

## Unit 11: Distribution Management

### Structure:

- 11.1 Marketing Channels
- 11.2 Need for Marketing Channels
- 11.3 Decisions Involved in Setting up the Channel
- 11.4 Channel Management Strategies
- 11.5 Introduction to Logistics Management
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### Objectives

After studying this unit, you should be able to understand:

- Need for Marketing Channels
- Decisions Involved in Setting up the Channel
- Channel Management Strategies
- Introduction to Logistics Management
- Introduction to Retailing, Wholesaling

## Notes

**11.1 Marketing Channels**

Channel of Distribution refers to the chain of businesses or intermediaries through which a good or service passes until it reaches the end consumer. A distribution channel can include wholesalers, retailers, distributors and even the internet.

**Definitions**

According to **Philip Kotler**, “Every producer seeks to link together the set of marketing intermediaries is called the marketing Channel also Trade Channel or Channel of Distribution”.

“Any sequence of institution from the producer to the consumer including one or any number of middlemen is called Channel of Distribution”. - **Mc Carthy**

Distribution is about getting the products to the customer. Some examples of distribution decisions include:

1. Distribution channels
2. Market coverage (inclusive, selective, or exclusive distribution)
3. Specific channel members
4. Inventory management
5. Warehousing
6. Distribution centres
7. Order processing
8. Transportation
9. Reverse logistics

**11.2 Need for Marketing Channels**

- (i) **Help in the Production function:** The producer can concentrate on the production function leaving the marketing problem to middlemen who specialize in the profession, their services best utilized for selling the product.
- (ii) **Marketing Demand and Supply:** The chief function of intermediaries is to assemble the goods from many producers in such a manner that a customer can make effective purchases with ease.
- (iii) **Financing the Producer:** Middlemen orders and purchases products in bulk from the producers to undertake large-scale production and in adopting better techniques of production because they have no problem for finance.
- (iv) **Aid to Communication:** The middlemen are connecting link between the producer and the buyer. Middlemen have complete knowledge of consumer behaviour and the market and they communicate the necessary information to the producer so that they may produce according to the needs of the consumers.
- (v) **Stabilizing the Prices:** The middlemen help to stabilize the prices. By stocking goods, constant flow of goods to the market is assured at a place where they are wanting and at a proper time. Thus middlemen create place, time, and possession utilities to the products and maintain the prices.
- (vi) **Promotional Activities:** Middlemen also perform various promotional activities like advertising, personal selling and sales promotion. Sometimes wholesaler

does it alone for the producer. Retailer also performs such activities by displaying the product in his window which attracts the customers.

- (vii) **Pricing:** In pricing the product, the producer should invite the suggestions from the middlemen who are very close to the ultimate users and who know the consumer behavior aptly. Pricing may be different for different markets or products depending upon the channel of distribution.

### Functions of a Distribution Channel

- i) **Bridge the gap between production and consumption:** The primary function of a distribution channel is to bridge the gap between production and consumption.
- ii) **Close study:** A close study of the market is extremely essential. A sound marketing plan depends upon thorough market study.
- iii) **Responsible for promoting the product:** The distribution channel is also responsible for promoting the product. Awareness regarding products and other offers should be created among the consumers.
- iv) **Creating contacts:** Creating contacts or prospective buyers and maintaining liaison with existing ones.
- v) **Understanding the customer's needs:** Understanding the customer's needs and adjusting the offer accordingly.
- vi) **Negotiate price:** Negotiate price and other offers related to the product as per the customer demand.
- vii) **Storage and distribution:** Storage and distribution of goods.
- viii) **Smooth working:** Catering to the financial requirements for the smooth working of the distribution chain.
- ix) **Risk taking:** Risk taking for example by stock holding.

