



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

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THE BANNED SURROGATE MARKETING AS BRAND - NEW BRAND EXTENSION ADVERTISING

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ABSTRACT

Several years back, the brand LUX of HLL's beauty soap was extended to shampoos. Similarly Dabour's Vatika hair oil brand was extended to shampoos a couple of years back. This practice of extending brand name of one product line to another is named as brand extension advertising. The advantages are many like carry forwarding the brand image of one product line to another product line, brand awareness, same distribution chain etc. But the same useful practice is proving as harmful to the society by promoting the products which are legally banned to promote. The Government of India was imposed ban on promoting some products like liquor, tobacco etc. The companies stopped promoting the products but started promoting the brand name of the banned products through Brand Extension Advertising. For Example, In India, the liquor is prohibited to promote in media. But the liquor products of Royal Stag Company are promoted in another way. By establishing a new product, Royal Stag Music CDs, the company will promote the Brand Name. The Actual product Whiskey of Royal Stag Brand, which is banned to promote, and the brand extended product is Royal Stag Music CD, which can be promoted. Promoting a product, which is prohibited to promote through another product of the same brand, is called Surrogate Advertising. Government of India also imposed ban on Surrogate Advertising. But the Companies are practicing it by the name of brand extension advertising because they cannot lose the big markets like liquor and tobacco. This case study was undertaken to review various practices of the companies in promoting banned-to-promote products.

KEYWORDS

Brand Extension Advertising – Branding – Surrogate Advertising – Banned-to-promote products.

INTRODUCTION

Ever mind the formulations of marketing gurus Al Reis and Jack Trout, companies globally are prepared to sin against the light and extend the brands form familiar to unfamiliar. It is believed nearly one out of every three new products launched in the developed markets primarily the US are brand extensions of the some kind or the other. No such studies have been reported for the Indian market, but look everywhere and the evidence suggests that companies have run out of manes for new products. In the last decade, Indian marketers have outdone on brand extensions. This is done for the products that can be promoted in media.

In India, the ban was imposed on promoting some products like tobacco, alcohol in media. The potentiality of these markets is very high, but product promotion is not possible. Then the players in the market started practicing Surrogate Advertising where the banned-to-promote products can be promoted in the media with the help of the same brand name. Literally Surrogate Advertising means using the Brand Image of one product (i.e. legally Allowed-to-Promote), the companies attempt to promote another product (i.e. legally Banned-to-Promote). In Surrogate Advertising practice, the brand name will be same but products are different.

NEED FOR THE STUDY

In a holistic country like India, some products like tobacco, alcohol are not socially acceptable. The Government of India banned promoting those products in the media. But a huge country with more than one billion population, the consumption rate of tobacco and alcohol is huge and also earns billions of rupees revenues to the players in tobacco, alcohol markets. No product can be successful in this competitive market without proper promotion. But in India, a different situation, these type of products are much in demand but products are banned to promote. Obviously, the corporate world will find out a way to promote these products in mass media even if such kind of practice is legally objectionable. The key is Brand Extension Advertising. The brand name will be same but products are different.

OBJECTIVES OF THE STUDY

The study aimed at reviewing the surrogate advertising practices; discuss the role of the Government, Media and Corporate World. It also provides legal inputs with respective media, broadcasting and promotion. Finally reminds the advertising ethics.

LITERATURE REVIEW

Classical 4Ps (Marketing Mix: Product, Price, Promotion, Place) is in continuous use by marketing practitioners and academicians to design an integrated marketing plan. Along with STP (Segmentation, Targeting and Positioning), marketing mix plays a major role for designing marketing roadmap starting from early stage of new product development until maintaining market share. Regardless what content inside the product, how much it is priced, how intensive the promotion takes, and how large the coverage of distribution, a clear identity to distinguish the product to other products that have existed in the market is crucial. In marketing study, such identity labeled to a product is called brand. A brand is created to foster long term-chained connections between company and customers. As more alternative of products available in market, customers take bigger trust on brand they can rely on, to products that offering values closely meet their needs.

