

A STUDY ON SURROGATE **ADVERTISING**

Submitted by

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2K16/MBA/73

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DECLARATION

I hereby declare that the project work titled “A Study on Surrogate Advertising” is my own work and has been done by me under the guidance of Prof. P.K. Suri, Delhi School of Management, New Delhi.

Date:

Place :

(TANMAY DAS)

CERTIFICATE

This is to certify that the project work titled “A Study on Surrogate Advertising” is a bonafide work carried out by Mr. TANMAY DAS, student of MBA, Delhi School of Management, New Delhi during the academic year 2017-18 in partial fulfillment for the award of the degree of Master of Business Administration.

I hereby certify that the result embodied in this work has not been submitted to any other institution or University for the award of any degree or diploma. This work has been done under my supervision.

Dr. Rajan Yadav (HOD, DSM)

Prof. P.K. Suri (Project Mentor)

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CHAPTER - I

INTRODUCTION

1.1 INTRODUCTION

Research comprises "creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of humans, culture and society, and the use of this stock of knowledge to devise new applications."

Marketing research is "the process or set of processes that links the producers, customers, and end users to the marketer through information which is used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. It is the systematic gathering, recording, and analysis of qualitative and quantitative data about issues relating to marketing products and services. The goal of marketing research is to identify and assess how changing elements of the marketing mix impacts customer behavior

Consumer behavior is the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society. Customer behavior study is based on consumer buying behavior, with the customer playing the three distinct roles of user, payer and buyer. Research has shown that consumer behavior is difficult to predict, even for experts in the field.

Advertising is a form of marketing communication used to promote or sell something; usually a business's product or service. Advertising is to promote the sales of a product or service and also to reach masses to inform about the product attributes. It is an effective way of communicating the value of a product or service with large exposure to target consumer. It uses different types of appeals to connect to consumers spread across the globe. Virtually any medium can be used for advertising. Commercial advertising media can include wall paintings, billboards, street furniture components, printed flyers and rack cards, radio, cinema and television adverts, web banners, mobile telephone screens, shopping carts, web popup, skywriting, bus stop benches, human billboards and forehead advertising, magazines, newspapers, town criers, sides of buses, banners attached to or sides of airplanes, in-flight advertisements on seatback tray tables or overhead storage bins, taxicab doors, roof mounts and passenger screens, musical stage shows, subway platforms and trains, elastic bands on disposable

diapers, doors of bathroom stalls, stickers on apples in supermarkets, shopping cart handles, the opening section of streaming audio and video, posters, and the backs of event tickets and supermarket receipts. Any place an "identified" sponsor pays to deliver their message through a medium is advertising

1. Television – This is the most common mode of advertisement. As we have discussed earlier in the article, substitutes are used to portray the concerned product. Advertisements of beverages are significant example of these.

2. Online advertising- This has become one of the widest medium for use after the boom of technology and internet globally. Companies can find easy audiences here which fall in the potential target segments. This medium also has advantages of low costs and more target customer's effective reach. Beverage Companies promote their products extensively through this medium be it social networking platforms or community forums.

3. Billboard Advertising- In the outdoor world far from the silver screen of moving images and sound, billboards are used for these types of advertisements. For the brand to choose this way, they need to create strong brand identification among consumers. Generally the name of the brand along with the image from the TVC or the message are used which creates the immediate recall among the consumers for the brand products if they are exposed to it earlier in one form or the other.

4. Sponsorship of live events/shows/fests- Companies partner with music concerts, live shows, college fests etc. for sponsorship to give their brands the much needed visibility. Generally beverage is perceived as a youth oriented product with that group forming a large part of its customer base. These types of shows, concerts etc. are much more attractive to youth and are created keeping their interests in mind. Tapping on that factor, companies sync their name with these types of programs to give them the benefit of popularity or fame of the product it associates with.

After implementation of the Cable Television Networks Regulation Act - 1999, new advertising appeal used by most liquor companies circumvented the ban by what is called surrogate advertising. 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).

There are a numerous reasons for companies to restore themselves to such advertisements. One of the most common among them is to circumvent a prohibition by law in several countries on direct advertisements of particular products besides its unhealthy.

Hence different techniques used to promote such brands might include, endorsing their products using public service announcements, advertising well established brand embedding such surrogate products or duplicating the brand image of one product extensively to promote another product of the same brand or if not the case, endorsing themselves as discharging some social obligation towards the society (Ex: Officers Choice – Alcohol).

Whereas the primary objective of the companies behind such prohibition is to compensate the losses occurred due to such prohibition.

1.2 REVIEW OF LITERATURE - CITING OF PAST WORKS

The basic question that needs to be answered is whether advertising make any material impact in the sales of alcohol or tobacco products. Kent M. Lancaster and Alyse R. Lancaster disregard that there is any difference in sales of tobacco and alcohol related products with or without advertising. They examined most of the published evidence worldwide on the effects of overall advertising and of advertising bans on aggregate demand of cigarette and tobacco products. Based on their exhaustive research they argued that partial bans on advertising are likely to have a very little or no impact on the consumption of such products, the reason being a complete ban in advertising of such products itself did not had any impact on sales or aggregate demand of these products.

Dr. S. G. KhawasPatil [YeshwantMahavidyalaya, Nanded] and Laxmikant S. Hurne [YeshwantMahavidyalaya, Nanded] in their study titled " Surrogate Advertising : A Successful Marketing Strategy for Liquor, Whisky products" conducted to know the effectiveness of surrogate advertisements, whether the products shown in advertisement are sold or not and customers awareness about surrogate advertisements, concluded that maximum respondents can tell intention behind surrogate advertisements, i.e, to advertise liquor, whisky products. It means surrogate advertisements are correctly targeting their customers. Surrogate advertisement is a successful strategy because maximum respondents are changing their purchase decision. It is observed that, customers and manufacturers are not interested in surrogate products, because we can't see such products in a number as compared to whisky. Shortly, we can say, these advertisements are complying with legal aspects and advertising the correct product. So, Surrogate advertisements are successful strategy for marketing of whisky, liquor products.

Ms Kirti Singh Dahiya and Ms kirti Miglani started their research study "Emergence of surrogate advertisement" to check whether surrogate advertisements provide high brand recall or not, to find whether the products shown in advertisements are sold or not and study whether surrogate advertisements appeal the customer for the hidden product directly, found that Surrogate advertisements are only successful in creating brand recall of the hidden product in the advertisement. People do not get much influenced by these products advertisements while making their purchase, their purchase decision are mainly influenced by their financial status. Another major finding is that these products make people addicted to the products; people cannot

resist themselves from consuming these products so in this scenario the role of advertising whether surrogate or direct is reduced at minimum.

Pradeep S. Mehta in his article "surrogate advertising- needed a spirited attack" stated that according to a market survey in 2001 revealed that advertising has a direct influence on the consumption habits of 431 million people in India and an indirect impact on 275 million 'aspirants' from the lower income group. Considering this and realizing that nearly 50 per cent of the television owners have access to cable channels, there is no doubt that the hidden call for alcohol consumption behind the surrogate advertisements is not escaping the eyes of viewers in the world's fourth highest liquor-consuming country. The very purpose of banning liquor advertisements is defeated by surrogate advertising. The companies whose products are subjected to the prohibition are following a different way of promoting their products like 'old wine' in a 'new bottle,' or with a soft-drink label somehow they are duplicating the image of well established brand.

Chander and Sharma in 2006, tried to study the perception of people towards surrogate advertising by using a statistical tool factor analysis. The results of their research were surprising as they found out that in general, the perceptions that govern the attitude of people towards these advertisements is much on the negative side rather than being on the positive side. They neither liked the advertisements nor the favored them. A large proportion of the respondents felt that surrogate advertising is anti social as it tries to promote the product that is generally considered as harmful for the society, it promotes wrong impressions and tries to fool the customer insulting customer intelligence, leads to moral degradation and is deceptive. However a few respondents took surrogate advertisements as a way of fair practice, entertaining and associated it with modern life style. A set of respondents were completely unaware of the phenomena of surrogate advertising while a few others were confused about the same. This research led to the conclusion that whatsoever may be the positive perceptions revealed, still a lot of people perceived surrogate advertising as negative, unethical and immoral.

Sharma, Rishi Raj; Chander, Subhash in their research study "Consumer Psychographics and Surrogate Advertising: An Application of Multiple Discriminant Analysis" stated that When

consumers look at the surrogate advertisements, they associate these with banned products. The study concludes that surrogate advertising is not perceived positively by the various sections of the society. The ethical perception of the targeted consumers affect the acceptability of surrogate advertisements and hence, the attitude of the consumers towards it, with majority of these consumers considering it as immoral and unethical. The advertisers need to modify and redesign their advertising strategies in accordance to the consumer psychographics, so that they can find a way out which is more ethical and positive for the society or their target market rather than resorting to surrogate advertising.

Dr. Abhijeet Agashe, Ms. Harleen Vij in their article "Ethical Issues in Surrogate Advertisement & its Impact on Brand Building" indicated that Direct marketing of surrogate products are totally unethical and hence been prohibited by the government. But it's the companies are now following the newest trend called the surrogate advertisements i.e., marketing unethical products ethically. The research studied the ethical issues involved in surrogate advertisement and its effect on brand image

1.3 RESEARCH PROBLEM

Literature review reveals that banning of advertising of alcohol, tobacco products by central government made companies resort to advertise them using other products with same brand name leading to surrogate advertising. Ethical concerns and issues should be addressed. Challenges of surrogate advertisement as for ethical business practice is that one should not mislead consumers, especially young generation to lean towards drinking alcohol, cigarettes. Surrogate advertisements are considered ethical/unethical by people is known.

