: September 2016

Time allowed: 2 hrs 30 min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	50

Section A

This Section contains five questions. Attempt any three questions. All questions carry equal marks. (3*5 marks=15 marks)

Q1. Compare and contrast the effectiveness of the recent advertising campaigns used by Patanjali versus Dabur for their product "honey". Which campaign in your opinion had a longer recall and why?

Q2. As the internet continues to grow in popularity, some marketers predict that the print catalogs will cease to exist, replaced by internet catalogs. Do you agree?

Q3. Discuss the various reasons sales promotion has become so important and is receiving an increasing portion of marketer's promotional budget. Illustrate the same using a suitable example from industry.

Q4. Discuss the objective of floating a "Second Agency". Briefly explain its relative importance and significance.

Q5. Explain how online communities, forums, and chat rooms can be used in marketing programs. Discuss using a suitable example.

Section B

This Section contains three questions. Attempt any two questions. All questions carry equal marks. (2*10 marks=20 marks)

Q1. Companies often attempt to motivate the salespersons in various ways, including offering them monetary incentives. Following up on this, give some examples of how integrating other program elements might also be effective in motivating the sales force.

Q2. Develop a 15 second copy for the radio ad of an 'Adult Diaper' as the product recently launched for the consumers and explain the logic of the creative content used for this campaign so as to make it effective to the target segment.

Q3. Some marketers and PR people believe that public relations should replace advertising as the primary means of introducing new products. Assuming the statement to be true, support your answer with an example of a recent new product launch.

Section C

Case Study (Compulsory): 15 marks

Boots: Hair-Care Sales Promotion

In early November 2004, on a cold winter afternoon in Nottingham, England, Dave Robinson was planning his sales promotion strategy for a line of professional hair-care products at Boots. The professional hair-care line consisted primarily of shampoos, conditioners and styling products (gels, wax, mousse, etc.) developed in collaboration with United Kingdom's top celebrity hairdressers. Robinson's challenge was to select one of three promotional alternatives—get three for the price of two (“3 for 2”), receive a gift with purchase (“GWP”), and an on-pack coupon worth 50p¹—for the Christmas season. He realized that the alternative he selected would have immediate effects on both costs and sales as well as long-term implications for the brands involved. His primary objective was to drive sales volumes and trade-up consumers from lower-value brands, while retaining or building brand equity.

The Company

Boots, one of the best-known and respected retail names in the United Kingdom, provided health and beauty products and advice that enhanced personal well-being. The company owned global differentiated brands in the self-medication market such as Nurofen, Strepsils, and Clearasil. It employed around 75,000 people and operated in some 130 countries worldwide in 2004. Besides retailing, Boots had international sales and marketing operations and also developed and manufactured its own products.

Early Days

John Boot, born in 1815, spent his early life as an agricultural laborer on local farms, where herbal

remedies were popular with the laboring poor. John Boot's mother used herbs for healing, and he was familiar with the remedies. In 1849, Boot opened “The British and American Botanic Establishment” in Nottingham, hoping to provide physical comfort to the needy as well as a reasonable living for his family. However, after years of hard work and ill health, John Boot died in 1860, and his wife, Mary, took over management of the shop, with the help of her 10-year-old son, Jesse.

Jesse took sole control of the shop in 1877, and, in 1883, established it as a private company “Boot and Company Limited,” with himself as chairman and managing director. He was determined to cut prices and asked customers to pay cash rather than offering them credit. Additionally, the company adopted its own logo (see Exhibit 1).

The company began to expand with more stores in Nottingham. In 1884, Boots opened its first store outside Nottingham in Sheffield. Jesse wanted the company to be fully self-contained so that he could

Exhibit 1 First Logo Adapted in 1883



Source: Company files.

control not only prices but also quality. He wanted to be the "Largest, Best and Cheapest" and, by 1913, sales in the 560 Boots stores across the United Kingdom amounted to over £2.5 million a year.

Post-War Regeneration and New Development, 1945-1968

A program of factory development in Nottingham was begun following the war, the major part being completed by 1953. This included a new power house, printing works, and, in 1959, a new pharmaceutical research building. In 1949, a factory for the manufacture of cosmetics was opened at Airdrie in Scotland. The company adopted a new black and white logo (see Exhibit 2).

The Modern Era

Boots continued to develop product ranges, many of which became household names. "17" cosmetics, aimed at the teenage market, was launched in 1968. In 1969, the analgesic Ibuprofen was introduced and was launched as the OTC brand, Nurofen, in 1983.

