**VIDEO TRANSCRIPT**

**The Index**

The purpose of this lesson is to talk about a mathematical analysis called the Index. What I especially like about using an Index is that, when it is calculated, you can do automatically see, if the consumption of a product is average, above average or below average. It is an analysis used to make strategic decisions in media and marketing, in general.

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

* Define and Recognize the concept of the index
* Calculate an Index
* Recognize the application of an Index
* Recognize and read an Index when presented in syndicated data sources
* Report the results on an index analysis

Let’s start 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.

Syndicated Research is a research study which is conducted and funded by a market research firm but not for any specific client.

Simmons MRI is a syndicated research source and the report is called Simmons Survey of Media and Markets. This study reports on the products consumers buy, the brands they prefer, their lifestyles, attitudes and media preferences. It assists in making strategic decisions to allocate marketing and media resources on who to target, where to advertise or market and when to advertise or weeks/months to advertise deemed ideal. You can use the Simmons database to identify your target. For example, if you are marketing herbal tea, you need to determine who your target market is - is it women? men? women aged 18-24? women aged 35-44? Simmons can help you answer these questions.

Let me tell you a quick story so this concept starts making a little sense. When I worked in sales for a major Spanish language Network, I was in charge of selling product integration for a live morning program. Product Integration is placing the product within the program and not a commercial in the commercial break. Obviously, being in sales, I started by making a list of the advertisers that were a natural fit to advertise in morning television. The list was obvious, coffees, cereals, morning juices. So I started presenting the opportunity to marketing executives of all these product categories and their advertising agencies. When I got to this specific orange juice brand, I noticed that they did not have an advertising agency, so I called the company directly. When I got to the Director of Marketing, she explained to me that they were not advertising to the US Hispanic market at all, which meant they did not have a budget. It was an uphill battle to get them to advertise. This Marketing Director was a forward thinking professional and given the growth of the market, she knew it was the right thing to do. She asked me to give her the research that could tell the story of how much orange juice Hispanics drink. She needed to present the data to her upper management in order to get the budget to be able to advertise to the Hispanic consumer. Given that our Network invested in syndicated research, specifically Simmons, it was easy to pull the numbers and see what story they told, hopefully a good one. After my Director of Research for the Network pulled the data, we analyzed and saw that Hispanics over index in the consumption of orange juice. Great news for us, now armed with this data, we gave the numbers to the Director of Marketing of this major orange juice company to justify the budget allocation to advertise to the Hispanic consumer. Basically what “Hispanics over-index in the consumption of orange juice” means, is as follows. Remember that, in the formula, A divided by B multiplied times 100, A is the product’s consumption you are observing, in this case it was consumption of orange juice in the US Hispanic market, and B is the general population meaning everyone else in the US. In the comparison, US Hispanics drank more orange juice within their population than the general population drank in theirs. In other words, there was more consumption of orange juice amongst Hispanics than there was consumption of orange juice within the general population. Do your start getting the picture? Needless, to say, she secured the budget to test their first Spanish language campaign as a result of those numbers presented to this company’s upper management. Index proved to be very profitable as a storyteller to me.

The most common strategic analyses used in media deal with the specific questions of who to advertise, where to advertise and when to advertise. So when you analyze these numbers, and you see consumption within a specific demographic above 100%, in a defensive strategy, you allocate your budget to advertise to the demographic that is consuming more or your product, or defending your strongest market share. The same logic applies to consumption in specific cities or regions, or if the consumption is stronger on certain times of the year. The offensive approach is more aggressive. With this strategy using Index data, you would recommend spending the media budget to support where the opportunity lies. Which may not be within the biggest consumption but where the biggest potential is. Is it getting a little clearer?

This is not difficult, although it may give that impression.

OK, let’s start. Refer to the video lesson PPT on Index to study the chart. We will keep this calculation simple to understand, and will got to the basic Index calculation in this session. Believe me, it can get more complicated and creative, but my goal with this lesson is for you to understand the numbers, what they mean and how to apply them. 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.

STEP ONE: Understanding the numbers: Calculating A

Let’s take A first. Remember that A is the product you are observing, which in this case is Cherry Coke consumption. By the way, you will probably notice that in the Simmons report on your PPT and in the textbook, there are several columns under Cherry Coke, A B C D. WE are only using the numbers on

column A. Under column D, is where the INDEX number goes, which we are learning to calculate.

You can also see that that in the extreme left there is a breakdown by demographic, starting with ALL Adults, and then 18-24, 24-34, 35-44, etc. We will only do the Adult 18-24 Cherry Coke Index.

Back to the Cherry Coke Columns to calculate A.

The total number of Adults that drink Cherry Coke is 11,578,000 (see the three zeros on top? It means they have been taken out, but the number is in the millions). Now let’s look at how many total Adults 18-24 (our demo) drink Cherry Coke and the number is 2,905,000.

To calculate A, or % of Adults 18-24 that drink Cherry Coke out of all the Adults that drink Cherry Coke is

2,905,000 or total Adults 18-24 that drink Cherry Coke

Divided by

11,578,000 = or total Cherry Coke drinkers is.2590 x 100 = 25.09 (0r 25% of all Cherry Coke drinkers are Adults 18-24)

A = 25.09

STEP TWO Understanding the numbers: Calculating B

Now let’s calculate B. Remember that B is Population for the same demographic you are observing for Cherry Coke drinkers, which is Adults 18-24. The total population or All Adults is 195,192,000 and total Adults 18-24 is 24,842,000. Remember that this is population that may or may not drink Cherry Coke.

To calculate B, or % of Adults 18-24 within the Population or All Adults.

24,842,000 or total Adults 18-24 in the general population

Divided by

195,192,000 Total Adults in the general population = .1272 multiplied by 100 = 12.7 (or that Adults 18-24 are 12.7% of the population of All Adults)

Step THREE Calculating the Index

Now that you have calculated A and B, you are ready to calculate the Index:

A= 25.09 (% of Adult 18-24 Cherry Coke drinkers)

Divided by

B= 12.7 (% of Adults 18-24 in the population of All Adults) =1.97 multiplied to 100 = 197

The index is 197

Step FOUR Understand and Report the Results

The index is for Adults 18-24 Cherry Coke drinkers is 197

What this means is that Adults 18-24 are 97% more likely to appear among Cherry Coke drinkers than they are to appear in the general population. This is an over-index among Adults 18-24 and a good demographic to target, because more than likely they are your drinkers.

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

See you in the next video lesson.