1.4 IMPORTANCE OF THE STUDY

This research study is significant as it enables to find the people's perception of surrogate advertisements and their impact on customer's buying decision is analyzed. It helps companies to know the customer views and make appropriate changes in their strategies to reach out to customers in a better way.

1.5 OBJECTIVES OF THE STUDY

1. To explain the concept of surrogate advertisements.
2. To study the consumers' awareness towards surrogate advertisements.
3. To evaluate the influence of surrogate advertisement on consumers; buying decision.
4. To understand the consumer perception towards surrogate advertisements and its products.

1.6 SCOPE OF THE STUDY

This study was conducted in Delhi & Kolkata city for primary data collection. It is based on the responses collected from customers during the period of Feb-Apr 2018. The study is undertaken to understand the concept of surrogate advertising and its influence on consumer buying behavior.

1.7 RESEARCH METHODOLOGY

Sample design:

- Sample technique: Convenient sampling
- Sampling unit: Individual
- Sample size: 150 respondents
- Sample area: Delhi and Kolkata

Sources of data:

- Primary data: The primary data was collected using a Questionnaire
- Secondary data: The secondary data was collected from research papers, articles, journals.

Tools and Techniques used for data analysis:

- Graphical pie charts
- Simple tabulations
- Chi square test

1.9 LIMITATIONS OF THE STUDY

Study is restricted to the geographical limits of Hyderabad. Limited period of survey and limited sample size (150). There were few responses which were vague or not answered at all to get complete and accurate information required for the study

1.10 CONTRIBUTION OF THE STUDY

The research study on surrogate advertisement contributes knowledge to the society by creating awareness among respondents and spreading the concept of surrogate advertising. It helps marketers to approach consumers to promote their banned products.

1.11 SCOPE FOR FURTHER STUDY

There is a wide scope for future research on surrogate advertising, the research could be carried out as a comparative study analysis in the Indian context and perception of images that the viewers have while watching the television ad's of these banned products and also how surrogate advertisements has made the viewers to persuade in consuming these

This study opens up new ground for further study. This study concentrates on basic awareness and perception of consumer on surrogate Ads. Studies can be done with main area of focus on ethical concerns of surrogate advertising, it's positive and negative effects to the society.

CHAPTER II
SURROGATE ADVERTISING
AN ANALYSIS

2.1 SURROGATE ADVERTISING: DEFINITION

The term 'surrogate' is defined a 'substitute' i.e. anything which takes place of other. It can be a person, human, product etc. In case of surrogate advertising, a product is used to advertise a certain different product. Especially products (for which direct advertising on mass media is prohibited by the laws of land of most countries) are advertised with use of substitutes like mineral water, soda, Mega cricket team clubs, friend clubs or music CDs.

Advertising takes various shapes with level of surrogate advertisements varying from country to country, people to people and product to product. In certain regions of the globe, open advertisements of these products are allowed while some counterparts imposing strict restrictions on them. The basic intention of these types of advertisements is mainly to popularize the brand and create a slot of consideration in the potential consumer's minds.

2.2 ORIGIN OF SURROGATE ADVERTISING

It is said that birth of surrogate advertising happened in Britain, where housewives started protesting against liquor advertisements which provoked their husbands. The protest rose to a level where liquor advertising had to be banned and brand owners seeing no way out decided to promote fruit juices and soda under the brand name; the concept later emerged as surrogate advertisements.

"Surrogate advertising is a reflection of the hypocritical society that we live in. We consider some products good enough to be sold but not good enough to be advertised. A marketer has to sell his product, and will find means to promote it. I don't blame him."

- Pushpinder Singh, Senior Creative Director (O & M)

A surrogate advertisements is one in which a different product is promoted using an already established brand name. Such advertisements or sponsorships help in contribute to brand recall. The different product shown in the advertisement is called the "Surrogate." It could either resemble the original product or could be a different product altogether, but using the established brand of the original product. This type of advertising uses a product of a fairly close category, as: club soda, mineral water in case of alcohol, or products of a completely different category

(for example, music CD's or playing cards) to hammer the brand name into the heads of consumers. The banned product (alcohol or cigarettes) may not be projected directly to consumers but rather masked under another product under the same brand name, so that whenever there is mention of that brand, people start associating it with its main product (the alcohol or cigarette).The sponsoring of sports/cultural/leisure events and activities also falls under the purview of surrogate advertising.

2.3 INDIAN SCENARIO

The use of surrogate advertising in India can be traced back to 1995 when the Cable Television Act 1995 was enforced which stated - "No advertisement shall be permitted which promotes directly or indirectly, production, sale or consumption of cigarettes, tobacco products, wine, alcohol, liquor or other intoxicants". This ban on advertising of such products leads to the emergence of surrogate advertising in India in a big way. Indian market was flooded by surrogate products of established brands of the so called 'negative products' and their promotions.

By August 2002, the I&B Ministry had banned 12 advertisements and leading satellite TV channels including Zee, Sony, STAR and AajTak were issued show cause notices to explain their rationale behind carrying surrogate liquor advertisements. Product advertising for liquor and cigarette companies is banned in the country since 1995 by Cable Television Network (Regulation) Act. According to Rule 7 (2) of the Act, no broadcaster is permitted to show advertisement which promotes directly or indirectly promotion, sale or consumption of cigarettes, tobacco products, wine, alcohol, liquor or other intoxicants, infant milk substitution, feeding bottle or infant food. This ban is now likely to be extended to advertising of extended brands.

In June 2002, the Indian Information and Broadcasting (I&B) Ministry served notices to leading television broadcasters to ban the telecast of two surrogate ads of liquor brands

McDowell 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." A market survey in 2001 revealed that advertising has a direct influence on the consumption habits of 431 million people in India and an indirect impact on 275 million 'aspirants' from the lower income group. Considering this and realizing that nearly 50 per cent of the television owners

have access to cable channels, there is no doubt that the hidden call for alcohol consumption behind the surrogate advertisements is not escaping the eyes of viewers in the world's fourth highest liquor-consuming country. The very purpose of banning liquor advertisements is defeated by surrogate advertising. Answering to the notices, Zee and STAR stopped telecasting the advertisements, followed soon by AajTak and Sony.

In addition, the I&B Ministry hired a private monitoring agency to keep a watch on all the advertisements for violation of the Act. These developments led to heated debates over the issue of surrogate advertising by liquor companies being allowed on national media. Though the companies involved came out strongly against the I&B Ministry's decision, they seemed to have no other choice, given the highly regulated nature of the liquor business.

Liquor producers spent heavily on advertising on the electronic media, particularly TV. Though the broadcasters were bound by the 30 yrs old advertising code, which stated that

“No advertisements shall be permitted which relates to or promotes cigarettes and tobacco products, liquor, wines and other intoxicants,” the telecast of such product continued blatantly over the years. More over the satellite channels garnered about 50% of their revenue from liquor and cigarettes advertisements. In the peak seasoned it gets almost doubled. Due to the ban, liquor companies focused more on promotions for brand building.

They started sponsoring events that projected the “glamour” of the brands, like track racing, car rallies etc. for instance Shaw Wallace Co. one of the leading liquor companies in India, conducted the Royal Challenge Invitation Golf tournament, which became an annual event. Some companies also promoted their product through corporate advertising, distributing free gifts like Caps and T- Shirts with the brand name and using glow-signs outside the retail outlets.

The ban on advertising of alcohol beverage products has severely handicapped communication with consumers. The industry is naturally compelled to make the best use of the channels and media of communications still open to it. Companies with liquor brands are not advertising liquor products; instead they have extended the equity of their brands into other fields. Over a period of time these products have become independent businesses for companies. However as the TV was the most effective medium of advertising, surrogate advertising on TV became popular. The liquor producers seemed to have ensured that the ban was only on the paper. In the mean time, some producers entered new segments under the liquor brand or advertised these products under liquor brand. Most of the liquor producers entered into packaged water segment,

such as Kingfisher Mineral water. McDowell used surrogate advertising by using its mineral water and soda brands, which generated additional revenues for the company. In the early 2001, SWC started marketing its range of golf accessories under the liquor brand Royal Challenge. It also announced that India's flagship Golfing Event – the Indian open would be sponsored by the company till 2006.

McDowell's No.1 Platinum:

Indian Cricket Team skipper MS Dhoni advertises for the surrogate product soda and asserts it as "The No. 1 Spirit of Leadership"



The surrogate advertisements from liquor companies intensified further through sponsorships of movies, music shows, and other programs and attracting youth. For instance, Seagram's Royal Stag was promoted by sponsoring movie related activities and Indian pop music using the banner Royal stag Mega Movies and Royal stag Mega Music. 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. These advertisements attracted criticism from various people. There were numerous other advertisements selling music cassettes, CDs, water, clothing, fashion accessories and sports goods, many of them accused of being sexually provocative and offensive.

The Advertising Standards Council of India (ASCI) has clarified that as per its code, the mere use of a brand name or company name that may also be applied to a product whose advertising is restricted or prohibited is not reason to find the advertisement objectionable provided the advertisement is not objectionable and the product is produced and distributed in reasonable quantities and the objectionable advertisement does not contain direct or indirect cues for the product that which is not allowed to be advertised. However the analyst opined that the ban could turn out to be advantages for the domestic players.

