

Brand Management
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Let us move forward. Next example is when you price, you price for the market segment your brand targets. Now as a brand manager you do not have to think that all your customers are belonging to the same market segment. No matter which product category you are selling you can think of different market segment within the large target group that you are serving. It is not very difficult if you do a proper analysis and take a sharper look at your target group. Here I will give you one simple example of airline industry.

Now today when we go to buy airline tickets we will see that the prices that are available to us is more or less the same regardless of the fact that whether we are going in the morning and coming back at night or we are going for a one week long holiday. So here you can see in the picture that there are two types of travelers who travel by airlines. One is a business traveler and second is a leisure traveler or a holiday people who go on a holiday. Now those who travel for business do you think that they worry a lot about price because price of the ticket because there one the price or the cost of the travel is perhaps borne by the company that is one.

But second part is and more important part is for them price is not so important. What is important is that they should be able to reach on time, they should be able to come go next wherever they want to go again on time. They should have more options because their meeting might be at certain time they want to reach before that and once the meeting is over they do not want to waste time in that place and go to some other place. Then they should travel in comfort because once they reach the place they actually have to do some work. So what I am trying to say is that the requirements of a business traveler is very different from the needs of a leisure traveler or a holiday traveler.

And if airlines can manage to discriminate between the two types of traveler and charge them accordingly. So, business travelers may not mind paying more if they can get these services which they value whereas holiday travelers might be looking for cheaper options. So, for holiday traveler it does not matter whether they take the morning flight or the afternoon flight, but for the business traveler it is definitely very important. So when you are doing pricing you must keep in mind for which market segment you can do you have some leeway some flexibility with which you can play with the price and of course, you will have to match service for that price. Next principle when it comes to

pricing is this and that is continuous investment in brand equity for upward price leverage.

Now if you want to continuously increase price of your product and in this picture you see the example of Samsonite brand of luggage. Now all of us know that Samsonite is not a less expensive, it is not a cheap option of luggage, it is a reasonably expensive brand of luggage. And whenever you go to Samsonite showroom say after 6 months or a year you will see that the prices have gone up instead of coming down. So what is Samsonite doing? It is continuously increasing its prices and how is it able to do that because it is consistently positioning its brand at a certain level for a long period. So all of us know that Samsonite is a good brand of suitcases, it is a sturdy, it is a stylish brand and it has stood the test of time.

In the recent advertisement that you see where Amitabh Bachchan is advertising Samsonite, he is saying that just the way I am tried and tested actor Samsonite is also a tested brand and therefore, you can not only buy it, but you can pay a premium for it. So the principle this principle says that you must continuously invest in brand equity so that you can keep increasing the price of your product. Second thing you must do is you must reinforce familiar brand associations. What does it mean? It means that in this case Samsonite what is the familiar brand association? It is an expensive brand, it is a good quality brand, it provides good quality suitcases, luggage solutions and so on and it is quite smooth, it is stylish. So these are familiar brand associations and here I am not going into the details of verbal, visual, emotional and sensory which exists for all brands and if you are a brand manager and you want to know what brand associations to reinforce you must get into those, but right now we are looking at the primary brand association.

So you keep reinforcing primary brand associations through campaigns and so on so forth. You may also use secondary brand association to reinforce the primary brand association. So you keep doing that and that will help you in continuously doing making that upward price leverage and finally, the same thing that you must continue to deliver on the brand promise. This brand promise no matter what you have decided that this is the brand promise of my brand once you have decided and once you have seen that it is it has been accepted in the marketplace by consumers you must continuously make effort to deliver on that promise because when consumers see that the brand promise which they have bought it is being continuously delivered over a long period of time they develop trust in your brand and they continue to buy that product regardless of the fact that the prices price continues to increase. So Samsonite is a good example of this and therefore the principle is that keep investing in the brand equity so that you can keep increasing the price of your product.

Next one this is a reality that we cannot run away from and that reality is that brands do not stand on their own. Once you manufacture a product you have to take that product to the consumer's place and the doorstep of the consumer so that the consumer can actually buy your product. Now it is not very easy to reach the consumer wherever because as we have also discussed in the past that manufacturing cannot happen everywhere manufacturing happens at a few places in the country and from that place of manufacturing the product has to travel to various locations where consumers can easily walk up to or drive up to and pick up your product. So to reach that place to ensure a distribution which is effective, efficient and fast what you have to do is you need to have a channel in place and channel means from manufacturer it goes to the wholesaler or a stockist and from wholesaler it goes to the retailer and from retailer it is picked up by the actual consumer. You can also take the modern trade route and it straight away goes to channels like Reliance Market or Spencer's and so on and from there also people can buy.

