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Principles of Marketing/Market Research Applications
To Newspaper Management

By
Sanjoy Ghosh
WORKSHOP ON
NEWSPAPER CIRCULATION AND
ADVERTISING DEVELOPMENT

Principles of Marketing/Market Research
Applications to Newspaper Management

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MARKETING – AN OVERVIEW

We seem to approach every landmark year, be it the start of a decade or a century with breathless anticipation, expecting an apocalypse of the stature of the Second coming of Christ. As we all know, there was no such cataclysmic event on January 1, 1970, 1980 or 1990. Nor is there likely to be one on January 1, 2000.

21ST CENTURY BEGAN 15 YEARS AGO

Societal changes does not take place as per calender dates. As Peter Drucker rightly suggested, the 21st century began 15 years ago. The future is already here. What will happen in the 2000, therefore, will not be a sharp departure from the prognostications made for the 90s. In fact, my conviction is that to the informed professional, eighty per cent of what is to happen during this decade is writing on the wall. The remaining twenty per cent is the territory of Nostradamus.

BULLOCK CARTS TO ROCKETS

In the Indian context, the scenario is even more definitive. A replay of the Western process of change – only each phenomenon with perhaps a shorter time span. The leapfrogging from Bullock carts, to Jets. The boom in information technology is both a symptom and a major contributor to this phenomenon of internationalisation of the principles of business.

DEPENDENT ON THE SOCIETY

This is the backdrop against which marketing in the 90s is to be viewed. As William Nickels had said, "Marketing as a process changes depending upon the society in which it operates. The political, economic, social, technological and physical characteristics of a society determine what form marketing will take".
OTHER INDUSTRIES CONTRIBUTE

The newspaper industry in India, which was particularly slow paced is becoming increasingly competitive. Besides global business trends and directions of media in the West, we have a lot to learn from other industries, even in our own environment. Why did iced tea get a cold reception and why did the market come alive to instant coffee? Washing machines and Dishwashers are both imported concepts. While washing machines were an immediate unqualified success in India, there are factors like consumer economics and low placement in hierarchy of needs that still inhibit the launch of diswashers in India.

INDIAN ADVERTISING SCENE

Defying world wide trends where mass media advertising is the first expenditure head to suffer in an economic slow down, the Indian advertising industry has caught experts by surprise by recording 25% growth. The advertising revenue in the print medium had been to the tune of Rs.12,500 millions in 1992 as compared to Rs.10,910 millions in 1990 thereby recording a growth of 13%. The share of Daily press has grown from Rs.8250 millions in 1991 to Rs.9370 millions in 1992 with a growth of 12%.

RURAL MARKET

The Indian rural market is emerging as the most potential area. More and more marketers are targeting to this untapped resource. Further there are people of the middle class who are slogging it out to attain a better life style and the new economic policies has opened new windows. With these emerging trends, the regional press may gain a new status.

If consumer orientation is the key, all marketeers, be they in consumer softs or in newspapers, must take greater cognisance of trends, prevalent and imminent, to achieve marketing success in the 90s.
WHAT THEN ARE THESE TRENDS

In their book "Megatrends" John Naisbitt and Patricia Aburdene identified 10 trends shaping the eighties which are still part of the picture as we are in 90s. Two trends are particularly relevant to this presentation:

The evolution of an industrial society into an information society in eighties, i.e. a shift of advantage based on industry and infrastructure to information (as a source of power). In the nineties it will be further accentuated by knowledge and not mere information that will constitute the cutting edge.

The transition from the concept of national economies to a world economy. The collapse of communism, the reunification of Germany and the imminent formation of European Common Market have brought together the antagonists of world wars. Coups and counter coups, insurgencies, and wars are no longer local or bilateral issues. They affect world economics as a whole as reflected in stock exchanges across the globe.

WHAT DOES ALL THIS MEAN WHEN TRANSLATED INTO MARKETING TERMS

Intensification of competition
Widening consumer choice
Greater emphasis on quality/price equations
Innovations and experiments
Greater segmentation by product, price, quality and market
Consumer friendly finance schemes
Brand equity of existing brands and fewer new brands
Finer tuned positioning
Higher than ever entry barriers
Discount wars
More comparative advertising
Success depending less on company reputation and muscle
Over communicated society resulting in increased clutter
Rising media costs
BATTLE ROYALE

It is in this marketing situation that the media has to play a role—TV, Press, Outdoor etc. As the western experience suggests in consumer advertising the battle royale will be between Press (including magazines) and TV (including cable, video, outside channels). I will largely restrict myself to newspapers. Although it might not be possible to divorce oneself from magazines altogether.