In March 2001, as per the commitment to the WTO agreement, MNCs would have an unrestricted license to sell their products. After the ban, these MNCs would not have access to the quickest and most effective form of advertising . Some analyst argued that the ban would not affect the established domestic players severely. It would only affect the new launches and new brand building of these companies. The ban was also expected to improve the margins for these players. The latest television ad for “AC Black Apple Juice” epitomizes so many things that are wrong with surrogate advertising in India.

Most of the surrogate advertising is done pretty blatantly with the “harmless” product being nothing more than a front for advertising the “harmful” brand. So you have various liquor/cigarette manufacturers resorting to ingenuous ways to peddle their wares. Of course there are a very few brands which start off as a surrogate brand, but over a period of time actually become full-fledged brands in themselves. The “Wills Sport” clothing line from the manufacturers of “Wills” cigarettes is one of those rare cases. But on the whole, surrogate advertising is dedicated towards using an insignificant, “harmless” product to increase/maintain awareness for their primary “harmful” brand. And that’s not an easy task.

For instance, how do you portray the essence of a whiskey or vodka or a cigarette using a bottle of bottled water or a pack of apple juice? Similarly "HUM tum or mera Bagpiper". This Bagpiper club soda advertisement, featuring cine celebrities, is similar to the earlier one for Bagpiper whisky. The advertisement comes with the same music and punch line as the one for the popular liquor brand telecast before the ban on liquor advertisements.

2.4 THE CORPORATE STANDPOINT

The industry segment has its own standpoint in defense. The liquor lobby claims that everything is in accordance to the Government regulations. "If a brand has equity, why shouldn't it be allowed to advertise? Also, brand extension is an industry practice adopted by different product categories," comments Alok Gupta of UB group. "When we advertise our products, we follow all the guidelines," declares president, sales & marketing, RadicoKhaitan. They clarify that they have stopped showing liquor advertisements and they are free to use the brand name for any other products. Even the Confederation of Indian Alcoholic Beverages Companies (CIABC) advertising code maintains that advertisement of products (real brand extensions) by the liquor industry must be allowed.

From a layman's point of view, their claims seem to be justified. But this is a clear example of taking advantage of the loopholes. There is a point to ponder. When they have stopped showing liquor advertisements, why the same brand name and logo is used to promote products like cassettes & CDs or mineral water? They could have assigned different brand names. It seems they have a hidden agenda of highlighting the liquor or tobacco brand.

A similar tussle over the issue of surrogate advertisements in politics was raised in April 2004 on the eve of Lok Sabha elections. Complaints of slanderous and offensive advertisements were raised by two major political parties - BJP and Congress against each other. The issue became so serious that the Supreme Court had to interfere in this affair. Finally on 13 April 2004, the Court gave a verdict to curb smear advertisements on electronic media. By appointing Election Commission as referee, the court has tried to put an end to surrogate advertising in politics.

According to the Cable Act under the ministry of information and broadcasting,- "no broadcaster is permitted to show an advertisement which promotes directly or indirectly, sale or consumption of cigarettes, tobacco products, wine, alcohol, liquor or other intoxicants..."

Now a new clause has been added under the act stating that "any advertisement for a product that uses a brand name which is also used for cigarette, tobacco product, wine, alcohol, liquor or any other intoxicant will not be permitted". Finally, in April 2005, the ministry resorted to a ban on surrogate advertisements of liquor and tobacco products on television.

2.5 COMPANIES FOLLOWING SURROGATE ADVERTISING

CATEGORY	BRANDS	SURROGATES
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ALCOHOL	Seagram's	Music
	McDowell's	Water and Soda
	Bagpiper	Water, Soda, and Music cassettes & CDs
	Red and White	Bravery Awards
	Bacardi	Music
	kingfisher	Mineral Water & Calendars
	Wills Lifestyle	Apparels, accessories
	White Mischief	Holidays
	Imperial Blue	Cassettes & CDs

	Smirnoff Vodka	Fruit juices
	Royal Challenge	Golf Tournament
	Aristocrat	Apple Juice
	Officer's Choice	Social Obligation towards Society
	Derby special	soda
	Radico Khaithan's	Water

TOBACCO	Rajnighanda	Kesar pan masala
	Goa gutka	Pan Masala
	Pan parag	Pan Masala
	manikchand	Filmfare Awards
	Chainikhaini	Pan Masala
	Pataka 502 Bidi	Pataka 502 Tea
	GopalZarda	GopalSupari 132

CIGARETTES	Red & white Cigarettes	Bravery Award Ceremony
	Gold Flake	Tennis Tournaments
	Wills Lifestyle	India Fashion Week, Lifestyle,(textiles)

TABLE 1: BRANDS AND SURROGATES

2.6 RECENT SURROGATE ADVERTISEMENTS

Officer's Choice is the leading and well-known brand in whisky market. Actually this brand is advertised by showing mineral water and soda, but all people can know what intention of that advertisement is. It shown that 'OC' is the brand of officers and for dynamic people.



Year	Sales (in million)
2009	11.1
2010	11.6
2011	16.5
2012	18.1
2013	23.8
2014	28.4

TABLE 2: ANNUAL SALES OF OFFICER'S CHOICE

Royal Challenge: Some cricketers are shown in this advertisement, at the same time music is played. At the end of advertisement brand name 'Royal Challenge' is displayed in bold letters with very small 'Music CDs'. It was also advertised with the help of mineral water.



Year	Sales (in million)
2008	1.3
2009	1.3
2010	1.2
2011	1.4
2012	1.7

TABLE 3: ANNUAL SALES OF ROYAL CHALLENGE

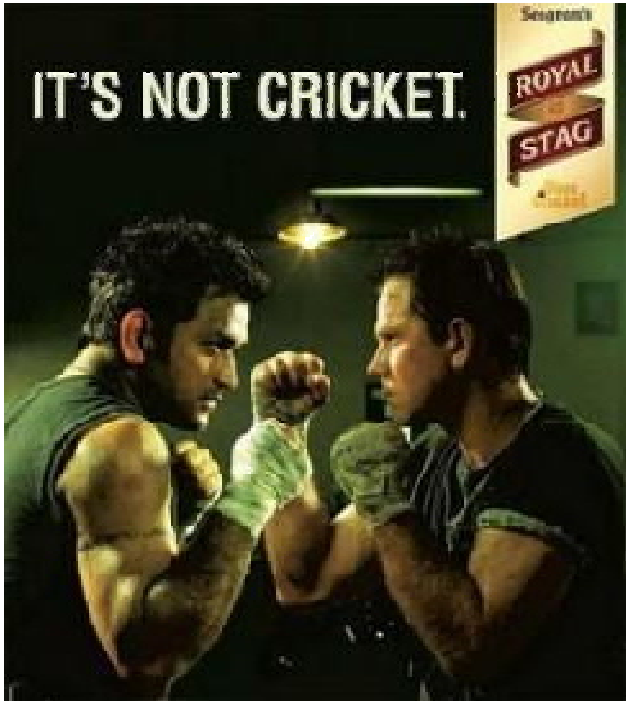
IMPERIAL BLUE: “Men will be Men” Ad



Year	Sales (in million)
2008	3.8
2009	4.8
2010	6.8
2011	7.2
2012	8.8

TABLE 4: ANNUAL SALES OF IMPERIAL BLUE

Royal Stag: It is well known as 'RS'. Instead of advertising whisky, manufacturer had shown Music CD and Mega Cricket in the advertisement with theme "Make it Large". But people never try to purchase these products. They always know that Royal Stag means whisky



Year	Sales (in million)
2009	8.4
2010	10.4
2011	12.5
2012	14.0
2013	14.8
2014	16.1

TABLE 5: ANNUAL SALES OF ROYAL STAG

2.7 SURROGATE ADVERTISING: EMERGING TREND

A recent series of hoardings led me to delve into a very unique trend specific to Indian advertising – Surrogate advertising... a trend which is fast catching up and has suddenly attracted a lot of innovative and creative brains around the country. Reason? On one hand, the govt cannot allow public advertising of liquor companies. But ironically, 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.

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!

Talking about the market size and the different segments would not be pertinent to the discussion (for the records, it is more than 100 million cases in India!). But what is the significance of this trend vis-à-vis the entry points for new players and sustainability of existing ones? Multinationals which would like to explore the Indian markets find the double-faced attitude of the government as an impediment to their ventures. Since no policy has been formalized in this regard, foreign companies continue to be skeptical about their entry. Domestically, it has led to innovative ways and methods of spending on different media for Advertising from the companies, where companies do more of a brand building exercise than direct advertising. Be it promotions for brand building, or sponsoring events that can be mapped with the “showbiz” and “glamour” of the brand, advertisers don't leave many avenues to enhance their visibility. The rule says “Advertisements which lead to sale, consumption and promotion of liquor should not be allowed.” So, in Surrogate Marketing, a product which is different from the main product is advertised, and has the same brand name as the main product. The product is called as “surrogate” and advertising through this channel is called “Surrogate Advertising”! It may include CDs, water, clothing, Apple juice, fashion accessories, sports goods or even events sponsoring! These gimmicks, in turn, help the consumers build a strong equity of the parent brand, and with the enhanced visibility, the equity of the brand would definitely become higher! Liquor companies were forced to look at innovative ways of building their brands. With an objective of enhancing brand recall, companies either engage into “surrogate advertising” or

displaying “socially responsible messages”. Again, out of the two viable options for Advertising, Surrogate Advertising has been surrounded by controversies and legalities for a long time. There is no clear policy from the government for obvious reasons and companies do not want to risk their investments on Ads, which might not be screened after a while. So, a safer choice available where companies can exercise their grey cells is advertising “socially responsible” messages.