And then of course now you have the e-marketplace like Amazon and Flipkart where people can buy and the product gets delivered to their doorstep. But all of this does not come easy because all these steps in the channel all these partners in the channel expect a commission because they are all doing it for profit. So for you it is important that you create an attractive discount structure which means that while MRP is a certain amount all the intermediate levels in the channel get a certain percentage of that MRP as their commission. And of course you can tie that MRP or try that percentage with value with volume and in many other innovative ways you can think of creating that discount structure which is attractive for the dealers and distributors so that they continue stocking and selling your product. So it is important for you to create that attractive discount or commission structure.

Let us move forward. Another principle related to pricing is that it should be simple. If you make very complicated structure of pricing say if you buy 1 you get X percent, if you buy 2 you get Y percent, if you buy 3 you get buy 2, buy 3 get 1, if you buy 4 you get buy 4 get 2 or if you buy 5 you get 20. I mean all these complicated structures people do not understand. Sometimes people create bands that if you are in this band, this percentage, next band, another percentage.

So what I am trying to say is that very complex pricing strategies generally do not work. People want simplicity in terms of calculation and in terms of relationship. So that is why it is important for you brand managers and product managers to keep in mind that your pricing plan should be very simple. Now today if you look at the slide you see Airtel and not only Airtel almost all brands today offer unlimited data and unlimited

calls. So this is a very simple pricing structure whether you buy a plan of 200 rupees or 2000 rupees it is always unlimited data and unlimited call.

It may be available at a certain speed and so on so forth but unlimited data and unlimited call is now a common feature. But we must understand that it was not always so. I mean I remember when we started telecom industry in India it was 16 rupees per minute both incoming and outgoing. So from there it started and then today we are at this kind of pricing plan. But I would like to mention one instance where Airtel tried to simplify pricing plan very well and that plan I would like to talk about it because it drives home the point very powerful and that plan was 1, 2, 3.

That plan was a very beautiful plan and that plan was that if you make a local call, local call is 1 rupees per minute. If you make a call in this same circle which means suppose you are in the circle of Uttar Pradesh and you are in Kanpur. If you make a local call in Kanpur your charge will be 1 rupees per minute. But if you make a call within Uttar Pradesh which is one circle it will cost you 2 rupees per minute. And if you make an STD call which is outside the circle say from UP you make a call to say Kerala or Bombay it will cost you 3 rupees.

So this plan was called 1, 2, 3 plan local call 1 rupees in the same circle 2 rupees and STD call 3 rupees. So this was a very simple pricing method that Airtel had followed at that time and it was quite successful. So what I am trying to say is that as a pricing strategy you must follow a simple strategy rather than a complicated strategy. Another point I would like to mention and this is where the shipping happens and shipping and pricing are connected. Suppose in one crate you can have 24 bottles.

Now for neatness sake you may say that the price of per bottle per 100 bottles is this much per 50 bottle is this much per 100 per 10 bottle is this much. So this number looks very neat and elegant, but when you actually do the shipping in one case you have 24 bottles. Now you do not have an option of pricing where you are pricing at 24 bottle you are pricing at 10, 20, 50, 100. So in my view and this is also a principle that says that do not bother too much about this neatness that is that you will price only as per 10, 20, 50, 100, 1000 bottles you can go which makes the packaging easier and pricing and packaging that combination works better. So, if one crate if you are able to put 24 bottles you should have a pricing plan which says that if you buy one crate you get so much discount.

So this kind of pricing will also help in improving your off take or improving your sales. So one is simplicity and second is tying the pricing plan with the distribution plan. Last point in terms of cognitive truths related to pricing is track price performance. Now

unfortunately what happens in organizations we operate at many price levels, but we do not really track at this price what has been our revenue another price what when we have changed the price has the revenue gone up or come down and then how at various level the product is performing how price itself is performing in the marketplace. There are also industries where you have to do bidding.

So a large B2B industry sometimes B2C also you have to do bidding. So at different levels of bidding what has been historically your performance. You can also look at the performance of bids of the competitors. So unfortunately the tracking of pricing does not happen sufficiently in companies. We track everything else, but we do not track this.