WHAT DO THE NEWSPAPER HAVE TO OFFER AS A MEDIUM

In one word, plenty. Only, the newspapers must learn how to relate to audiences in the visually oriented market place of a new generation. Editors and managers of newspapers have to change because readers and advertisers are changing.

The nineties are the 'decade of the customer' and successful newspapers will have to adopt to the demands of a 'time pressed readership' on one hand and a 'Service - sensitive' advertiser on the other. If this apparently simple formula is applied to the profession, newspapers have nothing to worry about from TV or any other media. Potentially, it has every thing that advertisers want. Only space marketers have to be more than vendors of blank space. They have to be marketing partners of advertisers.

In a recent conference in California Mr. Ray Gaulke, Vice President of the US Newspaper Advertising Bureau, recalled the so called plans of Turner Communications to launch broadcast to reach people 'where they go' : TV programmes aimed at passengers waiting in airports and shoppers in department stores. Don't newspapers do that? Geaulke asked. And with no zappers, to the best of my knowledge, he added. Geaulke explained that newspapers are already there where the TV moghuls want to go. To thwart this trend, Geaulke, suggested that publishers henceforth refer to the newspaper as a new medium:
Portable out of home, zapfree at home, with the ability to sooth the harried traveller, reduce stress, entertain, inform, activate, reach large numbers of people efficiently and provide tidbits.

As a purveyor of the press and since this workshop is particularly focussed on the Marketing principles and their application to the newspaper, let us define newspaper in modern marketing term:

It is a basket of services instead of a product containing news & views

If we would like to have a more fine tuned term:

A newspaper may be described as a very soft, highly branded product manufactured for a profit. It acts as a mirror to the community and plays critic of these images, through edit and ads (ads may also be described as paid edits)

Now let us see how these above two terms match with the principle of marketing:

"Marketing encompasses an entire range of activities designed to plan, price, promote and distribute wont satisfying products and services to present and potential customers"

Please allow me to cite a few examples from the Indian context to elucidate this principle.

Case: CEASE FIRE - it is a handy, small, portable, good looking fire extinguisher. Now we had a mind set about fire extinguishers are by and large heavy, cumbersome to operate, ugly looking and can not be operated by any ordinary person. So the latent need for this product was always there but no body thought about utilising this slot before this engineer turned entrepreneur quit the business of producing Arristocrat luggage and marketed this unique product.
Case: Hindi films are being made in Bombay for a long time and they never had to bother about selling. But proliferation in numbers and stiff competition from other electronic media, have forced Hindi films to be marketed according to the desire and trends of the viewers.

Case: Emergence of publications like Economic Times, Gladrags, Parenting, Fantasy - are all wont satisfying products for the present Indian readers which can not be dreamt before.

So from these cases we get a reflection and to define this reflection, we borrow from the marketing guru, Philip Kotler:

"What we can make we sell
What we can sell we make"

MARKETING MIX

Marketing mix is understanding the variables of the place where the game will be played. There are two aspects of marketing mix one is uncontrollable variables and the other is controllable.

ENVIRONMENT

(Uncontrollable variables)
Society, Custom, People, Language, Ethnic Breakup, Climate, Competition, Govt. Statutes etc.

COMPANY

(Mix of controllable variables)
Product, Pricing, Branding, Channels of distribution, personal selling, Advertisement, Promotion, Packaging, Display, Servicing, Physical handling, Fact Finding analysis etc.

So the end product must act within the Environment reflecting the various Uncontrollable variables with the aid of mix of controllable variables.
A mainline daily becomes number one only when it starts representing the voice of the people/voice of the state like:

- The Statesman from Eastern India
- The Hindu from Southern India
- The Times of India from Western India
- Dainik Jagran from Central India

The command which any daily has over its referral environment can be largely gauged through quantum of classified advertisement which it attracts.

CLASSIC 4 Ps

PRODUCT

"A bundle of physical, service and symbolic particulars expected to yield satisfactions or benefits to the buyer".