### Various Channel Distribution

There are different channels of distribution which are explain as follows:

- (1) **Manufacturer - Consumer - Channel:** This type of channel contains different alternatives such as: (a) Sale through advertising and direct methods (mail order selling), (b) Sale through traveling sales force (house to house can passing), (c) Sale through retail shops of manufacturer. *For example*, Bata Shoe company Shops.
- (2) **Manufacturer - Retailer - Ultimate Consumer:** This channel is useful for the buyers are large retailer, e.g., a department store, discount hours, chain store, supermarket, big mail-order house or co-operative stores. The wholesaler can be by - passed in this trade route. It is also suitable when products are perishable and speed in distribution is essential. However, the manufacturer has to perform functions of a wholesaler such as storage, insurance, financing of inventories, and transport.
- (3) **Manufacturer - Wholesaler - Retailer - Consumer:** This channel is suitable for a producer under the given conditions: (a) He has a narrow product line. (b) He has limited finance. (c) Wholesalers are specialized and can provide strong promotional support. (d) Products are durable and not subject to physical deterioration or fashion changes.
- (4) **Manufacturer - Agent - Wholesaler - Retailer - Consumers:** Under this channel the producer uses the service of an agent middleman such as a sales

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agent, for the initial dispersion of goods. The agent in turn may distribute to wholesalers. Many textile mills have sales agents for distribution.

In marketing manufactured goods, agent middlemen are used by manufacturers to make themselves free from marketing tasks. An agent middleman sells on commission basis directly to wholesaler or large retailer.

- (5) **Manufacturer - Wholesalers - Consumer/User:** Wholesaler may by-pass retailer when there are large and institutional buyers, e.g., government, consumer co-operative, hospitals, industrial buyers etc.

### 11.3 Decisions Involved in Setting up the Channel

Channel management is a term that refers to the way that a business or supplier of products uses various marketing techniques and sales strategies to reach the widest possible customer base. The channels are all of the various outlets by which the product is marketed and sold to customers. When done properly, channel management motivates those channels to sell the product and ultimately develops a better relationship between customer and product. This is achieved by identifying the goals for each distinctive channel and then implementing various marketing strategies to make sure that those goals are attained, all while staying consistent to the overall brand of the business.

Channel management, as a process by which a company creates formalized programs for selling and servicing customers within a specific channel. The customize a channel management program that includes:

- i) **Goals:** At first define the specific goals for each channel segment. Consider the goals for the channel as whole as well as individual accounts. And remember to consider the goals for both acquisition and retention.
- ii) **Policies:** Construct well-defined policies for administering the accounts within this channel. Be sure to keep the unique characteristics of each segment in mind when defining policies for account set up, order management, product fulfillment etc.
- iii) **Products:** Identify which products in offering are most suited for each segment and create appropriate messaging. Also, determine where the up sell opportunities lie.
- iv) **Sales/Marketing Programs:** Design support programs for the channel that meet their needs, not what idea of their needs are. The standard considerations are product training, co-op advertising, seasonal promotions and merchandising.

### Physical Distribution Management

Physical Distribution Management (PDM) is concerned with ensuring that the individual efforts that go to make up the distributive function are optimized so that a common objective is realized. This is called the 'systems approach' to distribution management and a major feature of PDM is that these functions be integrated.

There are two central themes that should be taken into account:

- i) The success of an efficient distribution system relies on integration of effort. An overall service objective can be achieved, even though it may appear that some individual components of the system are not performing at maximum efficiency.
- ii) It is never possible to provide maximum service at a minimum cost. The higher the level of service required by the customer, the higher the cost. Having decided

on the necessary level of service, a company must then consider ways of minimizing costs, which should never be at the expense of or result in, a reduction of the predetermined service level.

### **Physical Distribution Process**

The distribution process begins when a supplier receives an order from a customer. The customer is not too concerned with the design of the supplier's distributive system, nor in any supply problems. In practical terms, the customer is only concerned with the efficiency of the supplier's distribution. That is, the likelihood of receiving goods at the time requested. Lead-time is the period of time that elapses between the placing of an order and receipt of the goods. This can vary according to the type of product and the type of market and industry being considered. Lead-time in the shipbuilding industry can be measured in fractions or multiples of years, whilst in the retail sector, days and hours are common measures. Customers make production plans based on the lead-time agreed when the order was placed. Customers now expect that the quotation will be adhered to and a late delivery is no longer acceptable in most purchasing situations.