So as brand managers you must think about creating a mechanism that tracks the price performance. And when you are tracking price performance it involves other aspects too like sales forecasting at different price level. So at different price level you have done a forecast that at X forecast is this at Y price forecast is this and then after some time you see which one has performed better. So that is something that you must consciously work towards because automatically it may not happen in most organizations. Third point tracks slippages on pricing through discounts and extra offers.

Now what happens here is that many because your products are being sold at many different locations many times it is sold through relationships and through people who are familiar to each other and through maybe bulk deals. So often what happens is at the local level people use their authority and give extra discount and so on so forth. So because of that the often the price performance slips and you are not sure whether it has happened when the revenues are less is it because extra discount or the reason is something else. So you must try and track these slippages which happens in the marketplace through extra discounts etc. And then it is always good to graphically portray your own price against the price of your competitors and see the trend because if you see the trend you will be able to analyze and get some insight which can work as an input for your further pricing strategies.

So these are 8 cognitive principles that you may apply when you are using price as the lever to one improve your business and second either maintain your brand positioning or change your the brand positioning of your product. One more point I will speak and then we will close this lecture. We have began with cognitive approach. So all the 8 principles that I have spoken about they are all very rational they are all cognitive. You have to think about them you have to structure them analyze them and then rationally arrive at a position which you will follow which you will adopt.

But there is also an effective approach. An effective approach is that where your

emotions are being played with or it is being attacked. Now for example you see in this picture that kiwi or tomatoes are available at 99 cents. Most of us in India would also be familiar with the pricing strategy of Bata. Now you will most of us would know that if you enter Bata you will see the pricing of these shoes and slippers is always around 95 it is 295 or 345.

It is always slightly below the next important number. So, it is not 300 it is 295 it is not 350 it is 345. This is something that all of us are familiar with particularly when it comes to Bata brand. What are they trying to do? They are trying to tell that it is not there, but a little less.

It is not 500 it is 450 or 490. So, this makes you a little comfortable saying that it is not so high it is actually slightly little. It works on your emotion and it encourages you to make that purchase. The second example I would like to give is that of an automobile which was launched in India in 2017. This automobile was Jeep Compass. Now Jeep Compass you would know is an international brand.

It is an internationally renowned brand and when Jeep Compass came to India when it was announced that soon Jeep Compass will be launched here everyone was very curious and excited because a brand like this was an internet it is a truly international brand because anywhere in the world you go you would be able to buy a Jeep Compass. So, everybody was curious that let us see at what price point Jeep would offer the car and everybody was thinking that it would be quite expensive and it will be around 20 lakhs where it will be priced. But when the actual launch happened we saw that the Jeep Compass in 2017 was launched at 14.95 lakhs. Now that took everyone by surprise because it was not 20 it was not even 15 it was slightly below 15 14.

95 and I must share with you that I was very excited by this option and I also went to the showroom and checked that is it really possible to buy a Jeep Compass car at 15 lakhs just about 15 lakhs and I saw it was true the on-road the price the showroom price without the taxes etcetera was actually 15 lakhs or slightly below 15 lakhs and then of course I thought that oh this is a very great idea and let me try and see whether I can buy it and then I realized that there are three models that they have created and those models are those models were at the lower end it was called Jeep Option and it is it was available at about 14.95 lakhs and the higher model the highest model was about 22 lakhs 23 lakhs at that time and I must tell you that this strategy of offering the lowest model at about 15 lakhs worked as a bait and many of us walked into that bait and when we actually came out of the showroom we had bought a car which was actually the money that we paid for the car was much much more than 15 lakhs in fact we ended up paying almost 21 lakhs for the same car so this emotional bait that the car which is such a big

brand is available at 15 lakhs invites people into a discussion that let us have a discussion about the product and while that discussion happens the company is able to sell up its offering and make people make a little extra effort and pay more for the same product so I was also someone who took that bait and ended up buying a product not at 15 lakhs but at 21 lakhs so this way we have come to the end of this lecture that explores the relationship between pricing and brand positioning you can see that the brand positioning of Jeep brand was so high that even though the product is available at 15 lakhs and consumer is going to buy it at 15 lakhs but is persuaded to pay at least 5 to 6 lakhs more just because the positioning and pricing equation has been figured out very well by the customer so this is where we end and I would like all of you to think about this relationship between pricing and brand positioning as you go about doing your studies in the field of brand management, in the field of marketing and in the field of business studies thank you very much .