What are the other practices companies are looking at?

(a) Companies are getting involved in Sponsorships of events and have launched their own awards for bravery or lifetime achievements!

(b) Internet advertising has become a lucrative area which has so far not been delved into. The medium holds a lot of potential to enhance visibility, and companies have lately realized that.

(c) Catchy jingles have become the norm of the day to ensure that their brands have a high brand recall.

(d) With restrictions in other marketing elements – in terms of pricing and distribution, companies have ventured into another important element – Packaging. Innovative packaging makes their brands stand out of the clutter, and most of the Multinationals are revisiting this element in their brand portfolio.

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!

2.8 SURROGATE AD: ROLE IN CONSUMER BUYING DECISION

Generally advertisements which showcase the product in a different prospective and highlights the attributes as never been seen before retain the customer share of mind. But there is catch in the case of surrogate advertisements. Here the product is prohibited to be shown- its attributes or features to be portrayed are near to impossible. Their role in impacting the consumer buying decision should be subsequently limited but surprisingly, it is found that they have a higher role in impacting consumer purchase decisions as compared to general products' advertisement owing largely to viewer's interest and sense of capturing the message. This fact is also supported by numbers. It is seen that company investing heavily in surrogate advertisements are witnessing more sales rates as compared to those investing none or comparatively less. You will be surprised to know advertising budget of beverage companies stretches in the ranges of hundreds of millions of dollars per annum. The only reason understood of investing such high sums is the fact of the recovery through this in the coming future. After all it's a 60000 crore plus revenue generating market. Surrogate marketing is not a bad way of marketing or illegal marketing. It is just the more creative way if marketing that shows the product even without revealing it. Opportunities are hidden everywhere just like the products in surrogate advertisements.

2.9 PROS AND CONS OF SURROGATE ADVERTISING

ADVANTAGES

1. Companies have to spend substantial amount of money for marketing their products. Surrogate advertising to a great extent saves companies from huge expenditure and thus increase the profit margins.
2. Surrogate advertising is very much beneficial for domestic players, it not only limits the entry of various MNC's but also creates problem for new entrants in brand building.
3. Ban on advertisement reduces competition to a great extent.

DISADVANTAGES

1. As per ASCI, surrogate advertising is harmful; there is no logic why the brand name of the banned product shall be used for products like mineral water. It clearly indicates misusing the loopholes.
2. The ban severely affects the sale of banned products
3. Ban also results in loss of revenues of TV channels and other media

2.10 REGULATORY MEASURES

Surrogate advertisements are not only misleading, but also false and dishonest in many cases. With surrogate advertising so widespread, this is the moment to tackle the problem head-on.

There should be stringent regulatory measures to curb the practice, such as:

1. Making transparent laws banning surrogate advertisements for different product under a single brand name, by amending the Trade Marks Act, for instance.
2. Providing teeth to the Advertising Standards Council of India to enable it take action against false and misleading advertisements, and keep a close vigil over clever evasion of the law.
3. Asking the electronic and print media to adhere to the advertisement codes and not encourages surrogate advertisements.
4. Calling on the ASCI address complaints received from consumers against surrogate advertisements and take appropriate actions immediately.
5. Creating a consumer awareness program to help people understand the negative impact of surrogate advertisements.
6. Adopting strict laws to penalize those companies featuring surrogate advertisements without any real existence of the product.
7. Requiring advertising agencies to have full knowledge of the products under the same brand for which they are promoting advertisements, and taking legal actions against those agencies which design surrogate advertisements.

2.11 LEGAL CASES AGAINST SURROGATE ADVERTISING:

Monopolies and Restrictive Trade Practices Commission in Re: McDowell and Co. Ltd. Vs unknown on 7th February, 1997. Bench: S Chakravarthy Judgement ; S.Chakarvarthy, Member

---The instant case enquiry with an advertisement that appeared at page 66 in The Illustrated weekly of India of date November 23, 1986. McDowell and Co. (hereinafter referred to as “respondent”). The advertisement depicts a bottle on which is engraved “McDowell’s Diplomat Colgne”. The same advertisement carries the picture of Ms. Dimple Kapadia, a film actress. Underneath the picture is the caption “what makes him my choice is his choice...Diplomat”. The commission came to prima facie view that the said advertisement though apparently refers to colgne, leaves a misleading impression on the readers that the message is in regard to the good quality and usefulness of whisky manufactured by it under the brand name “Diplomat”.

United Breweries Limited Vs Mumbai Grahak Panchayat on 4 September, 2006. Equivalent citations: I (2007) CPJ 102 NC---Mumbai Grahak Panchayat filed a complaint against appellant as well as Western Railway for having adopted unfair trade practices in prominently displaying/exhibiting false, misleading and surrogate liquor advertisements on the coaches of the Western Railway trains and to seek discontinuance of the same along with corrective advertising by the United Breweries Limited to neutralize the effect of said advertising & punitive damage. The description matches with the “Bagpiper Whiskey” and not “Bagpiper Soda”. There was no Bagpiper soda available in the market.

“Government Bills: Discussion on the motion for consideration of the Representative of People (amendment) Bill 2009”, as passed by Rajya Sabha discussion not concludes. The honorable Minister of Law and Justice Shri. M.Verappa Moily suggested prohibition of surrogate advertisement in print media as election commission recommended that in last six months of term state/central government cannot advertise. To cite an example we can take case of surrogate advertisement in the newspaper “No. 1 Haryana” during Haryana Elections. The same with the advertisement “Shining India”. Election Commission has to review the rules to utilize power effectively for not influencing voter’s wrongly.

