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OF SPECIAL BEARER BONDS**

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On January 12, 1981 Government of India, by promulgation of an Ordinance, introduced a new scheme of Special Bearer Bonds with the primary objective of drawing out unaccounted money and channelling it into productive purposes. The scheme became operative from Feb. 2 and bonds will remain on sale till April end. Since some provisions of the scheme are still vague, a number of questions have been raised in the press seeking clarifications about certain operating aspects of the scheme. Also a number of articles, editorials and comments have appeared in the press reflecting on the pros and cons of the scheme, its technical flaws and amount it is expected to generate. The forecasts have varied from the optimistic high figure of Rs. 1,000 crores to a low of Rs. 15 to 20 crores. Initial two weeks sales responses to the bonds has been at most lukewarm. Given that estimates of unaccounted money in the economy are put at Rs. 15 to 20 thousand crores, even the most optimistic forecasts about the Bearer Bond Scheme don't envisage more than 4 to 5 per cent share for it out of the huge market potential that exists. If commercial sector standards are used for comparison, in a monopoly market like this, where government is the sole agency which can mop up this money, an insignificant share of this kind would never be targeted and if achieved share is in that low a range, the performance would be termed as 'miserable'. Such a failure will be attributed to either the inability of the product to meet any basic consumer need or else to the organizational failure in putting up an

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On January 12, 1981 Government of India, by promulgation of an Ordinance, introduced a new scheme of Special Bearer Bonds with the primary objective of drawing out unaccounted money and channelling it into productive purposes. Since some provisions of the scheme are still vague, a number of questions have been raised in the press seeking clarifications about certain operating aspects of the scheme. Also a number of articles, editorials and comments have appeared in the press reflecting on the pros and cons of the scheme, its technical flaws and amount it is expected to generate. The forecasts have varied from the optimistic high figure of Rs. 1,000 crores to a low of Rs. 5 to 10 crores. Given that estimates of unaccounted money in the economy are put at Rs. 15 to 20 thousand crores, even the most optimistic forecasts about the Bearer Bond Scheme don't envisage more than 4 to 5 per cent share for it out of the huge market potential that exists. If commercial sector standards are used for comparison, in a monopoly market like this, where government is the sole agency which can mop up this money, an insignificant share of this kind would never be targeted and if achieved share is in that low a range, the performance would be termed as 'miserable.' Such a failure will be attributed to either the inability of the product to meet any basic consumer need or else to the organizational failure in putting up an

effective marketing programme in capturing a significant share of the market. It is a pity that many of the government schemes either fail to have any intrinsic appeal to the market or else are introduced without adequate thought to the marketing programme that is needed to make it a success. It is the intention of this paper to examine the relevance of using a marketing programme to promote the sale of the bonds so as to exploit their full potential.

Broadening Applications of Marketing

Marketing has many definitions. The most commonly accepted one defines marketing as "the performance of business activities that direct the flow of goods and services from producer to consumer or user." Most professional marketers accept this definition with a modification that the marketing activities be carried out "to satisfy customers and accomplish the organizational objectives." This is in fact the essence of the new marketing concept. Within this perspective, however, marketing is primarily conceived as a business activity. This view, has come under serious questioning and scholars like Philip Kotler have more broadly defined marketing as "the set of human activities directed at facilitating and consummating exchanges." Kotler, then, describes "metamarketing" as "the processes involved in attempting to develop or maintain exchange relations involving products, services, organizations, persons, places or causes" and marketing is seen as a "systematic approach to planning the benefits to offer to a distinct public in order to elicit the resources or support that the organization wants in return." It is the

increasing acceptance of this expanded view of marketing which has profound implications for policy makers and public administrators in India. In this context, the "marketing management" function becomes a generalized process of examining the wants, attitudes and behaviour of potential customers in order to aid in the design of a desired product, service, programme or scheme and in pricing, distributing and promoting it successfully to the target segment. In doing this, the organization depends heavily on marketing research and uses adequate managerial mechanisms for performance measurement, feedback and control. This expanded scope of marketing is in no way merely an academic or theoretical exercise and marketing concepts, tools and techniques have already been applied to many social, economic, administrative and developmental problems. It is becoming increasingly clear that success of many such programmes, where prospective clients, customers or users must be informed and persuaded, depends considerably on how well the programme and its operationalization draws on the accepted principles of commercial marketing. It is in this spirit that bearer bond scheme is being analysed here.