A brand can be an identifying symbol, words, or mark that distinguishes a product or company from its competitors. Usually brands are registered (trademarked) with a regulatory authority and so cannot be used freely by other parties. For many products and companies, branding is an essential part of marketing. A series of programs to promote products relying on brand images is called branding. Branding is crucial to increase perceived consumer value. Successful branding programs lead to brand loyalty and consequently transfer the loyalty to brand extension. Similar with humans, brand has an image as accumulations of some attributes. Physical product quality, the most tangible and easiest to detect, belongs to the collection of attributes. In the long run, however, the product quality is perceived separately from brand image. Some argues that brand image is more important that physical product quality. In executing brand extension, high profile and well-known brand image is more applicable than one with low image.

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Brand extension is a part of brand management to diversify and leveraging the existing brand by entering into new product category by new product development. Positive images and strengths of existing brand / parent brand are leveraged to bring another success story for new product. Brand extension is increasingly used by companies as a part of strategy for product developments. It is viewed as one of means to attain integrated brand architecture. The use of same brand on existing product (parent brand) for a new product in different category (extension brand) increases rate of new acceptance and purchase intention to consumer. The strategy maintains efficiencies on advertising and promotion expenditures yet still can create new market segment. Company is not in position to allocate marketing expenses at the same level as spent by the parent brand, yet may gain similar level of success. A strong reputation of parent brand can minimize risk of new product launch by taking advantages on consumers' knowledge and experiences of the established brand.

In Surrogate Advertising, using the Brand Image of one product (i.e. legally Allowed-to-Promote), the companies attempt to promote another product (i.e. legally Banned-to-Promote). Here, the legally Allowed-to-Promote product is the surrogate product (ex. Royal Challengers) and the legally Banned-to-Promote product is the actual product (ex. Royal Challenges). Literally Surrogate Advertising means duplicating the brand image of one product extensively to promote another product of the same brand. It means promoting some other product with the same brand name because the original product is not allowed to promote in the market. In Surrogate Advertising, a product, which is different from the main product, is advertised which has the same brand name as the main product. The product is called as "Surrogate Product" and advertising through this channel is called as "Surrogate Advertising". These Surrogate Products may include CDs, Mineral Water, Clothing, Apple juice, Fashion Accessories, Sports Goods or even Event- Sponsoring. Critics call this practice as Surrogate Advertising whereas Cooperates call it as Brand Extension Advertising.

THE ISSUE OF SURROGATE MARKETING

"It is unfortunate that things like these are happening out there and we will be taking up the issue with the Information and Broadcasting ministry. But then yesterday the Supreme Court has not taken any cognisance as well" - Dr Anbumani Ramadoss, Former Union Minister, Ministry of Health & Family Welfare on 28 April 2008 said when asked by reporters what the Minister thought about the IPL allegedly promoting surrogate marketing. The Minister criticised IPL when the Bangalore based IPL Cricket team named as Royal Challengers. Dr.Vijay Mallya, chairman of UB group, owned the IPL Bangalore cricket team and named as Bangalore Royal Challengers. The alcohol product namely Royal Challenge is the product of United Beverages group. The Union Minister made an objection that UB Group was attempting Surrogate Marketing Practice where the Banned-to-Promote product (Royal Challenge) is surrogated as IPL cricket team (Royal Challengers).

