**VIDEO TRANSCRIPT**

**The Index Advanced: Brand Development Index and Category Development Index**

The purpose of this lesson is to present a more advanced use of the Index. In the last lesson about Index, you learned how to read and understand the calculation of an Index in syndicated data sources such as Simmons MRI. In this lesson you will learn how to set an index based on your data. Remember that an index allows you to make strategic decisions to determine who to advertise defined as the “target”, where to advertise defined as the “market” and when to advertise defined as “campaign dates of flight dates”. This is an advanced way to use data to support your recommendations based on levels of consumption as determined by seasonality, regions and demographics and the resulting calculation is also known as BDI or Brand Development Index and CDI or Category Development Index.

After you finish this video lesson, you will be able to:

* Define and Recognize a more advanced concept of the Index
* Understand the concept of Brand Development Index or CDI
* Understand the concept of the Category Development Index or CDI
* Understand the concept of Geographic and Seasonal Development Analysis
* Calculate an Index based on consumer consumption and other relevant data
* Recognize the application of an Index calculated to make strategic decisions
* Report the results on a calculated index analysis based on consumer consumption and other relevant data

Let’s start and refresh your memory with the basic terminology you need to understand this lesson.

Index is a mathematical equation that allows the comparison of an observed, say, consumption of a product and compare the frequency of occurrence within a demographic against the universe of the same demographic, where the universe of the demographic is considered 100% or normal levels. Anything over 100% is over consumption and below 100% is under consumption. The base assigned is an arbitrary value of 100 and all subsequent data is expressed in relation to this base.

The general formula for setting an Index is

A divided by B x 100 where is A the product consumption or whatever you are observing within a given demographic and B is the Universe of the same demographic

Over-Index means generally over consumption or consuming more of a product or service and a good indicator of how and where to allocate media resources.

Under-Index means generally under consumption or consuming less of a product or service and a good indicator of how and where to allocate media resources.

Geographic Development Analysis is the specific index calculation to understand how well a brand or category within where specific brands fall, are doing in a specific region. The resulting calculations are specifically called Brand Development Index or Category Development Index.

Brand Development Index is how well the brand’s business or sales are (let’s say Brand X Cola) developed within a specific region.

The basic formula is:

Percentage (%) of brand sales in the area

Divided by

Percentage of population in the area multiplied by 100

Category Development Index is how well the Category brand’s business or sales are (let’s say Soft Drinks) are developed within a specific region.

The basic formula is:

Percentage (%) of category sales in the area

Divided by

Percentage of population in the area multiplied by 100

Seasonal Development Analysis studies sales data over some period of time to identify what might be stronger selling seasons for the brand or category.

Defensive Strategy is to apply the marketing and advertising resources defending the brand’s or product’s business or market share as the most important criteria for decisions.

Offensive Strategy is a more aggressive approach and means o apply the marketing and advertising resources looking for the biggest opportunity as the most important criteria for decisions, and not just where the biggest consumption is being done.

In this media math video, we will look at two types of Index setting: Geographic and Seasonality. Remember that the index is a good way to relate any pair of numbers in any kind of analysis. It is also a very effective way to analyze any series of numbers. All you need to do is find the average for the series and then apply an index calculation as the way to compare each number of the series to the series average. One such specific application in media work is known as a Geographic Development Analysis. The idea here is to analyze the sales development of a brand or a category within a specific geographic area. The index resulting from this kind of analysis is called a Brand Development Index (BDI) or Category Development Index (CDI).

PART A: The Brand Development Index

OK, let’s start. Refer to the video lesson PPT on Index to study the chart. Remember the general formula of A divided by B multiplied times 100, but you have to calculate A and calculate B separately, in order to do this division.

To do this kind of analysis, all you have to know is sales figures for each area and the corresponding population of each area. It is not difficult, you only have to understand the numbers and know how to apply the formula. We are going to set a regional BDI for Brand X Cola for consumption among Adults 18 to 24 in various regions. Remember that the same analysis applies to Category data, meaning how well the sales in the category of soft drinks (rather than just Brand X Cola) is doing with a specific demographic and allocated by region.