Physical Distribution process consists of the following elements:

#### **1. Order processing**

Order processing is the first of the four stages in the logistical process. The efficiency of order processing has a direct effect on lead times. Orders are received from the sales team through the sales department. Many companies establish regular supply routes that remain relatively stable over a period of time providing that the supplier performs satisfactorily. Very often contracts are drawn up and repeat orders are made at regular intervals during the contract period. Taken to its logical conclusion this effectively does away with ordering and leads to what is called 'partnership sourcing'. This is an agreement between the buyer and seller to supply a particular product or commodity as and when required without the necessity of negotiating a new contract every time an order is placed. Order-processing systems should function quickly and accurately. Other departments in the company need to know as quickly as possible that an order has been placed and the customer must have rapid confirmation of the order's receipt and the precise delivery time. Even before products are manufactured and sold the level of office efficiency is a major contributor to a company's image.

#### **2. Inventory**

Inventory, or stock management, is a critical area of PDM because stock levels have a direct effect on levels of service and customer satisfaction. The optimum stock level is a function of the type of market in which the company operates. Few companies can say that they never run out of stock, but if stock-outs happen regularly then market share will be lost to more efficient competitors. Techniques for determining optimum stock levels are illustrated later in this chapter. The key lies in ascertaining the re-order point. Carrying stock at levels below the re-order point might ultimately mean a stock-out, whereas too high stock levels are unnecessary and expensive to maintain. The stock/cost dilemma is clearly illustrated by the systems approach to PDM that is dealt with later.

#### **3. Warehousing**

Marketing texts tend to pay more attention to warehousing. This is mainly because of the relatively longer distances involved in distributing in India, where it can sometimes take days to reach customers by the most efficient road or rail routes. The logistics of warehousing can, therefore, be correspondingly more complicated in India than in the UK. However, the principles remain the same and indeed the European Union should be viewed

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as a large 'home market'. Currently, many companies function adequately with their own on-site warehouses from where goods are dispatched direct to customers. When a firm markets goods that are ordered regularly, but in small quantities, it becomes more logical to locate warehouses strategically around the country. Transportation can be carried out in bulk from the place of manufacture to respective warehouses where stocks wait ready for further distribution to the customers.

**4. Transportation**

Transportation usually represents the greatest distribution cost. It is usually easy to calculate because it can be related directly to weight or numbers of units. Costs must be carefully controlled through the mode of transport selected amongst alternatives and these must be constantly reviewed. During the past 50 years, road transport has become the dominant transportation mode in India. It has the advantage of speed coupled with door-to-door delivery. The patterns of retailing that have developed and the pressure caused by low stock holding and short lead times, have made road transport indispensable. When the volume of goods being transported reaches a certain level some companies purchase their own vehicles, rather than use the services of haulage contractors.

**11.4 Channel Management Strategies**

Channel Management Strategy is the decision about the allocation of roles within a channel of distribution, and the way in which the channel is formally or informally managed and administered.

**Different Channel Management Strategies**

- i) **Push Strategy:** Push strategy is a manufacturing strategy aimed at other channel members rather than the end consumer. The manufacturer attempts to entice other channel members to carry its product through trade allowances, inventory stocking procedures, pricing policies, etc. Under this strategy the communications and promotional activities by the marketer to persuade wholesale and retail channel members to stock and promote specific products.
- ii) **Pull Strategy:** A manufacturing strategy aimed at the end consumer of a product. The product is pulled through the channel by consumer demand initiated by promotional efforts, inventory stocking procedures, etc. Under this strategy the communications and promotional activities by the marketer to persuade consumers to request specific products or brands from retail channel members.

**11.5 Introduction to Logistics Management**

Logistics is the management of the flow of goods between the point of origin and the point of use in order to meet the requirements of customers or corporations. Logistics involves the integration of information, transportation, inventory, warehousing, material handling and packaging and often security. Logistics is a channel of the supply chain which adds the value of time and place utility. Today the complexity of production logistics can be modeled, analyzed, visualized and optimized by plant simulation software but is constantly changing. This can involve anything from consumer goods such as food, to IT materials, to aerospace and defense equipment.

**Business Logistics**

Logistics as a business concept evolved in the 1950s due to the increasing complexity of supplying businesses with materials and shipping out products in an increasingly globalized supply chain, leading to a call for experts called supply chain logisticians. Business logistics can be defined as “having the right item in the right quantity at the right time at the right place for the right price in the right condition to the right customer”, and is the science of process and incorporates all industry sectors. The goal of logistics work is to manage the fruition of project life cycles, supply chains and resultant efficiencies.