The Govt. of India has banned product advertising for Liquor and Cigarette companies from 1995 under the Cable Television Network (Regulation) Act 1995. There is also a mention in the Law that prohibits any direct or indirect promotion of such items in the public domain (Rule 7 of the Cable Television Rules, 1999). The purpose of banning these products is to discourage the citizens of India to smoke and drink. On one hand Liquor Industry in India is very huge (records says that more than 100 million cases in India). Huge market attracts many players. Huge market definitely needs huge promotion. Along with the domestic players the Liquor Industry attracts the MNCs also. Liquor and Cigarette sales are the biggest revenue generators in terms of taxes and duties on these items. That's why an overt acceptance of the marketing in these sectors is not legally acceptable. On other hand, the Govt. cannot allow public advertising of liquor companies. But ironically, this has led to one of the biggest ironies of the country – Sales of these items are not banned, yet advertising on the same has strictly been prohibited! A lot of Innovative ways are found to promote the Banned-to-Promote products. Surrogate Marketing is one of those. The companies are promoting the brands using the same brand name but different product. Literally Branding is a process of promoting the products with the sense of differentiation among all products in the same market. Here, A Brand can be a name, logo, symbol, image etc. But in Surrogate Marketing, the branding is used to recall different product that of what is promoted. Different media are selected for advertising the products. The companies perform more branding building process than selling process to promote the sales of the original product and building the brand of marketed process. This double-faced attitude of companies testing the patience levels of the Governing Bodies. So The Banned Surrogate Advertising is re practised as brand-new Brand Extension Advertising.

BRAND EXTENSION ADVERTISING PRACTICES

Surrogate marketing is used in two contexts: The first is when a company "farms out" the entire marketing function and the group providing the service is called a "surrogate marketing department." The second is duplicating the brand image of one product extensively to promote another product of the same brand through Broadcasting Media, Print Media, Internet Media and Out-of-door Advertising. The sponsoring of sports/cultural/leisure events and activities using a liquor brand name also falls in the category of surrogate advertising.

Some practices...

- (1) Haywards 5000 alcohol as Darting Kits.
- (2) Bagpiper Whiskey as Bagpiper Club Soda.
- (3) Kingfisher Beer as Minaral Water.
- (4) Royal Stag Wine as Music CDs.
- (5) Royal Challenge Whiskey as Golf Accessories.
- (6) Charms Cigarette as Audiocassettes and CDs.
- (7) Smirnoff Vodka as Fruit Juices.
- (8) Royal Challenge as IPL Cricket Team Royal Challengers Bangalore.
- (9) McDowell alcohol as No.1 Soda
- (10) Wills cigarette as Sports Gear.



Some exhibits of Surrogate Advertising Practice

Left side of exhibit is the actual product and the right side is its surrogate



Exhibit 2: Bollywood Film Actor Saif Ali Khan endorsing surrogate products Royal Stag Music CDs as Rock Star.



Exhibit 3: Bagpiper Whiskey and its surrogate product Club Soda promoting through Para Cricket.



Exhibit 4: Kingfisher Beer and its surrogate Mineral Water.



Exhibit 5: Charms and its surrogate Audio Cassettes.



Exhibit 6: Smirnoff and its surrogate Apple Juice.

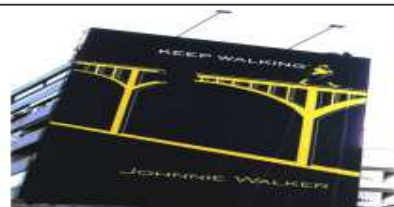


Exhibit 7: Johnnie Walker in out-of-door advertising billboards.



Exhibit 8: Seagram in out-of-door advertising (Drink or Drive)



Exhibit 9: McDowell's and its surrogate No.1 Club Soda.



Exhibit 10: Royal Challenge and its surrogate Golf Accessories in Internet Surrogate Advertising.

THE ROLE OF GOVERNMENT, MEDIA AND CORPORATES WORLD

"It's difficult to digest that an industry which is allowed to sell its products, is banned from advertising the same products, despite the fact that the commercials carry health warning, advising the customers to use the product in temperance."

- Prof. Atul Tandan, Director, Mudra Institute of Communications, in July 2002

In June 2002, the Information and Broadcasting (I&B) Ministry of India ordered leading television (TV) broadcasters to ban the telecast of two surrogate ads of liquor brands, McDowell's No. 1 and Gilbey's Green Label. The Ministry also put some other brands - Smirnoff Vodka, Hayward's 5000, Royal Challenge Whiskey and Kingfisher beer - on a 'watch list.' The surrogates used by these advertisements ranged from audiocassettes, CDs and perfumes to golf accessories and mineral water. By August 2002, the I&B Ministry had banned 12 advertisements. The channels were asked to adhere strictly to the Cable Television Regulation Act 1995 (Cable TV Act, 1995). As a result, Zee and STAR stopped telecasting the advertisements. Aaj Tak and Sony soon followed suit. In addition, the I&B Ministry hired a private monitoring agency to keep a watch on all advertisements for violations of the Act.