With time, Boots also introduced new services. Boots Opticians, formed in 1987, became one of the United Kingdom's leading chain of opticians. Insurance services and initiatives in dentistry, chiropody, "Boots for Men" stores, and "Internet Services" were introduced in 1999. International expansion in operations was conducted by Boots Healthcare International (formed in

1991), which exported healthcare products to more than 130 countries round the world. Boots Health and Beauty stores were established in Ireland, Thailand and Taiwan.

United Kingdom Hair-Care Market

In the mid-'90s, the consumer market for hair-care comprised brands such as Pantene Pro-V and Head and Shoulders by Procter and Gamble, Alberto VO5 by Alberto-Culver, and Elvive by L'Oreal. These national brands were widely available in supermarkets such as Tesco, Sainsbury's, and Morrisons, and at drug retailers including Boots and Superdrug. The sales of these brands were directly proportional to the amount of advertising expenditure.

In 2000, over 60 major brands of hair care products were available in the U.K. market. None of these brands had more than a nine percent market share. The overall market was expected to grow by between one percent and three percent per year for the next five years. However, severe price competition meant that volume would grow more quickly than value. In some instances, notably shampoo, the use of price promotions to secure volume would see an overall decline in prices of approximately one percent. Significant price discounting through promotional activity and competition from low-cost private label alternatives were expected to continue into the foreseeable future.

Boots saw an opportunity to be the retail hair-care expert and to offer the latest ranges. Additionally, Boots desired to build a new market by using celebrity endorsements to create awareness and create an emotional attachment between consumers and the brand. Celebrity hairdressers had their own branded products, but distribution was limited to their own salons. No celebrity-endorsed products were available in retail stores. Boots began to cultivate relationships, beginning 1996, with well-established hairdressers in the United Kingdom. In particular, they sought hairdressers located on High Street in London that had high consumer awareness and a premium positioning.

The relationship with Boots was lucrative for the hairdressers because it gave them access to a large percentage of U.K. consumers through Boots'

Exhibit 2

New Black and White Logo
Adopted in 1949



Source: Company files.

1,300 stores. Research indicated that over 85 percent of female adults in the United Kingdom visited a Boots store within the past week.

Boots developed a critical mass of professional hair-care brands. Some ranges were developed and launched in partnership whereas others (existing products) were launched through a beneficial supplier and retailer partnership (e.g., John Freida). Using its superior technological capabilities and significant production capacity, Boots worked with the celebrities to design formulations that were functionally better than existing brands. Under the agreement, Boots manufactured the products and paid a per-unit licensing fee for use of the celebrity's brand name.

In the more than five years since the first celebrity brand was introduced, Boots felt that it had not

been able to sufficiently link its name with these products and hence missed on maximizing profitability. Boots and the brand owners (hairdressers), between them, currently undertook the management of the licensed brands. The brand owners, given their contacts with the media, specifically managed the public relation activity. Boots managed all other activities in consultation with the brand owners.

The Professional Hair-Care Brands

Exhibit 3 gives details about associated celebrities and the brands. Exhibit 4 gives a summary of the brand's product ranges. Exhibit 5 shows their distribution and introduction dates.

Exhibit 3 Brand Descriptions

Name	Description	Specifics	Market Awareness
Charles Worthington	One of the most influential and creative hairdressers. His name is synonymous with style, innovation, and success.	Five prestigious London salons tending to more than 2,000 clients a week. Celebrity following on both sides of the Atlantic.	Medium
John Frieda	Entrepreneurial in spirit, global in impact, John Frieda's team of celebrity stylists (the "House of Experts") fuels the company's new product initiatives with the inside track on hot, new celebrity hair trends.	Three salons in London, two in New York and one in Los Angeles. The product range is targeted for specific hair types.	Strong
Nicky Clarke	A popular hairstylist to the stars from the film, television, fashion, and music industries.	Salons in London and Manchester.	Medium
Umberto Giannini	One of the most esteemed and influential names in British hairdressing. His company's philosophy is simple—creating sexy, contemporary catwalk looks within its salons alongside a salon performance range of hair-care products to recreate catwalk glamor at home.	Eight salons in the United Kingdom	Low

Exhibit 3 (Continued)

Name	Description	Specifics	Market Awareness
Toni & Guy	"At Toni & Guy we create wearable, catwalk-led hairstyles for people who want easy-care, trend-setting hairstyles. Be an individual, be ahead in the style stakes with Toni and Guy."	250 salons in the United Kingdom	Strong
Trevor Sorbie ⁶	Trevor Sorbie, is considered as the showman of all hairdressers. His pioneering techniques and cuts—the Wedge, the Chop, and the Scrunch are now part of everyday salon parlance.	Two salons in the United Kingdom	Medium
Lee Stafford ⁷	He is known for hairstyle and hair care.	Three salons in the United Kingdom	Low