Product policy in its broadest sense would comprehend all decision making that affects what customers see as the firms offer.

PRODUCT LIFE CYCLE

Just like human life all products have a life cycle which can be distinguished in five stages.
The product life cycle concept is advanced as a useful idealisation rather than a rigid description of all product life histories. It should be understood that there is nothing fixed about the length of the cycle or of its various stages. The length of the product life cycle is governed by the rate of technical change, the rate of market acceptance and the case of competitive entry.

Ex: Ananda Bazar Patrika Vis a Vis Aajkaal - two Bengali dailes from Calcutta

Products have been known to begin a new cycle or to revert to an earlier stage as a result of the discovery of new uses the appearance of new users or the invention of new features.

Ex: The Times of India - 155 years

Products require a different marketing programme in each stage. Management must be prepared to shift the relative levels and emphasis given to price, advertising, product improvement and other marketing elements during different stages in the product life cycle.

COMPANY OBJECTIVES

Managements objectives also have a strong influence on product and marketing strategy. Some might opt for Profits, another may choose Stability and third may adopt Growth.
Four basic product - market strategies:

1. **Market Penetration** - the company seeks increased sales for its present products in its present markets through more aggressive promotion and distribution.

2. **Market Development** - the company seeks increased sales by taking its present products into new markets.

3. **Product Development** - the company seeks increased sales by developing improved products for its present markets.

4. **Diversification** - the company seeks increased sales by developing new products for new markets.

**Ex:** The Times of India Group

**OBJECTIVES OF TOI GROUP**

-- Maximise revenue for Group publications thereby leaving minimal quantity for competition

-- Support the brands which are not market leaders

-- Provides inbuilt strategies to surround/attack competitors

-- Flotilla concept i.e. array of products guarding main battleship i.e. TOI - Bombay

-- Helps in new launches

Rs.30 million spent by the group on the 150 years celebration provided Air cover to:

-- Enhance perceived value of brands by establishing aura of invincibility around them.

-- Establish BCCL as prime marketing organisation

-- Demoralise/confuse competitors
-- Divert attention from awkward issues like hike in ad tariff
-- Image building especially for recruitment
-- Diversification - Times Guaranty Fund.

PRODUCT STRATEGY IS THE FUSION OF THE FOLLOWING KEY SUBSTRATEGIES

Tech - Led
Which arises due to spare production capacity

Equity - Led
Which result in future gains Ex: The Telegraph catch them young

Synergy - Led
Which use talents available within the organisation. Ex : Femina Gujarati

Ad revenue led
Which exist because of the ad revenue they bring Ex : Economic Times

Circulation - Led
Which exist for strong business reasons. To pre-empt competitors from grabbing a niche (Entry barrier) Ex : The Independent

Prestige - Led
Which add snob value/sex appeal to the organisation. Ex : Femina/Film Fare

PRODUCT MODIFICATION

Products, not all of them, require periodic modification if they are
to remain competitive. Other products pass on to the stage where further product modification could not help, they are candidates for elimination.

Improvement may be three Directional - Quality, Feature, Style. Since product modifications involve risks, the company should consider maneuvers that help reduce risk. One risk reducing policy is to modify the product gradually rather than abruptly. Another risk reduction policy is to continue the old product alongside the new. A third risk reduction policy is to make adequate investments in marketing research in order to improve estimates of the sales impact of the contemplated product modification.

Ex: The Statesman - English Daily

There are too many competitors with research, marketing technique, vast budgets standing ready to allure customers. Customers themselves are not always loyal or invulnerable to competitors' enticements.

The process starts from idea gathering, screening, business analysis, product development, test marketing and commercialisation.

Ex: The Telegraph - English daily from Calcutta, eliminated Amrita Bazar Patrika and made heavy inroads, into The Statesman empire.

They scored on the product development aspects like Print production, Product packaging, Test Marketing, Consumer preference testing etc. They also successfully employed the Consumer Adoption process by Awareness - Interest - Evaluation - Trial - Adoption, one of the classic models of product being positioned.