A Buying Process Model

A number of 'stage' models of the buying process have been conceptualized by marketers. These models clearly suggest that the buying process starts long before the actual purchase and consequences of the purchase decision continue to be felt much after the purchase act. Though there are many versions of these models, a simple model would suggest that in his buying process, consumer normally goes through the

stages of need arousal, information search, evaluation, purchase decision and post-purchase feelings. The primary objective of the marketing programme, therefore, would be to facilitate the movement of the consumer along these stages.

Though a need can be activated through both internal or external stimuli, in the case of bearer bonds, it would have to be aroused by the latter, which would need using some of the basic drives to enable the consumer to connect the bond with his need of solving the problem of unaccounted money he has. The primary drive in this case will have to be the legal action that a person may face in the event of his getting caught with the unaccounted money he has accumulated, leading to the undesirable consequences of loss in social status and prestige, besides the money.

Depending upon the intensity of this need arousal, the individual will become alert to information concerning bearer bonds and will actively seek more information about the key attributes of the bond. He will probably turn more to personal sources for such information, though commercial sources like advertising and salesmen and public sources like press media will have their own role to play in influencing this information search and content.

Based on the information gathered, the consumer will evaluate the bond in terms of its utility to him. Such an evaluation will be based on his perceptions of the attributes the bond possesses, and

the importance he attaches to these attributes. One of the important tasks of marketing programme will be to alter dysfunctional beliefs about the bond, draw attention to attractive but neglected attributes of the product and to influence the weights of the attributes relating to the bond. An immediate conduct of market research to understand the content and structure of the prevailing attitudes and beliefs involved in this product will help a great deal in developing the right type of marketing communications and strategy.

The consumer evaluation will lead to an intention to purchase the bond, the actual purchase decision being determined by some additional factors like attitude of others towards the bond and certain situational factors like ready availability of hard cash, convenient availability of bonds, alternative opportunities of using unaccounted money at comparable risk level, etc.

Even after the purchase, the bond buyers are bound to undergo cognitive dissonance. According to Festinger, "the magnitude of post-decision dissonance is an increasing function of the general importance of the decision and the relative attractiveness of the unchosen alternatives." Since the bond purchase decision is of considerable importance and unchosen alternatives of using the money elsewhere are very attractive because of a very poor return on investment in bonds, the magnitude of dissonance is expected to be high. The buyers will try to reduce the dissonance by selling it to someone else, since trading of bonds is

allowed, or else they will seek information that might support their decision. The marketing programme, therefore, will direct supportive communications to early buyers so that they don't generate adverse words of mouth communications or otherwise desist from holding the bonds for the entire period of 10 years.

Elements of the Marketing Mix

Having discussed the broad purpose of the marketing programme and the role it can play at various stages of the purchase process, we now present some specifics of the marketing programme that can affect the market response to bearer bonds. In this we are employing one of the key concepts of modern marketing thought, namely, the marketing mix. Any variable under the control of the organization that can influence the level of customer response is a marketing mix variable. Various attempts have been made to develop a list of basic marketing variables. Frey has proposed that all marketing decision variables can be divided into two factors, namely, the offering (product, packaging, price and service) and methods and tools (distribution, personal selling, advertising and sales promotion). Lazer and Kelley proposed a three-factor classification, namely, goods and services mix, distribution mix and communications mix. Similarly McCarthy popularised a four-factor classification called the four P's, namely, product, price, place and promotion. Since product and price aspects of bearer bonds have already been formulated and have to be treated mostly as given, we will use Frey's classification of offering and methods and tools, as a framework for the discussion of the suggested marketing programme.

Offering

Anything that is viewed as capable of satisfying a need or want is an offering. It can include objects for attention, acquisition, use or consumption and is, therefore, not limited to physical objects. The bearer bond, thus, is an offer which is expected to provide some core benefits to the buyer in solving his problem of managing the unaccounted money he may have accumulated over the years. In order to identify these core benefits, we will have to examine the important physical features of this offer.