CHAPTER III

DATA ANALYSIS

AND

INTERPRETATION

DATA ANALYSIS AND INTERPRETATION

3. DEMOGRAPHIC PROFILE OF RESPONDENTS

AGE

16-20	92	62 %
21-40	43	27.3 %
41-70	15	10.6 %
TOTAL	150	100 %

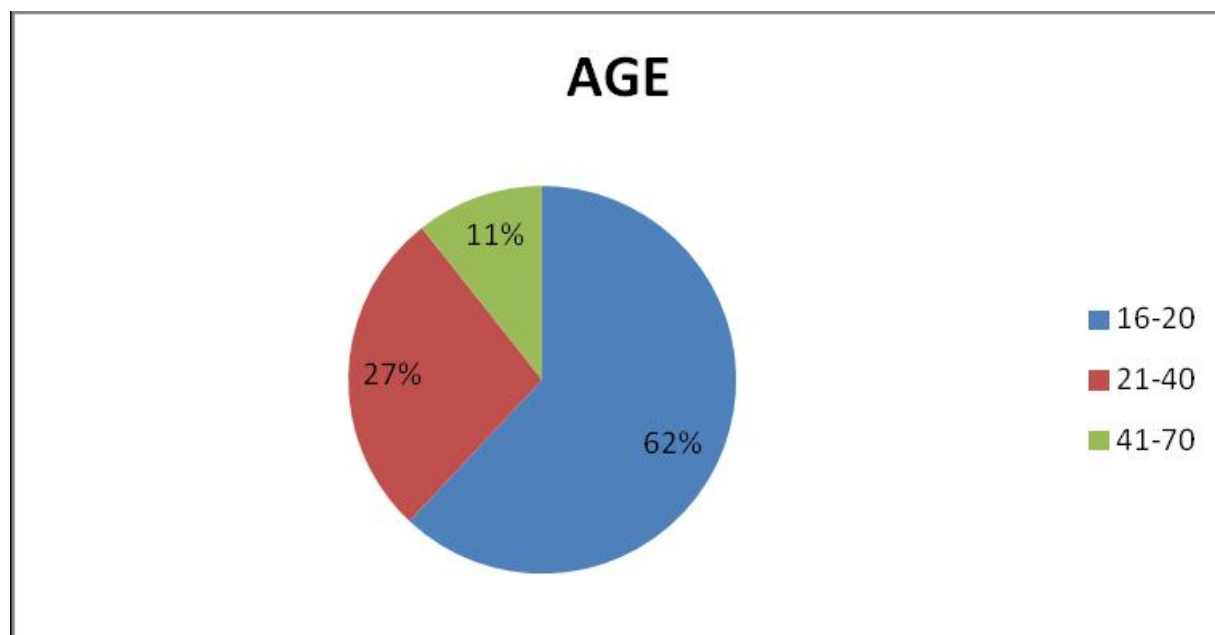


Figure 1 : AGE

GENDER

Male	68	55 %
Female	82	45 %
TOTAL	150	100 %

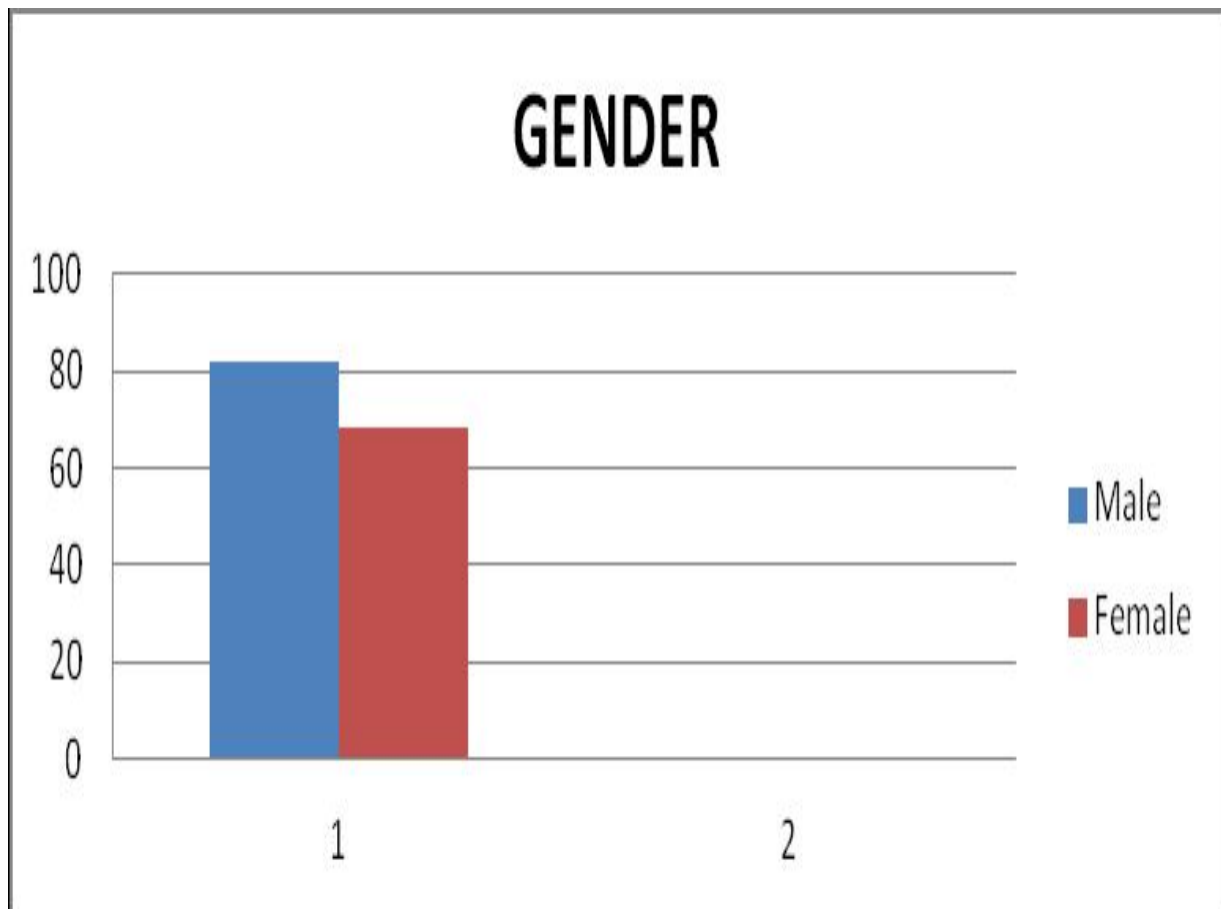


Figure 2 : GENDER

3.1 Surrogate Advertisement of which product category is seen the most

Alcohol beverages	117	78.4 %
Tobacco	23	14.9 %
Cigarettes	10	6.8 %
TOTAL	150	100 %

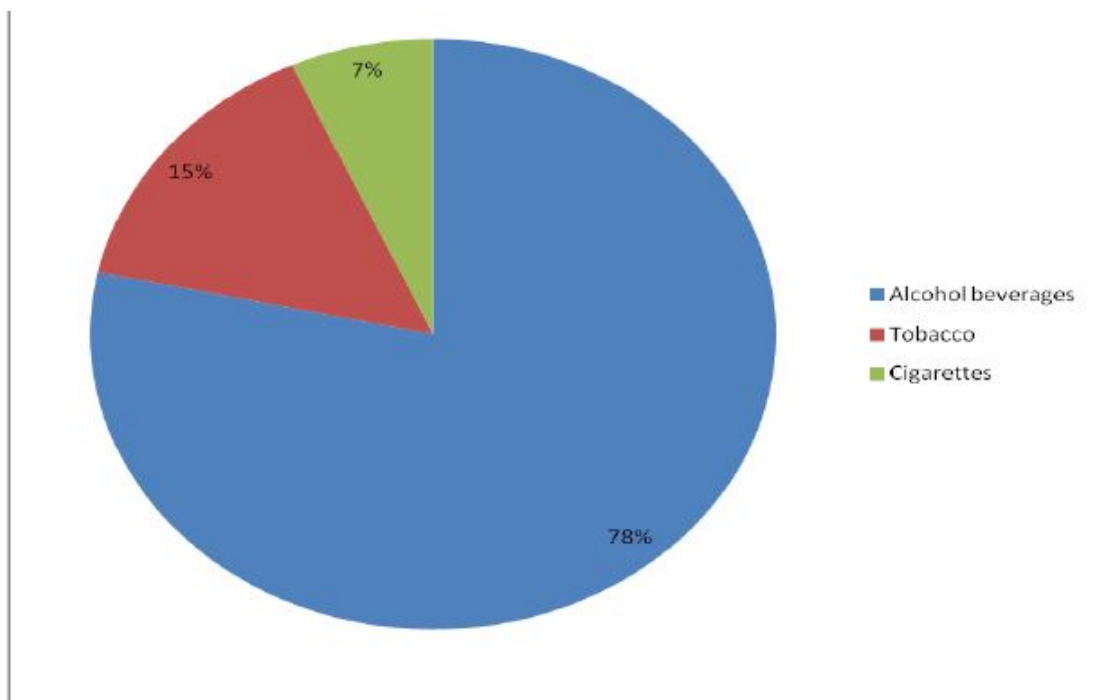


Figure 3 : PRODUCT CATEGORY OF SURROGATE ADS

FINDINGS - Most of the ads that are seen belong to alcohol beverages watched by 78% of the respondents, 15% watch tobacco ads the most, rest 7% see the cigarette ads the max.

INFERENCE - Most of the surrogate ads that are seen are of alcohol products

3.2 Surrogate Advertisements of brands that are seen the most

Rajnigandha	37	24.80 %
Wills Lifestyle	3	2 %
Kingfisher	30	19.5 %
Bacardi	9	6 %
Royal Challenge	41	28.5 %
Imperial Blue	17	11 %
McDowells	13	8.7 %
TOTAL	150	100 %

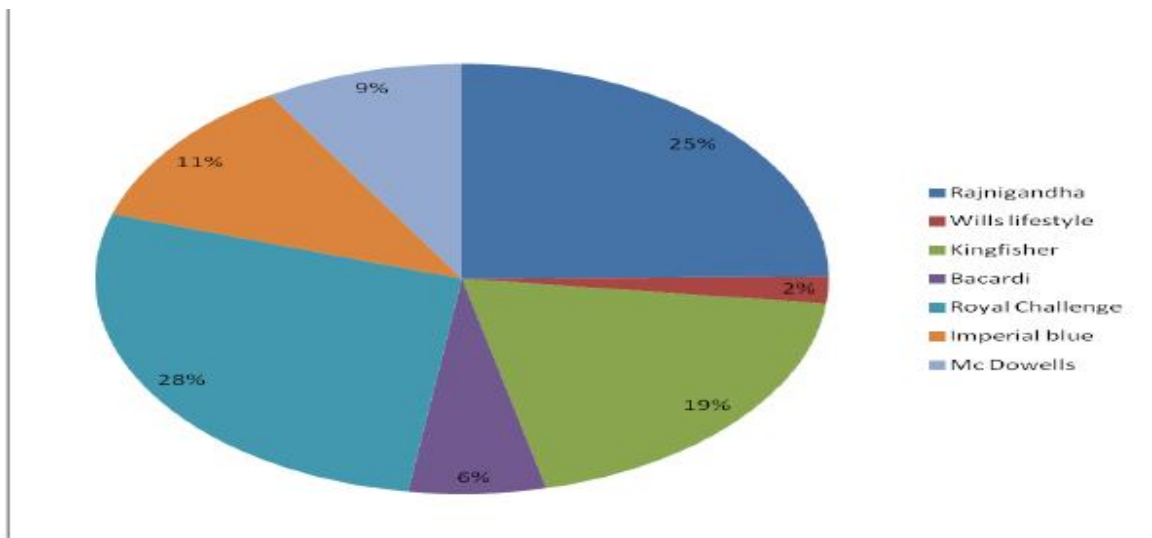


Figure 4 : ADS OF BRANDS THAT ARE SEEN THE MOST

FINDINGS : 28% of people see the royal challenge ad and rajnigandha ad comes next with 25%, kingfisher 19%, Imperial blue 11%, Mc dowels 9%, Wills lifestyle 2%.

INFERENCE : Royal challenge ad reached out to most of the people.