1. Charles Worthington home-page <http://www.cw.london.com>
2. All references to London in United Kingdom
3. John Frieda home-page <http://www.johnfrieda.com>
4. Umberto Giannini home-page <http://www.umbertogiannini.com/>
5. Toni & Guy home-page <http://www.toniandguy.co.uk/start.html>
6. Trevor Sorbie home-page <http://www.trevorsorbie.com/index.htm>
7. Lee Stafford home-page <http://www.leestafford.com/>

Exhibit 4 Product Categories

		Brands							
		Charles Worthington	John Frieda	Nicky Clarke	Umberto Giannini	Toni & Guy	Trevor Sorbie	Lee Stafford	
		1996	1996	1998	1999	Jan-01	Sep-01	Sep-01	
Product Categories	Styling Products	Shampoo	X	X	X	X	X	X	X
		Conditioner	X	X	X	X	X	X	X
		Spray	X	X	X	X	X	X	X
		Balm	X		X		X	X	X
		Shaper							X
		Mousse	X	X	X	X	X	X	X
		Jelly				X			
		Glosser	X	X		X		X	
		Hair cream		X		X	X	X	
		Serum	X	X		X	X	X	
		Gel	X	X				X	
		Styling Foam		X					

5 5

	Brands						
	Charles Worthington	John Frieda	Nicky Clarke	Umberto Giannini	Toni & Guy	Trevor Sorbie	Lee Stafford
	1996	1996	1998	1999	Jan-01	Sep-01	Sep-01
Hair lotion		X					
Putty	X						
Wax	X			X	X		
Makeover kit	X						
Hair powder				X			
Hair color				X			
Hair dryer			X			X	
Hair brush	X				X	X	
Hair comb					X	X	
Barber's clipper						X	
Straightening iron						X	
Heat rollers						X	
Hair band					X		
Face wash	X					X	
Face scrub	X						
Beard softener						X	
Shave oil						X	
Shave foam	X						
Shave gel	X					X	
After shave	X					X	
Shower gel						X	
Deodorant	X					X	
Eau de toilette						X	
Hair wipe						X	
Lip balm						X	

Source: Company files.

Exhibit 5 Distribution and Introduction Dates

Brand	Introduced	Distribution
Charles Worthington	1996	Only Boots
John Frieda	1996	Widely Available
Nicky Clarke	1998	Widely Available
Umberto Giannini	1999	Widely Available
Toni & Guy	January 2001	Only Boots
Trevor Sorbie	September 2001	Only Boots
Lee Stafford	September 2001	Only Boots

Exhibit 6 Price Comparison Chart

Category*	Price**								
	Charles Worthington	John Frieda	Nicky Clarke	Umberto Giannini	Toni & Guy	Trevor Sorbie	Lee Stafford	Pantene	L'Oreal
Shampoo	1.7-2.2	1.4-2.5	1.6	1.6	1.5-2.0	2.0	1.6		0.5
Conditioner	1.7-3.3	1.7-2.5	1.8	1.8	2.0	2.0	1.6		0.5
Styling	3.30	2.43				3.33		1.66	
Mousse	2.0-3.5	1.8-2.5		2.3-3.0	2.2-2.4	1.8-2.0		1.86	1.4-1.8
Hair Spray	1.9-3.5	1.3-6.5		2.7-7.6	2.0-4.0	1.5-4.0	2.5	1.12-1.90	
Hair Wax	9.0-11.0			5.0-10.0	10.0				
Shampoo	9.2-11.0	11.4-15.6		12.0	14.0-26.7	12.0-21.7			7.0
Hair Brush	4.8-8.5				2.8-8.5	2.3-8.0			

Products are normally available in 250 ml sizes. Their smaller Take-Away versions are normally 75 ml.

Prices are in British pounds and per 100 ml unless otherwise stated. These prices are only applicable at Boots stores. Within a product category the prices vary because of their formulations.

The Major Competitors (Mass-Market Brands)

Procter & Gamble

Swiss drug company Hoffman-La Roche developed Pantene as a shampoo and launched it in Europe in 1947. The name "Pantene" refers to the product's origins, from "Panthenol," which is another name for pro-vitamin B-5. Richardson-Vicks acquired Pantene in 1983, by which time Pantene had developed into a fragmented business with more than 100 products, sold mainly in department stores and salons.