Step ONE:

Let’s understand the numbers

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Region** | **Brand X Cola Unit Sales****000** | **% of Sales by Region** | **Population****Adults 18-24****000** | **% of Population by Region** | **Index** |
| **New England** | **277** | **5.530** | **10,432** | **5.344** | **104** |
| **Mid Atlantic** | **1,031** |  | **33,414** |  |  |
| **East Central** | **919** |  | **25,623** |  |  |
| **West Central** | **478** |  | **29,279** |  |  |
| **South East** | **1,054** |  | **38,021** |  |  |
| **South West** | **579** |  | **21,996** |  |  |
| **Pacific** | **671** |  | **36,427** |  |  |
| **Total Sales** | **5,009** |  | **195,192** |  |  |

So we have a chart with outlined regions, unit sales of Brand X Cola allocated by region and population figures for Adults 18 to 24, again, divided by outlined regions.

Step TWO:

Let’s begin our calculation by taking all the unit sales of Brand X Cherry Cola and adding them for all the regions to find the total sales of Brand X Cola.

Add Unit Sales of Brand X Cola for all regions:

277,000 New England +

1,031,000 Mid Atlantic +

919,000 East Central +

478,000 West Central +

1,054,000 South East +

579,000 South West +

671,000 Pacific = 5,009,000 Unit Sales Sold for Brand X Cola All Regions

Step THREE:

The total unit sales will be your base to calculate the percentage of sales in each area. Do this

By taking the sales in each area divided by the total multiplied times 100. For best results you should show the answer out to at least three decimal places.

Let’s do the first one or New England region

277,000 Units Sales of Brand X Cola in the New England Region

Divided by

5,009,000 Total Sales of Brand X Cola for all Regions

Equals .05530046 multiplied times 100 = 5.530 (round up last decimal point)

Step FOUR:

Repeat steps two and three for the population figures of each geographic area.

Add the Population for all Regions:

10,432,000 New England +

33,414,000 Mid Atlantic +

25,623,000 East Central +

29,279,000 West Central +

38,021,000 South East +

21,996,000 South West +

36,427,000 Pacific = 195,192 Total Population of Adults 18 to 24

Again, let’s stick to the New England region

10,432,000 Adult 18 to 24 population in the New England Region

Divided by

195,192,000 Total Population of Adults 18 to 24

Equals .05344481 multiplied times 100 = 5.344 (round up third decimal point)

Step FIVE:

Now we are ready to calculate the Brand Development Index.

Remember the general formula of A divided by B multiplied times 100 where

A is 5.530 or the percent of sales in the New England Region

Divided by

B is 5.344 or the percent of population of Adults 18 to 24 in the New England region

Equals 1.03480539 multiplied times 100

Equals 104 (round up for final answer) Index for consumption of Brand X Cola among Adults 18 to 24 in the New England region

STEP SIX: Understand and Report the Results

The BDI against Adults 18-24 of Brand X Cola for the New England Region is 104.

What this means is that Adults 18-24 are 4% more likely to appear among Brand X Cola drinkers In the New England region than they are to appear in the general population. This is a slight over-index among Adults 18-24 in the New England region but perhaps not significant enough to place budget resources against this demo in this region. It depends what your strategy is. If the strategy is to develop a certain area of the business, in other words an offensive strategy or looking where the opportunity is, this region may present a good opportunity given that Brand X Cola is already being consumed by Adults 18 to 24 in New England by a slight margin of overconsumption.

Now practice with the other regions in the chart included in the video lesson PPT and remember that you will find the answers in the full lesson PPT.

After you finished with this entire calculation, answer these questions:

* Determine which is the best sales region for Brand X Cola
* Which is the worst sales region for Brand X Cola
* Which region would you select if you are following a defensive approach
* Which region would you select if you are following an offensive approach

This is a much bigger discussion with far more applications, but at least you have the basic understanding of what is an index, how to set an index using sales and consumption data and how to apply this information to make strategic decisions.

See you in the next video lesson.