3.3 Media from which advertisements are seen the most

Television	98	65 %
Print Media	6	4 %
Internet	36	24 %
Mobile	10	7 %
TOTAL	150	100 %

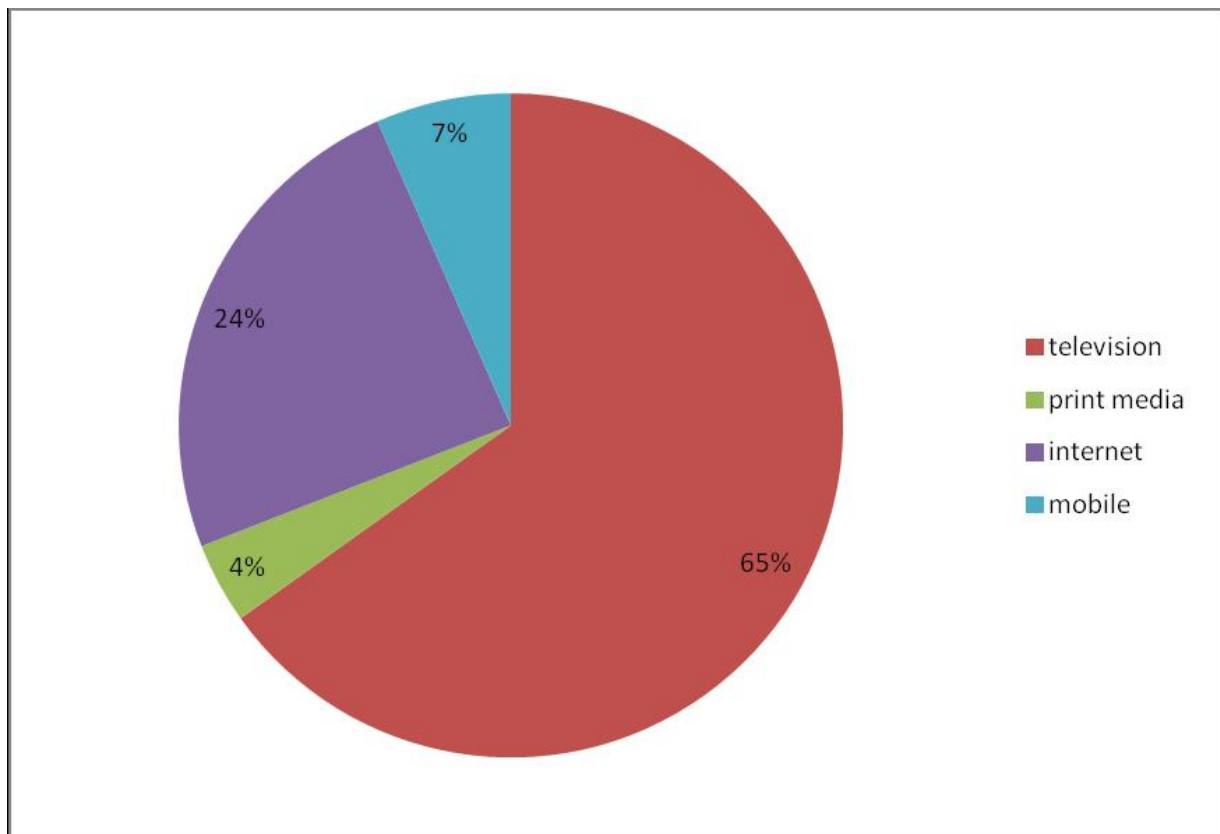


Figure 5 : ADVERTISEMENT MEDIA

FINDINGS : 65% of the people watch advertisements through Television, 24% use internet, rest 7% and 4% see by the means of mobile and print media

INFERENCE : The question is to find out the effective means of media advertising through which television advertising is more reachable than other media.

3.4 How often advertisements of alcohol/cigarettes/pan masala are seen.

Regular	33	23 %
Occasional	72	48 %
Rare	28	19.1 %
Not at all	9	5.3 %
Don't Remember	8	4.60 %
TOTAL	150	100 %

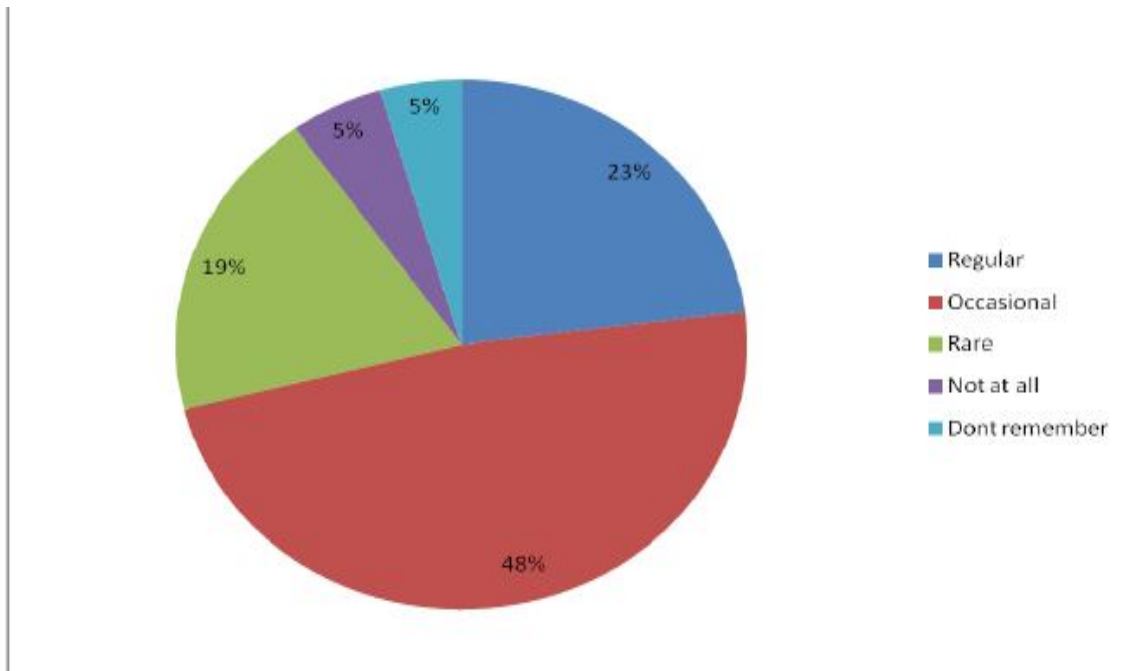


Figure 6 : FREQUENCY OF ADVERTISEMENTS

FINDINGS : Nearly half of the sample, 48% of the people watches the surrogate ads occasionally where as 23% of them watch regularly, and 19% rarely see the ads at all. 10% of the people equally come under the category 'Not at all' and 'Don't remember'.

INFERENCE : The question aims to find out how often customer watches an advertisement shows that ads should be more effective to make them watch regularly instead occasionally.

3.5 Opinion on banning of advertisements of these products

Strongly agree	58	39.5 %
Agree	43	29.6 %
Neither agree/disagree	30	19.7 %
Disagree	15	10.5 %
Strongly Disagree	4	0.70 %
TOTAL	150	100 %

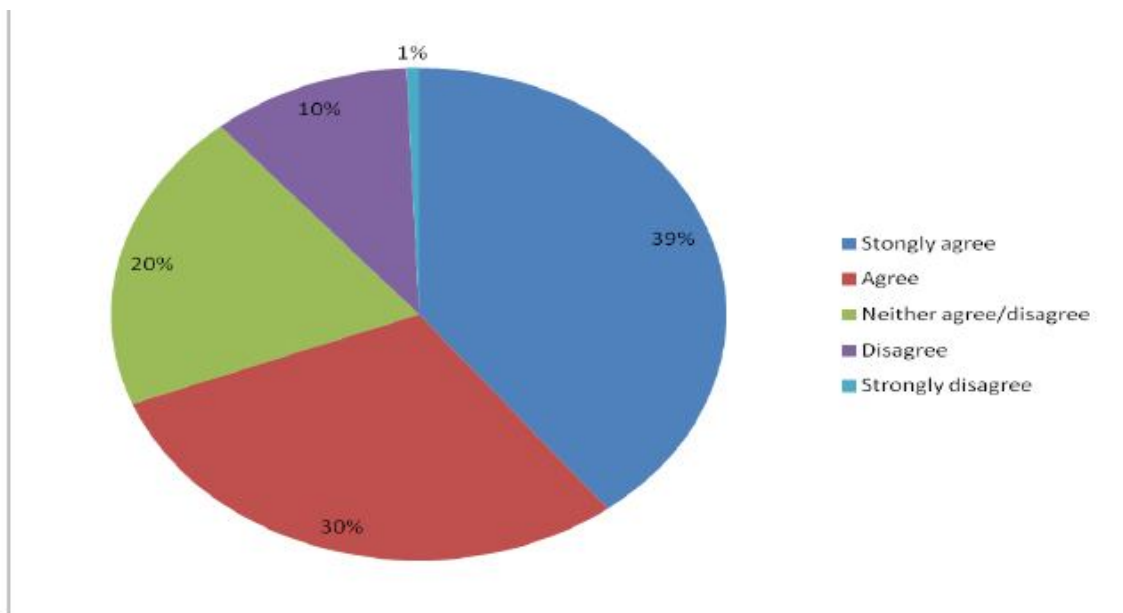


Figure 7 : OPINION ON BANNING

FINDINGS : 39% of the respondents strongly agree on banning, 30% agree, 20% neither agree/disagree, 10% disagree and merely 1% strongly disagrees.

INFERENCE : As this question is adopted to know the public opinion on banning, from the data we can see that most of them agree on banning of these ads.