PROMOTION

The purpose of advertising is to improve the buyers' disposition toward the company's products.
Promotion along with product development, pricing and distribution, is a major marketing task. Promotion is the company's attempt to stimulate sales through directing persuasive communications to the buyers. The instruments of promotion—advertising, personal selling, sales promotion and publicity—have separate and overlapping capabilities and require a careful definition of communication goods for their effective coordination.

The promotion portfolio and budget are determined in a number of ways—according to what can be afforded or as a regular percentage of the company's sales or to match competitors expenditures or by accomplishing specific communication goals. The return on ad rupee spend will depend upon the correct message and presentation. The media vehicle must also be chosen very carefully, though this problem is being increasingly studied by media buyers through model building techniques using OTS, Reach, Mille Rate etc. The promotion must also have a chosen cycle or period with a careful consideration for delays in impact and penetration. But continuous research must be made on efforts of promotional programmes during their development, while they are running, after their end.

PRICING

Pricing Strategy

A way to think about making a pricing decision is that price should be set somewhere between 1) What the product costs to make and sell and 2) its value to the customer. If price exceeds the perceived value of the product to potential purchasers, it has no market. If the price is below what the product costs to produce, the business cannot survive for very long.

Where, between cost and customer value a price should be set is a strategic decision. The factors which influence this decision are 3) Competitors product/price strategy 4) Govt. imposed constraints and 5) the sellers and the buyer's sense
of what's fair. Finally, the most important determinant of price is 6) the marketer's objectives - what he is trying to achieve.

Pricing - An Important Variable In Newspaper Marketing

A publisher like any other entrepreneur is concerned with ensuring the financial viability of his company. A profitable company is proof of the fact that it produces quality goods and services.

Revenue and profit are thus the driving force behind the publishing business like any other business.

Publishers generate this revenue from two sources:

Readers (Circulation) and advertisers. In the case of most mainline dailies, circulation revenue does not even cover Direct Variable Cost (DVC) like newsprint, printing ink etc.

The case of The Times of India, Bombay, the most powerful edition of any newspaper of India, illustrates this fact conclusively:

- **Cover price** : Rs.2.00 Mon - Fri, Rs.2.90 Sat - Sun
- **Daily Avg Circulation** : 3.20 lacs
- **Avg. Dealer discount** : 26.5%
- **Daily Circulation Revenue** : Rs.5.20 lacs
- **DVC per page** : 12 paise
- **AVG daily pagination** : 26
- **Avg. daily PO** : 3.24 lacs
- **Total DVC per day** : Rs.10.11 lacs

Clearly the cover price needs to be more than doubled in order to meet just the DVC and it would still not cover staff costs, news gathering expenses, transport, insurance,
power, rent etc. Of course, it goes without saying that any major increase in cover price may (and in most cases, it indeed does) adversely affect net sales.

In such a situation, it is ad revenue that determines the profitability and viability of a daily. With newsprint costs taking quantum leaps, it is only natural that the increase in ad rates is at least commensurate.

PLACE - DISTRIBUTION

Throughout the years, the term 'marketing' has connoted two different but related processes, the first dealing with the search for and stimulation of buyers and the second with the physical distribution of goods. Management is increasingly recognising that distribution policies are a potent instrument in the demand-stimulating process. Companies are able to effect stronger patronage by offering more than competitors in the way of service or by cutting prices through successfully reducing physical distribution costs. Many companies state their distribution objective as getting the right goods to the right places at the right time for the least cost.

POSITIONING

"Battle For The Minds"

-- Al Ries & Jack Trout

Please allow me to rekindle your memory about that excellent science fiction film 'Fantastic Voyage', where people were pushed in molecular form inside the body of a scientist and their fantastic journey throughout the human body.

Positioning is entering the mind of your prospect and staying there as long as possible. Positioning of Brand through a set of both discriminatory appeals and non-functional values.

Mindshare - Branding - Premium Pricing - Volume - Revenue - Super Profits - Leader
Different Ways of Positioning

Product differentiation

There are number of 100cc mobikes available in India but Hero Honda - CD 100 scored over others stating 4 stroke engine is more fuel efficient than 2 stroke of Yamaha RX, Kawasaki KB 100.

Vis a Vis competition

To combat Hero Honda, Kawasaki introduced 4 Ace which will offer fuel economy and power which Hero Honda was not offering.

Positioning in a niche

In India this trend is catching on and publication like 'Parenting' was launched which will content itself with alerting readers to parental issues.