1. There will be immunity for the possessor of the bonds from being questioned about the source of money from which the bonds have been acquired.
2. The mere fact of being in possession of the bonds will not make the person liable to tax, penalty, or prosecution under the direct tax laws.
3. The scheme will be completely independent of the tax system. No holder of the bonds will be entitled to claim any relief in any proceeding under the direct tax laws on the ground that he has invested some amount in the bonds.
4. It will not be permissible for a tax-payer to claim in wealth tax assessment that any assets owned by him have been converted into bonds.
5. Before maturity, no one can claim that any sum credited in his books of account or otherwise held by him represents the amount received on the transfer of bonds.

6. Investors can bring the money received on redemption of bonds in their books of account without attracting any tax liability.
7. Commercial banks will be authorised to give advances within the framework of credit control against the collateral security of the bonds.

Thus, the consumer benefits or needs met by the bonds are :

1. Due to absence of any records and bearer nature of the bonds, investors' secrecy is maintained.
2. Investment in bonds relieves the individual from anxiety about possible prosecution if otherwise detected for possession of this money.
3. On redemption, money would be available for legitimate business investment.
4. During the life of the bond, it is possible to draw bank loans against the bonds and legitimately invest this money in business deals.

These are the core benefits for which, of course, consumer is expected to pay a price. The consumer would like to enjoy these benefits in strict confidence and would also like to be assured what terms and conditions of sale would not be changed to his disadvantage over the 10 years life of the product. He would also prefer that even at the time of redemption, his identity will not be disclosed so that he is not listed as a possible target for tax investigations. It is, therefore, necessary that redemption receipts also be bearer receipts so that

anyone in possession of these receipts can bring back the bond proceeds to his books of account without disclosing when, how and for what period bonds were held by him.

Pricing of this offer has been done in a manner that there is a substantial cost attached to enjoying the benefits that go with it.

1. For an investment of Rs. 10,000 the holder will receive Rs. 12,000 at the end of 10 years, giving him a return of 2 per cent simple interest per annum which is far less than the alternative opportunities normally available.
2. Rs. 2,000 earned on the bonds at redemption will be exempt from income-tax and also initial investment will be exempt from wealth tax.
3. There will be no limit on investment in the bonds.

It is clear that investment in bonds will not occur unless benefits of immunity are highlighted and adequate confidence is generated that possession of bonds will not attract administrative harrassment. Consumer indecision in the purchase of such high risk premium products is well known and unless adequate public commitment is given that government will stand by the promises made, many consumers, whose problem of unaccounted money has not reached to a point of unmanageability, will tend to wait and see. Since transfer is allowed, this behaviour will be reinforced, where consumers may decide that if necessary, they can always purchase them later from the initial purchasers. Same is true of the past

behaviour of the government where people have come to expect similar schemes coming in the future with perhaps better and improved features. Unless this is made loud and clear that it is the last opportunity and that government intends to pursue tax evaders with full vigour and determination, response to the bonds will remain poor.

Another aspect of pricing is that since government intends exchanging Rs. 10,000 cash with an instrument which has a present value of at most Rs. 5,000 depending on discount rate used, incremental sales arising out of the use of a marketing programme will more than pay off the costs incurred on such a programme. An additional sale of Rs. 50 lakhs in bonds attributed to the use of a marketing programme will justify a budget of the size of Rs. 20 to 25 lakhs and if such an effort is made, the real impact may be far greater. In other words, to breakeven, a budget of this magnitude will not require more than 500 additional bonds to be subscribed to.

Methods and Tools

The two major controllable variables available for marketing the bonds are arrangements for its distribution and promotional strategy used to influence the target market's response to this offer. From all accounts it is clear that major segment that can be persuaded to take interest in these bonds are the top income bracket businessmen and professionals, whose hidden wealth has reached a point of great personal stress and strain and who would therefore like to avail of this opportunity to bring

the problem down to manageable levels. If other segments like government officials, business executives and less affluent businessmen and professionals have to be tapped, additional products with attractive features for their specific needs will have to be designed.

