

Marketing Index Numbers

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Marketing Index Numbers

Index number development is a basic marketing tool.

The Index Number

Index numbers are statistics used for comparing.

enable marketers to make many comparisons quickly and easily.

Index numbers can be utilized many different ways

Using Index Numbers for Selecting Segments

most frequent uses for index is to compare consumer product usage with a population base, to better understand the ratio and/or relationship between the population and the usage of a particular product or service.

Simmons Research Bureau Data
Example: Frozen Pizza

Research study of consumers who use frozen pizza:

Ages	Total population of potential users (household decision makers) in the age group (000)	Number of product users in the age group (000)
35-44	12,512	8,132
55-64	10,905	4,780

*Base = 74,975,000 total decision makers

**Base = 37,791,000 total product users in the decision maker group

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S #3

Calculations:

Calculate the index numbers for age group 35–44, compared to 55–64:

Ages	Total population of potential users (household decision makers) in the age group (000)	Number of product users in the age group (000)
35-44	12,512	8,132
55-64	10,905	4,780

*Base = 74,975,000 total decision makers

**Base = 37,791,000 total product users in the decision maker group

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S #4

Calculations:

Research study of consumers who use frozen pizza:

Ages	Total population of potential users (household decision makers) in the age group (000)	Percentage of the total population in the age group	Number of product users in the age group (000)	Percent of all users of the product as a percent of the total user base	Index Number
35-44	12,512	16.7*	8,132	21.5**	129
55-64	10,905	14.5*	4,780	12.6	87

*Base = 74,975,000 total decision makers

**Base = 37,791,000 total product users in the decision maker group

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S #5

Index Numbers Calculations

- ❑ Total potential buying population, aged 35–44, divided by the total population in the age group:
 - ❑ $12,512/74,975 = 16.7\%$.
- ❑ **Number of users** (based on marketing data) aged 35–44, divided by the **total number of users**:
 - ❑ $8,132/37,791 = 21.5\%$.
- ❑ The **index number** thus is the percent of household decision-makers aged 35–44 (21.5%), divided by the percent of population 35–44 using the product (16.7%).
 - ❑ $21.5\%/16.7\% = 129$ (index number).

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S #6

Frozen Pizza

Research study of consumers who use frozen pizza:

Ages	Total population of potential users (household decision makers) in the age group (000)	Percentage of the total population in the age group	Number of product users in the age group (000)	Percent of all users of the product as a percent of the total user base	Index Number
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S #7

Interpretation of index numbers

Index Suggests that the 35–44 group is a better marketing target than the 55–64 age group.

Although the marketer may observe this by studying the raw data alone, it is much easier to see the difference when the two segments are compared on a basis of 100.

(One group is 29 points higher than 100, although the other group is 13 points below 100).

It is obvious now that the 35–44 group is a much better target because that group has a propensity to consume more and is a larger-size market.

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S #8

Opportunity Index Numbers

Brand Development Index (BDI) and Category Development Index (CDI)

for planning marketing strategy in geographical markets.

The BDI is based on a brand's percent of total U.S. sales in a market, compared to the population expressed as a percent of the total population

$$\text{BDI} = \frac{\text{Percent of total Brand sales in market "x"}}{\text{Percent of U.S. Population in market "x"}} \times 100$$

The CDI is calculated much the same way as the BDI except that the dividend of the equation is the sales for the entire product category as a percent of total U.S. category sales.:

$$\text{CDI} = \frac{\text{Percent of total Category sales in market "x"}}{\text{Percent of U.S. Population in market "x"}} \times 100$$

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S #9

BDI & CDI: An Example

Market	Percent of U.S. TV households*	Percent of Brand Sales	Percent of Category Sales	BDI	CDI
Atlanta district	10	12	9	120	90
San Francisco district	15	12	18	80	120

- The Atlanta market the brand is selling well even though the competition, reflected in the CDI, is not doing well.
- On the other hand, San Francisco is a market where the brand is not doing well, but the category is doing very well.
- The analyst should develop a strategy to determine whether brand sales can be improved in San Francisco and perhaps bring sales up to the category level
- Another strategy is necessary for Atlanta, perhaps a focus on maintaining the good sales position with strong personal selling and sales promotion efforts.

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S #10

CDI / BDI Analysis

Combine BDI and CDI to Examine Descriptors of the (e.g.) High CDI / Low BDI cell

		<i>CDI</i>	
		LOW	HIGH
<i>BDI</i>	LOW	1.	2.
	HIGH	3.	4.

Finding: Consumers in Cell #2, mostly live in the South-Western U.S. The firm may want to allocate more resources to this *geographic region* (descriptor) s #11