Repositioning

Ex : DESH - famous Bengali weekly to fortnightly and its rise from 68,000 copies to 1,28,000 copies after repositioning

ROLE OF RESEARCH

Research is one of the important controllable variables in Marketing Mix, as we have observed earlier, for any product/services. It also plays a vital role in newspapers also.

LETTERS TO THE EDITOR

To my mind, letters to the editor is the first entry point of research in newspapers and this started as far back as the newspaper was born. Through this window, the editor could monitor and assess his readers perception about his own product -
the newspaper. Research in form of Opinion Polls on public issues also existed. Gradually the need for formalised research emerged from 1980 in India to assess qualitative editorial aspects. Ex : Ennadu - a Telegu language daily from Andhra Pradesh of India, with edit guided research brought out editions for each district to combat the threat from TV as Andhra Pradesh was the first state to be covered by TV 100% during 1990-91.

Ex: Business Today - Research among CEO and Self entrepreneurs revealed that there is a latent desire for an Indian alternative to 'Fortune' with featurish articles.

Ex: Indian Post/The Independent - Research among the upperclass readers revealed that a second paper with more international coverage, do have a slot with the main line daily.

Side by side quantitative data was collated and presented in various forms like Audit Bureau Circulation, National Readership Survey etc.

RELEVANCE QUANTITATIVE RESEARCH

Product formulation
Readership Identification
Upgradation of data

SYNDICATED RESEARCH

NRS(I-IV), B R S, U M S, D M S
C SNAP, P SNAP

Since marketing is now virtually a warfare advertisers are seeking more value return media. In the process more and more information is required regarding the target audience. Thus syndicated research emerged to probe specific details for specific needs.
MARKETING OF NEWS PAPER

Research plays a vital role in marketing both in space and circulation

**Space Marketing**

As we have already observed during pricing exercise that circulation sales can not even cover DVC let alone other costs. It is the space marketing revenue which constitutes the backbone of any newspaper.

**Key activity areas**

Direct/Indirect sales
Servicing Agencies/Clients
Follow up
Maintenance of good relations
Innovative ideas for product/category
Recovery of dues
Achieving targets

**Methodology of space marketing**

Fishing or Mining
Methodology will vary according to the need for the particular project and target advertisers.
Ex: The Times of India 150 years
Saradiya numbers during Puja and Diwali

**Circulation Marketing**

The number of newspaper copies sold and paid for - is the foundation of a newspaper's success. Sale of copies dependent on various methods varying from place to place. We shall probe more in details in a separate session about the fascinating aspect of circulation.
DEVELOPING A NEW MARKETING EDGE

For long product development in India has taken the backseat while the marketing men have focussed on creating new markets for old brands or at the most, depending upon foreign technology to make a breakthrough in the marketplace. But no longer can they afford to ignore the backroom boy in R&D. As competition gets intense, brands proliferate and brand life spans get shorter, the need for in house research and development is being felt by marketers.

But there is one basic difference. R&D can no longer work in isolation - for as consumer awareness grows, so does the need for practical brands that work in the marketplace. Gone are the days when marketing interfaced with consumers and R&D with technology and the twin never met.

Consumer feedback available through market surveys are quickly channelled to R&D which then works overtime to develop models that can help the marketing team to offer consumers with an array of products that are relevant to their needs.

Ex: Mixer segment was one where foreign tech just would not work. For an Indian housewife's heavy duty grinding requirements need a different kind of product. So, Sumeet was the first to launch a stainless steel mixer jar with blades that could handle heavy grinding loads and tough motors that are capable of running non stop for 30 minutes.

Bangalore based BPL has made huge strides in indigenous R&D - so much so that it has begun selling its technology back to Sanyo, its foreign collaborators.

Now Financial Times is poised to enter India any day and other publishing giants are also keenly awaiting their turn. Publishing moghuls like Rupert Murdoch has already made his presence felt in this subcontinent by acquiring STAR TV.
In the final analysis, it's R&D which might well be the ultimate marketing edge for a marketer's brands. So far Indian Companies may develop technology inhouse but it is not taken to its logical conclusion – the marketplace. But with liberalisation, companies will have to decide whether they want to partner a world leader or compete with them with indigenously developed technology.