3.6 Opinion on surrogate Advertisements

Ethical	34	21.6 %
Unethical	61	41.2 %
Should be banned	55	37.2 %
TOTAL	150	100 %

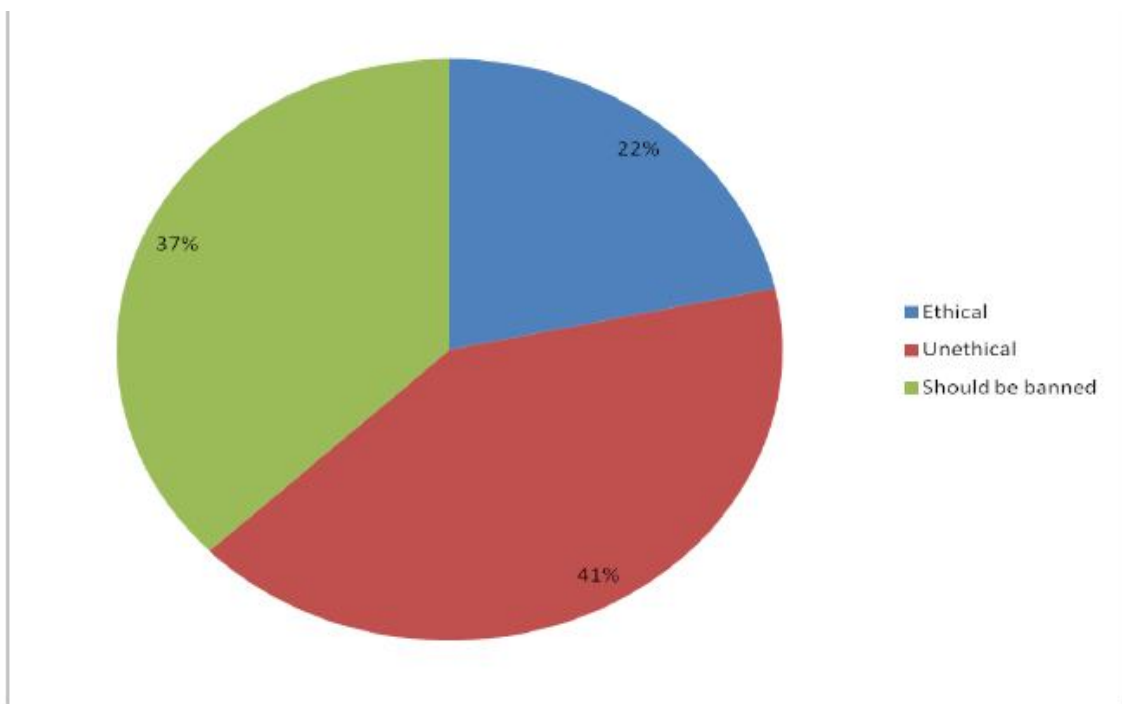


Figure 8 : OPINION ON SURROGATE ADS

FINDINGS : 41% of the respondents consider these ads unethical, 37% agree to these ads to be banned and 22% thinks they are ethical

INFERENCE : This question is to know the public opinion on surrogate ads with respect to ethical concerns and majority considers them to be unethical and think that they should be banned.

3.7 Purchase surrogate products like soda, water etc after seeing their Advertisements

Never	80	53.9 %
Occasionally	55	36.2 %
Regularly	7	5.9 %
Often	8	3.9 %
TOTAL	150	100 %

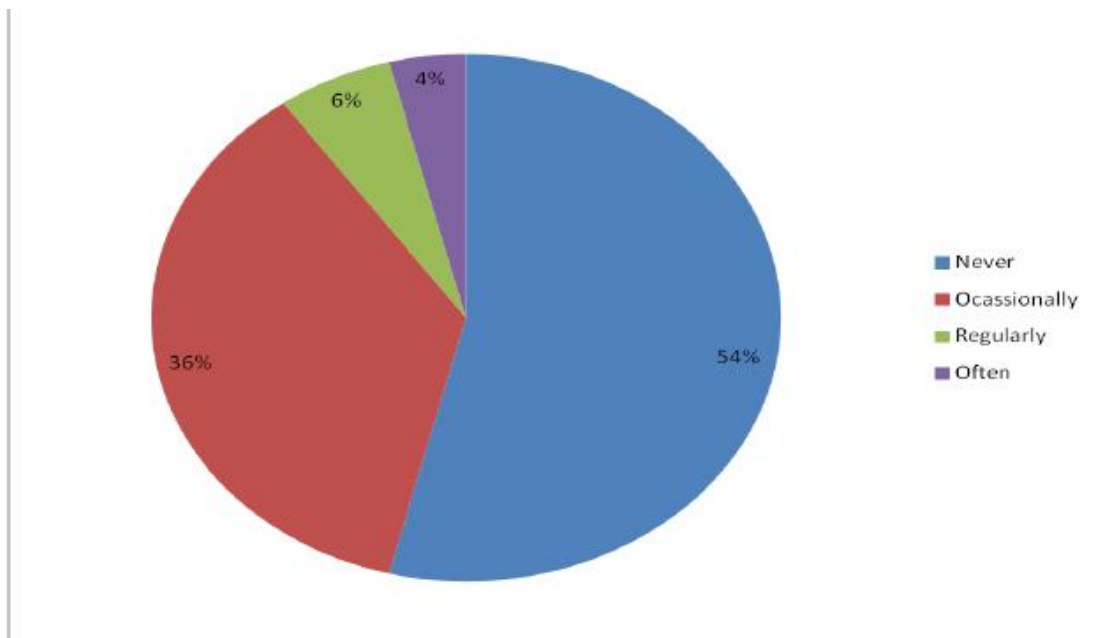


Figure 9 : PURCHASE OF SURROGATE ADS

FINDINGS : Majority 54% of the respondents answered that they never buy the surrogate products, 36% of them buy occasionally, 6% regularly and 4% often purchase.

INFERENCE : It gives clear idea that surrogate ads don't have any impact on sale of surrogate products

3.8 Recalling the original products while looking at surrogate Advertisements

Definitely	39	26.3 %
Most probably	58	39.5 %
Occasionally	29	19.1 %
Not at all	16	10.5 %
Don't remember	8	4.6 %
TOTAL	150	100 %

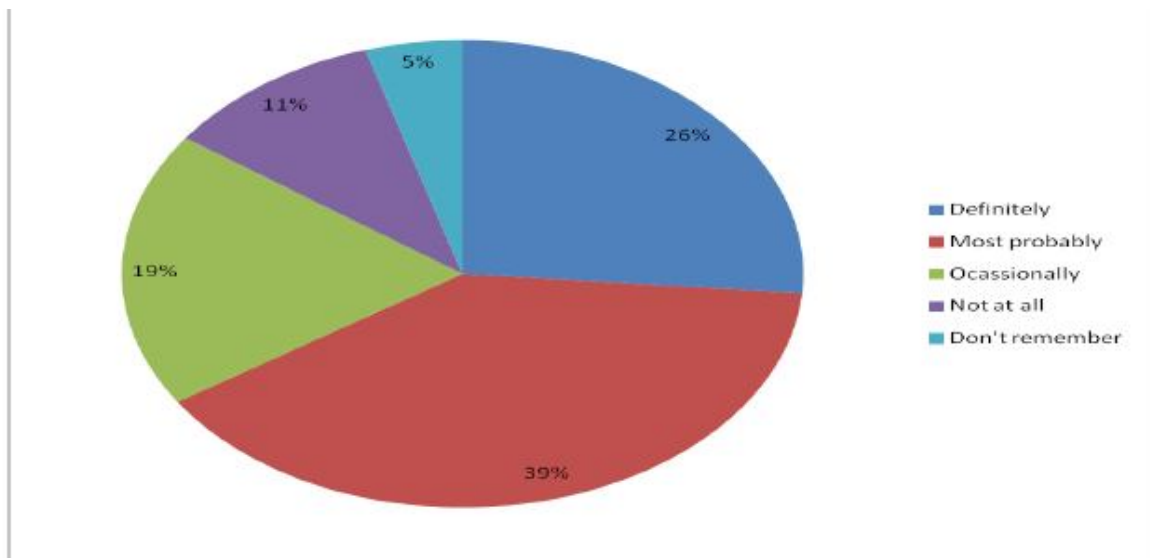


Figure 10 : BRAND RECALL

FINDINGS : From above figure we can see that 39% most probably recall original products, 19% occasionally where as 26% of them definitely, 11% of the people come under the category 'Not at all' and 5% don't remember.

INFERENCE : People remember the Ads well and their brand names in surrogate ads are effective in customers' mind.

3.9 Evaluating such Advertisements

Entertaining	21	13.9 %
Boring	31	20.5 %
Informative	26	17.2 %
Misguiding	63	42.4 %
Disturbing	9	6 %
TOTAL	150	100 %

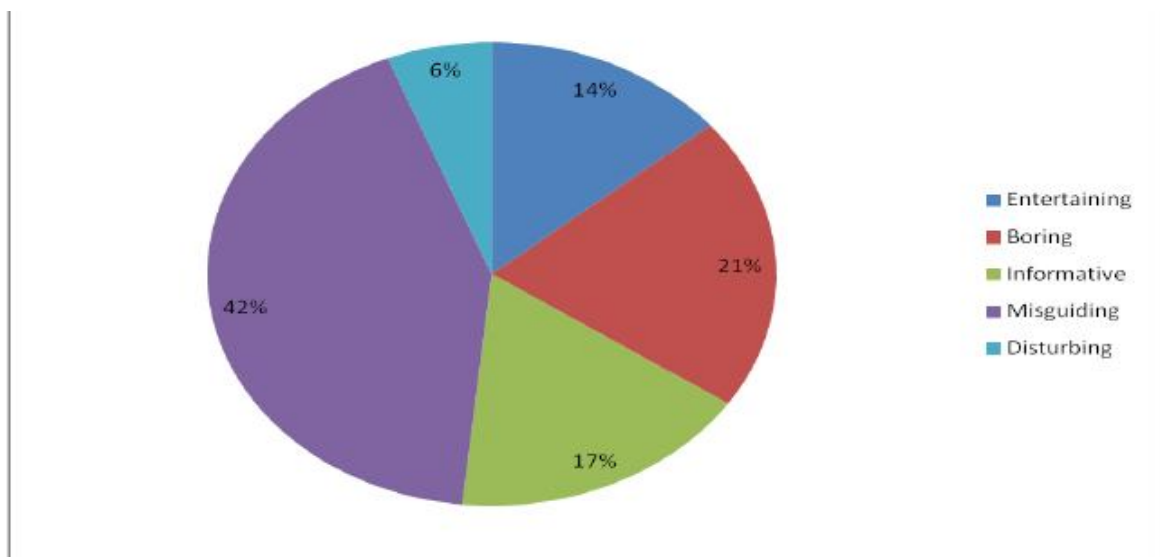


Figure 11 : EVALUATION OF SURROGATE ADS

FINDINGS : Out of 150 respondents, 42% treat them as misguiding, 21% refer them boring, 17% regard them informative, 14% consider them entertaining, rest 6% regard them disturbing.