Distribution

According to the announced arrangements, the bonds are going to be made available for subscription at the offices of the RBI in 11 major cities of the country and in all branches of the SBI, with effect from Feb. 1. While coverage achieved through these channels may be adequate from availability and customer convenience point of view, the needs of confidentiality will not be satisfactorily met through these arrangements. If commercial sector can use a multiplicity of banking channels for much smaller sized share and debenture issues, why should distribution of these bonds be restricted primarily to SBI branches is not clear. On grounds of security needs arising out of a strictly cash transaction, fear of black-mail if such transaction is done with strangers, and the psychological confidence one gets in dealing with known bankers for such deals, it would be far better if all banks are allowed to deal in bonds. It is highly unlikely that a person dealing with a branch of Bank of Baroda will feel comfortable in going to an SBI branch, with which he has no dealings, for the purchase of a bond. Not only all or most banks should be the outlets for such subscription but in addition banks should come out with the necessary facilities so that the deal can be transacted in confidentiality, preferably in the

manager's private cabin at perhaps immediately before or after the banking hours. If people are not willing to buy 'Nirodh' at their favorite general store in the presence of unknown store customers, it is highly unlikely if the behaviour would be much different in the case of an equally sensitive and perhaps socially more suspicious product like a bond. One may even suggest the extension of the channel to private agents like stock brokers, insurance and UTI agents, etc., so that it is possible to subscribe to the bond in the comfort and privacy of the home with a person whom you trust and who is known to service you in your financial matters. A commission of Rs. 50 per bond to such agents may be a reasonable incentive to generate adequate additional subscription.

Promotion

Advertising will be the primary element in the promotional strategy and would be aimed at moving the consumer through different stages of the purchase process. The major objectives of the advertising strategy would be :

1. To highlight the product benefits based on consumer evaluations of the attributes, as discovered through market research.
2. To motivate prospects into investing in bonds through a balanced use of rational, emotional and fear appeals.
3. To provide information so that scope for rumours and misinterpretations is limited and communications strategy directs the nature and content of interpersonal communications generated in the market.

4. To create confidence in the market that product promise is genuine and government publicly stands behind the commitment.
5. To give direction to the consumer as to where and how to buy bonds.
6. To firmly state that government means business and is determined to attack the problem of tax evasion and unaccounted money very seriously and that this is the last such opportunity. Of course, promise so made will have to be kept.
7. To reinforce the choice of the buyers that they have taken the right decision by using supportive appeals.

Creative communications have to be developed in a manner that there is balance between fear and firmness and people are made to act now and here. Considering the characteristics of the target market and the needs of communications, TV appears to be one of the most effective media for both reach and impact. As a government owned medium, it will have the additional plus in confidence and credibility.

An extreme care has to be taken that in communications strategy product is not presented as a 'reward' to tax evaders for their acts of commission in the past so that honest tax payer is not made to feel like a 'sucker'. It is important that public agencies must fully recognize the possible side effects of such schemes and make it one of their explicit objectives to educate the public on the rationale around which such schemes are developed. Honest tax payers should be made to appreciate that in real terms bearer bond is only a **delayed** payment of income tax on the past incomes since the buyer will be getting only 40 to 50% of money paid by him in present value terms.

Summing up

A question may be asked if it is appropriate for professionals to advocate marketing of a product, which has been termed by many as unethical. To us it appears as ethical or unethical as working for a brewery or a tobacco company. It depends on what side of the coin one is looking at. To the extent we intend making bearer bonds available in the market, for unaccounted money holders to subscribe to them, using a systematic marketing approach to exploit their full potential, so that maximum amount possible can be generated through this instrument, makes it no more unethical than what it already is. If marketing the bonds can mop up even 20% more money than what it would do without the marketing, we would have served our profession well.

We must accept that programme developed here is somewhat sketchy and many more aspects have to be thought through but we believe it is an idea worth exploring. If government of India agrees to 'buy' this idea and is willing to commit resources for this purpose, it is not difficult to put together a team of marketing and advertising professionals who would be quite willing to devote their time and expertise in this challenging and interesting social cause on a purely voluntary basis.

It is also important to realise that bearer bond scheme has a very limited objective and is in no way expected to attack the root of the problem. Unless an integrated programme of dealing with the basic problems is evolved, success of such limited purpose instruments like the bearer bonds will always be questionable.