Procter & Gamble acquired Richardson-Vicks in 1985, and in 1991, the product was reformulated as the Pantene Pro-V (Pro-Vitamin) line and rolled out as a global brand. By 1995, it became the best-selling hair-care brand in the world with a lineup that included shampoos, conditioners, and styling products for all different hair types. The consumer awareness for Pantene was very high, and the brand was widely available. It held a 8.4 percent share of the U.K. hair care market in 2001.

Apart from Pantene, Procter & Gamble offered other complete ranges of hair-care brands including Clairol, Head & Shoulders, Daily Defense, PERT plus, and Herbal Essences.

Alberto-Culver (United Kingdom)²

Over 60 years, beginning in 1955, Alberto Culver grew into a multibillion-dollar company. The company's head office was located in Illinois, but its products were sold globally. Alberto-Culver's acquisition of Sally Beauty Company in 1969 has grown from a handful of franchised stores to over 2,000 store locations today in United States, United Kingdom (150), Canada, Germany, and Japan. The company's most famous claim to fame was when, in 1971, its founder, Leonard Lavin, forced television networks to abandon their 60-second commercials with the introduction of

30-second ones. In the recent past, the company, in order to increase its product base, has globally acquired diverse firms.

Alberto-Culver offered a variety of products for hair-care, skin-care and home-care. Some of its top brands included St. Ives, V05, Consort hair care for men, and FDS, etc. Alberto-Culver's hair-care range offered a broad assortment of shampoos, conditioners, and styling agents.

L'Oréal

L'Oréal began in 1907 when a young French Chemist, Eugene Schueller, developed an innovative hair-color formula. He called his new perfectly safe hair dye "Auréole." In 1909, he registered the company, the "Société Française de Teintures Inoffensives pour Cheveux," the future L'Oréal. The company started exporting its products as early as 1912 when they could be found in Italy, Austria and Holland. A few years later, via agents and consignments, they were distributed in the United States, South America, Russia, and the Far East. Today the group is present worldwide through its subsidiaries and agents.

L'Oréal's nearly century-old history was marked with major successes, with landmark products that offered women new ways and means to enhance beauty. The group marketed over 500 brands and more than 2,000 products in all sectors of the beauty business: hair color, permanents, styling aids, body and skincare, cleansers, and fragrances. These products were found in all distribution channels, from hair salons and perfumeries, to hyper-super markets, health/beauty outlets and direct mail. Communications became the other key in the company's history. Back when advertising was still in its infancy, L'Oréal commissioned promotional posters from graphic artists like Colin, Loupot, and Savignac to publicize the company's products. The product range consisted of shampoos, conditioner, and styling products. It held a five percent share of the U.K. hair care market in 2001.

Hair-Care Product Retailers

Most major retailers carried a variety of professional and mass market hair-care brands. The major competitors in the supermarket segment were Tesco, Sainsbury's and Morrisons. Tesco was the largest supermarket chain in the United Kingdom with more than 1,800 stores and 45,000 employees. Sainsbury's was the second largest with 700 stores. Both Tesco and Sainsbury's offered a wide product assortment that included traditional supermarket items and online shopping, as well as CDs, books, DVDs, wine, flowers and gifts, kitchen appliances, banking services, and mobile phones. Morrisons had 400 stores and prided itself on providing quality products at the same low price across all of its U.K. stores. Morrisons had taken over Safeway in the United Kingdom in 2004.

A second major hair-care competitor was Superdrug. Started in 1966, Superdrug had grown to become one of the largest health and beauty retailers, with almost 700 stores in the United Kingdom. The company's value offering was that of a value retailer with a wide assortment of around 10,000 products, ranging from essentials to premium products. Superdrug stores layout, lighting, and color, allowed customers to move at their own pace in an attractive setting, thus providing a welcoming and relaxing environment.

Superdrug launched hundreds of private label products each year. Working with its suppliers, Superdrug identified trends (including catwalk fashion) and transformed them into an affordable reality. More than 25 percent of the company's stores featured a pharmacy.

Consumers

Research indicated that consumers were not very brand loyal for a variety of reasons. First, there was a general belief by U.K. consumers that changing shampoo brands produced better results than continually using a single brand. Second, trends in buying behavior led to changing preferences.

Whereas in the '70s consumers wanted shampoos that were gentle, the '80s saw a greater emphasis on detangling, and in the '90s, shiny hair became more important. Third, it was difficult for consumers to identify meaningful differences between the various brands available in any given store. Consumers had a large number of choices that varied not only on brand name, but also packaging, advertising, price, ingredients, consistency, fragrance, and so forth.