INFERENCE : More areas to be explored as to make surrogate ads since it creates negative ideas in the minds of the public as majority treat them to be misguided and boring

3.10 HYPOTHESIS TESTING: CHI SQUARE ANALYSIS

1. Does age influence how often advertisements of alcohol/cigarettes/tobacco are seen?

H₀: Age doesn't influence H₁: Age does influence

OBSERVED FREQUENCY

AGE	Regular	Occasional	Rare	Not at all	Don't remember	TOTAL
16-20	21	43	21	4	3	92
21-40	11	21	5	3	3	43
41-70	1	8	2	2	2	15
TOTAL	33	72	28	9	8	150

EXPECTED FREQUENCY

AGE	Regular	Occasional	Rare	Not at all	Don't remember	TOTAL
16-20	20.24	44.16	17.173	5.52	4.9	92
21-40	9.46	20.64	8.026	2.58	2.29	43
41-70	3.3	7.2	2.8	0.9	0.8	15
TOTAL	33	72	28	9	8	150

TABLE 6: INFLUENCE OF AGE

CHITEST = 0.3578 p-value > 0.05

Inference: The p value of Chi-Square is 0.357823 which is more than 0.05. Hence the Null hypothesis is accepted.

Analysis: It is clear from the above inference that age does not have influence on how often the ads of alcohol/tobacco/cigarettes are seen.

2. Influence of gender on surrogate ads

H₀: Gender doesn't influence the evaluation

H₁: Gender influences the evaluation

OBSERVED FREQUENCY TABLE

GENDER	Entertaining	Boring	Informative	Misguiding	Disturbing	TOTAL
Male	11	17	13	23	4	68
Female	10	14	13	40	5	82
TOTAL	21	31	26	63	9	150

EXPECTED FREQUENCY TABLE

GENDER	Entertaining	Boring	Informative	Misguiding	Disturbing	TOTAL
Male	9.52	14.053	11.786	28.56	4.08	68
Female	11.48	16.946	14.213	34.44	4.92	82
TOTAL	21	31	26	63	9	150

TABLE 7: INFLUENCE OF GENDER

CHITEST = 0.4391 **p-value > 0.05**

Inference: The calculated value of Chi-Square is 0.439106356 which is more than 0.05. Hence the Null hypothesis is accepted.

Analysis: It is clear from the above inference that gender does not influence the evaluation of surrogate ads.

3. Correlation between respondents view on banning of advertisements of alcohol, tobacco products and their perception on surrogate advertisements.

H₀: There is no positive correlation H₁: There is positive correlation

OBSERVED FREQUENCY

	Ethical	Unethical	Should be banned	TOTAL
Strongly agree	10	24	24	58
Agree	7	20	16	43
Neither agree/disagree	10	13	7	30
Disagree	5	3	7	15
Strongly Disagree	2	1	1	4
TOTAL	34	61	55	150

EXPECTED FREQUENCY

	Ethical	Unethical	Should be banned	TOTAL
Strongly agree	13.147	23.586	21.267	58
Agree	9.747	17.486	15.767	43
Neither agree/disagree	6.8	12.2	11	30
Disagree	3.4	6.1	5.5	15
Strongly Disagree	0.906	1.626	1.466	4
TOTAL	34	61	55	150

TABLE 8: CORRELATION

CHITEST = 0.286041

p-value > 0.05

Inference: The p value of Chi-Square is 0.286041 which is more than 0.05. Hence the Null hypothesis is accepted.

Analysis: It is clear from the above inference that there is no positive correlation between respondents' view on banning of advertisements of alcohol, tobacco products and their perception on surrogate advertisements.

4. Does recalling the original product after seeing surrogate ad actually induce viewers to buy the banned product?

H₀: Surrogate ad does not induce viewers to buy the banned product

H₁: Surrogate ad induces viewers to buy the original banned product

OBSERVED FREQUENCY

	Never	Occasional	Regularly	Often	TOTAL
Definitely	19	17	1	2	39
Most probably	30	26	1	1	58
Occasionally	15	9	3	2	29
Not at all	11	2	1	2	16
Don't remember	5	1	1	1	8
TOTAL	80	55	7	8	150

EXPECTED FREQUENCY

	Never	Occasional	Regularly	Often	TOTAL
Definitely	20.8	14.3	1.82	2.08	39
Most probably	30.933	21.266	2.706	3.093	58
Occasionally	15.466	10.633	1.353	1.546	29
Not at all	8.533	5.866	0.746	0.853	16
Don't remember	4.266	2.933	0.373	0.426	8
TOTAL	80	55	7	8	150

TABLE 9: BRAND RECALL

CHITEST = 0.21285

p-value > 0.05

Inference: The calculated value of Chi-Square is 0.212854424 which is more than 0.05. Hence the Null hypothesis is accepted.

Analysis: It is clear from the above inference that surrogate advertisements don't induce the viewer to buy the original banned product

CHAPTER IV

FINDINGS, CONCLUSION

AND

SUGGESTIONS

FINDINGS, CONCLUSION AND SUGGESTIONS

4.1 FINDINGS OF THE STUDY

1. To explain the concept of surrogate advertisements.

This study gives a thorough and detailed explanation of the concept of surrogate advertising with the help of the secondary data where the basic concept, its existence in Indian market, emergence and companies using surrogate advertisements, legal cases, ethical concerns are stated with a clear description.

2. To study the consumers' awareness towards surrogate advertisements.

The study identifies that some of the respondents were not aware of the concept earlier, but the questionnaire has enabled them to understand the concept, while some of the respondents were aware of the concept earlier itself. From analysis of questionnaire it is found that even though consumers lack the level of awareness, they are familiar with the concept of surrogate advertising.

3. To evaluate the influence of surrogate advertisement on consumers' buying decision.

By analyzing the primary data it is known that surrogate ads are successful in creating brand recall of the hidden product in the advertisement and from chi square test it is understood that these ads induce customers to buy the original banned product which shows that the ads are effective. Surrogate ads need to be telecasted regularly through the media of TV to have an impact and create a set in the minds of consumer.

4. To understand the consumer perception towards surrogate advertisements and its products.

Questionnaire consisted of question where respondents were asked their opinion on surrogate advertisements (if they are ethical/unethical/should be banned) and it is concluded that majority of the public view surrogate advertisements as unethical practices and agree that they should be banned. Viewers have negative insight towards these ads as they are perceived to misguiding, boring.

4.2 CONCLUSION

Surrogate advertising is basically duplicating the brand image of a particular product and then promoting a different product of the same brand. Ban on advertising of alcohol, cigarettes, tobacco products gave rise to the concept of surrogate advertising in India. It has become an ethical issue and has emerged as a loophole challenge over government rules. Though this upcoming trend is not healthy for the young consumers & others in the interest of the health of the community; Surrogate ads have proved themselves a strapping & successful marketing strategy for the forbidden goods today.

Surrogate Advertising has been a powerful medium through which a particular brand reaches to its consumers. Although the original products have not been advertised on the television, still these brands enjoy a higher sales volume each and every year. The trend followed by such ads could prove to be boon for big and established players as they result in higher brand recall value, thereby helping them to push their banned products further. Thus, surrogate advertising has played a vibrant role for these brands to sustain in the market even after banning the advertisements of their original products. With government now enforcing ban on surrogate advertisements, companies are turning to event sponsorship, event organizing, corporate films and more and more innovative integrated marketing communications strategies.

This study was conducted to know the knowledge and perception of customers about surrogate advertisements in the Hyderabad city and analyses the factors for knowing the surrogate advertisement have any impact on the consumers buying behavior for buy the surrogate products. It got understood surrogate advertisements are only successful in creating brand recall of the hidden product in the advertisement. People do not get much influenced by these products' advertisements while making their purchase, they just remind the brand existence. During the study, a sample of 150 respondents were analyzed the knowledge of customer, their preferences and knowledge. The data was collected by questionnaire method. The knowledge and awareness level is low, the main reason for not knowing about most of surrogate advertisements are they are not exposed to see that many times. Consumers are ethically concerned with respect to surrogate advertisements.

4.3 SUGGESTIONS

- Frequency of surrogate advertisement is less. So, companies should increase frequency for more effectiveness.
- Public has negative perception towards surrogate ads as they are considered unethical, so companies have to find a way to reverse their view to positive.
- Creating a consumer awareness programs to give them required knowledge.
- There is nothing illegal in promoting of such products in the society provided that the marketer doesn't violate the rules and regulations of the government framed in the interest of the general public.
- The intention of marketers should be to promote their banned products but not to harm the health of its consumers.

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