In late 2000, a group of broadcasters, who were members of the Indian Broadcasting Foundation (IBF), submitted their recommendations on surrogate advertising to the I&B Ministry. In August 2002, broadcasting industry sources revealed plans to put in place measures for self-regulation and monitoring, even before the I&B Ministry took concrete steps in this regard. The broadcasters, who were members of the IBF, announced that they would come up with an advertising code of conduct specific to surrogate advertising.

In late 2001, the broadcasters began airing socially responsible advertisements sponsored by liquor companies. By early 2002, surrogate advertising of liquor brands had intensified like never before on satellite TV channels. In a notification of 25 February 2008, the Information and Broadcasting Ministry removed the provision which permitted advertisements by brand names for products like soda and water, which is generally known as 'brand extension' by the advertisers. Former I&B Minister Priyaranjan Dasmuni said in the Lok Sabha that *"failure to comply will entail action as per the provisions of the Cable Television Networks (Regulation) Act, 1995 and rules framed there under"*. The Minister added that even the Press Council of India, a statutory autonomous body, has laid down the norms for journalistic conduct under Article 13 (2)(b) of the Press Council Act 1987, stating that *"no advertisement shall be published, which promotes directly or indirectly production, sale or consumption of cigarettes, tobacco products, wine, alcohol, liquor or other intoxicants"*.

Even after the ban, liquor companies continued to advertise their drinks in the form of surrogate advertisements. In this type of advertisement, a product other than the banned one is promoted using an already established brand name.

ADVERTISING ETHICS AND PRINCIPLES

Ehtcis concerns the idea of what is right and what is wrong. Ethics concerns values and attitudes. Ethics are embodied in principles or rules of conduct. American Advertising Federation defines Advertising Ethics as follows....

- Truth: Advertising shall tell the truth, and shall reveal significant facts, the omission of which would mislead the public.
- Substantiation: Advertising claims shall be substantiated by evidence in possession of the advertiser and advertising agency, prior to making such claims.
- Comparisons: Advertising shall refrain from making false, misleading, or unsubstantiated statements or claims about a competitor or his/her products or services.
- Bait Advertising: Advertising shall not offer products or services for sale unless such offer constitutes a bona fide effort to sell the advertising products or services and is not a device to switch consumers to other goods or services, usually higher priced.
- Guarantees and Warranties: Advertising of guarantees and warranties shall be explicit, with sufficient information to apprise consumers of their principal terms and limitations or, when space or time restrictions preclude such disclosures, the advertisement should clearly reveal where the full text of the guarantee or warranty can be examined before purchase.
- Price Claims: Advertising shall avoid price claims which are false or misleading, or saving claims which do not offer provable savings.
- Testimonials: Advertising containing testimonials shall be limited to those of competent witnesses who are reflecting a real and honest opinion or experience.
- Taste & Decency: Advertising shall be free of statements, illustrations or implications which are offensive to good taste or public decency.

Adopted by the American Advertising Federation Board of Directors, March 2, 1984, San Antonio, Texas.

CONCLUSION

The ban could prove to be boon for big and established players. These brands which are having higher brand recall value, they would not need much advertising to push their products further. At the same time, smaller companies and new entrants would find it difficult to establish themselves in the changed scenario. Though the industry is not healthy for the young consumers, some processes and laws need to be formalized and established in the system. Else, innovative workarounds and arm-twisting of laws would be the norm of the day for the entire liquor industry! Surrogate marketing at best leads customer to the water, but the choice is customers whether to accept what is on offer.

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