Consumers who purchased professional brands were largely fashion-conscious women in the 20-35 age category. These purchasers tended to be more affluent than buyers of mass-market brands. However, most Boots consumers bought both basic and premium brands. In some cases, the female head of household would buy basic products for her kids and husband, and premium for herself. Other customers bought basic products for everyday use and premium products for special occasions such as weekends or social outings. These customers used premium brands as a "treat" when consumers wanted to look and feel their best.

The Decision

Current Boots consumers and existing purchasers of mass-market brands were the primary target for the promotion, which was to run for one month starting December 1st. Due to efficiency considerations and ongoing management of stock, Boots was not considering any variation in product-sizes because of the added cost and complexity involved. No media advertising budget was allocated for this promotion, although it would be highlighted in flyers distributed by the store. Stock would be placed in a dedicated end of aisle or mid-aisle display during the promotional period. There would also be signage within the store to promote the offer, and approximately 400 Boots stores would include signage visible on the exterior of the store.

Average bottle size (shampoo/conditioner) was 250 milliliters (ml)—with an average

pre-promotional price of £3.99. Industry average retail margins on premium brands averaged 40 percent. Mass-market brands had an average retail price of £2, with retailer margins of approximately 25 percent. The manufacturer's typical margin was between eight percent to 12 percent on their cost for both types of products.

The following alternatives were being considered.

"3 for 2"

This offer would enable consumers to buy two hair-care items at regular price and receive one free. Customers could combine any three items they liked (e.g., shampoo, conditioner, and styling gel, etc.), but the three items had to be the same brand. The free item would be the one that was the least expensive of the three items selected by the shopper. An interesting aspect of this promotion is that most competitors did not yet have the technology at point of sale to imitate this promotion. They could implement only a 3-for-2 offer when the prices for the three items were the same.

Robinson estimated that sales per day would increase to 300 percent of pre-promotion sales during the deal period. In other words, if 100 units of hair-care product were sold per day before the promotion, 300 bottles would be sold per day during the promotion (including the free bottles). Approximately 60 percent of these sales would be to customers who would not otherwise have purchased a hair-care product from Boots during the promotional period.

GWP (Gift With Purchase)

A GWP was an offer in which customers were given a product sample along with a regular purchase. For example, a sample size of conditioner would be packaged with a regular bottle of shampoo. An existing sample product would be used to avoid the need to design and produce additional packaging. Adding the sample would cost approximately 90p

per unit for the product plus 3p per unit to secure the sample to the featured product. Robinson expected that sales during the promotional period would be 170 percent of sales that would have occurred without the promotion. He estimated that 40 percent of sales would be to Boots shoppers that would not have otherwise purchased a hair-care product from Boots during the promotional period.

On-Pack Coupon (50p off)

The 50p off option was a more conservative approach to promoting the brands. All customers would be able to redeem the coupon during their current store visit. Robinson estimated that sales would increase to 150 percent of non-promotion sales because December would be a heavy promotional period for mass market brands. Also, most competitors tended to use price discounts or GWP's as their promotional method. Fifty percent of sales would come from Boots customers who would not have otherwise purchased a hair-care product within the promotional period.

Under all three promotional tactics, the vast majority of sales would be for shampoo, conditioners, and gels. Based on market research, Robinson expected low levels of stockpiling because of the promotions.

Conclusion

Boots' aim was to secure market leadership in the United Kingdom in the hair-care segment. The celebrity hair-care brands were clearly an important component of their strategy. Competitors could not easily copy their strategy because Boots had contracts with some of the most prestigious salon brands in the United Kingdom. He wanted to ensure that the promotions were profitable, but the importance of maintaining and enhancing the professional hair-care brands could not be understated.

CASE QUESTIONS

1. Beyond coupons, premiums, and bonus packs, what other consumer promotions programs are available to Boots?
2. Many women purchase the lower-end Boots products for the rest of their families and the higher-end products for themselves. Others buy the high-end product as a "treat" for special occasions. Given these two situations, which consumer promotion is most advisable? Why?
3. If the ultimate goal is to maintain brand prestige, even when brand parity exists, which consumer promotions program is most advisable? Which is least advisable? Why?
4. Typically, of the four types of consumers—promotion-prone, price-sensitive, brand-loyal, and preferred-brand—a company will target preferred-brand consumers with promotions. Is this the ideal course of action for Boots? Why or why not?