In business, logistics may have either internal focus (inbound logistics) or external focus (outbound logistics) covering the flow and storage of materials from point of origin to point of consumption. The main functions of a qualified logistician include inventory management, purchasing, transportation, warehousing, consultation and the organizing and planning of these activities. Logisticians combine a professional knowledge of each of these functions to coordinate resources in an organization. There are two fundamentally different forms of logistics: one optimizes a steady flow of material through a network of transport links and storage nodes; the other coordinates a sequence of resources to carry out some project.

**Logistics Management**

Logistics is that part of the supply chain which plans, implements and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customer and legal requirements. A professional working in the field of logistics management is called a logistician.

Logistics management is known by many names, the most common are as follows:

- i) Materials Management
- ii) Channel Management
- iii) Distribution (or Physical Distribution)
- iv) Business or Logistics Management or
- v) Supply Chain Management

**Types of Logistics**

Logistic Management involves two distinct and integrated functions. One is of materials management and the other is physical distribution management. Logistics can be divided into two types:

**(i) Inbound Logistic**

It is concerned with efficient acquisition, delivery, control and application, all inputs, finished or semi finished goods and services used for internal operation of the firm.

**(ii) Outbound Logistic**

It is concerned with the physical distribution of products, services and information from the firm to the customer through a defined network of transportation links.

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**Major Activities involved in Logistic Management****1. Transportation**

This activity helps an organization to exploit market opportunities to a great extent. Inadequate transport services like non availability of transport services etc. will hamper marketing activities. Following factors should be considered while selecting transportation mode:

- i) Cost
- ii) Dependability
- iii) Reach of the Mode
- iv) Transit loss and Damage
- v) Speed at which firm is able to reach the market

**2. Warehousing**

Organization may decide to own its own warehouse or can go for a third party warehouse. Whenever a firm uses its own or a third party warehouse, it has to take following decisions.

- i) No of Warehouses and their location
- ii) Cost of Distribution
- iii) Level of Customer service required
- iv) Technology to be adopted that is automated

**3. Wholesaling**

It includes all activities involved in selling goods and services to those buying for resale or business use. A retail bakery is engaging in wholesaling when it sells pastry to the local hotel. We call wholesalers those firms engaged primarily in wholesaling activity.

**11.6 Introduction to Retailing**

The word 'retail' is derived from the French word 'retailier' meaning 'to cut a piece off' or 'to break bulk'. In simple terms it involves activities whereby product or services are sold to final consumers in small quantities.

Retail involves the sale of goods from a single point (malls, markets, department stores etc) directly to the consumer in small quantities for his end use. In a layman's language, retailing is nothing but transaction of goods between the seller and the end user as a single unit (piece) or in small quantities to satisfy the needs of the individual and for his direct consumption.

The word 'retail' means to sell or be sold directly to individuals. Retail is India's largest industry, and arguably the one with the most impact on the population. It is the country's largest source of employment after agriculture, has the deepest penetration to rural India, and generates more than 10 percent of India's GDP. However, retailing in India has so far, been mostly in the hand of small disorganized entrepreneurs. It is also India's least evolved industries. In fact, it is not even considered a real industry. The industry suffers from lack of management talent, poor access to capital, unfavorable regulation and denial of access to best practices. The Indian retail industry is only now beginning to evolve in line with the transformation that has swept other large economies. Fifty years of restricting the consumer goods industry, a national mindset which favored denial over



indulgence, and a fractured supply chain for agricultural products have all contributed to prevent the development of modern tenants based on scale advancements and consumer preferences.

### **Meaning of Retailing**

Retailing refers to the activities involved in the selling of goods to ultimate consumers for personal or household consumption. It is responsible for matching individual demands of the consumer with supplies of all the manufacturers.

### **Importance of Retailing**

Retailing is the outcomes of retailer's activities. The importance of retailing can be summarized as follows:

- i) Retailing has a tremendous impact on the economy. It involves high annual sales and employment. As a major source of employment retailing offers a wide range of career opportunities including; store management, merchandising and owning a retail business.
- ii) Consumers benefit from retailing is that, retailers perform marketing functions that makes it possible for customers to have access to a broad variety of products and services.
- iii) Retailing helps to create place, time and possession utilities. A retailer's service also helps to enhance a product's image.
- iv) Retailers participate in the sorting process by collecting an assortment of goods and services from a wide variety of suppliers and offering them for sale. The width and depth of assortment depend upon the individual retailer's strategy.
- v) They provide information to consumers through advertising, displays and signs and sales personnel. Marketing research support is given to other channels, members.
- vi) They store merchandise, mark prices on it, place items on the selling floor and otherwise handle products; usually they pay suppliers for items before selling them to final customers. They complete transactions by using appropriate locations, and timings, credit policies, and other services e.g. delivery.
- vii) Retailing in a way, is the final stage in marketing channels for consumer products. Retailers provide the vital link between producers and ultimate consumers.
- viii) Retailers perform specific activities such as anticipating customer's wants, developing assortments of products, acquiring market information, and financing. A common assumption is that retailing involves only the sale of products in stores.

### **Who is a Retailer?**

The word retailer has been derived from the French word Retail which means to sell in small quantities, rather than in gross.

Retailer is one who sells goods or commodities directly to consumers. These items are purchased from the manufacturer or wholesaler and sold to the end user at a marked up price.

**Notes****Characteristics of Retailers**

The followings are some of the essential characteristics of a retailer:

- i) He is regarded as the last link in the chain of distribution.
- ii) He purchases goods in large quantities from the wholesaler and sell in small quantity to the consumer.
- iii) He deals in general products or a variety of merchandise.
- iv) He develops personal contact with the consumer.
- v) He aims at providing maximum satisfaction to the consumer.
- vi) He has a limited sphere in the market.

**Functions of Retailers**

The various functions of retailers are:

**1. Buying**

A retailer buys a wide variety of goods from different wholesalers after estimating customer demand. He selects the best merchandise from each wholesaler and brings all the goods under one roof. In this way, he performs the twin functions of buying and assembling of goods.

**2. Storage**

A retailer maintains a ready stock of goods and displays them in his shop.

**3. Selling**

The retailer sells goods in small quantities according to the demand and choice of consumers. He employs efficient methods of selling to increase his sales turnover.

**4. Grading and Packing**

The retailer grades the goods which are not graded by manufacturers and wholesalers. He packs goods in small lots for the convenience of consumers.

**5. Risk-bearing**

A retailer always keeps stock of goods in anticipation of demand. He bears the risk of loss due to fire, theft, spoilage, price fluctuations, etc.

**6. Transportation**

Retailers often carry goods from wholesalers and manufacturers to their shops.

**7. Financing**

Some retailers grant credit to customers and provide the facility of return or exchange of goods. In some cases, home delivery and after sale service are provided by retailers.

**8. Sales promotion**

A retailer displays goods. He carries out publicity through shop decoration, window display, etc. He maintains direct and personal contacts with consumers. He persuades consumers to buy goods through personal selling.

**9. Information**

Retailers provide knowledge to consumers about new products and uses of old products. They advise and guide consumers in better choice of goods. They also provide market information to wholesalers and manufacturers.

## Types of Retailing

1. Store Retailing
2. Non Store Retailing

### 1. Store Retailing

Store retailing refers to the retailing activities that can be done in either fixed locations like stores or markets.

#### Types of Store Retailing Shops

##### a) Hypermarkets

Hypermarket refers to a retail store that combines a department store and a grocery supermarket.

Hypermarket is a superstore which combines a supermarket and a department store. Gigantic retail facility carries an enormous range of products under one roof. A consumer can ideally satisfy all of his or her routine weekly shopping needs in one trip to the hypermarket.

##### b) Supermarket

A supermarket is a departmentalized self-service store offering a wide variety of food and household merchandise. It is larger in size and has a wider selection than a traditional grocery store. The traditional supermarket occupies a large floor space on a single level and is situated near a residential area in order to be convenient to consumers.

The supermarket typically comprises meat, fresh produce, dairy and baked goods aisles, along with shelf space reserved for canned and packaged goods as well as for various non-food items such as kitchenware, household cleaners, pharmacy products and pet supplies. Some supermarkets also sell a variety of other household products that are consumed regularly, such as alcohol (where permitted), medicine, and clothes, and some stores sell a much wider range of non-food products: DVDs, sporting equipment, board games, and seasonal items (e.g., Christmas wrapping paper in December).

The traditional supermarket occupies a large amount of floor space, usually on a single level. It is usually situated near a residential area in order to be convenient to consumers. The basic appeal is the availability of a broad selection of goods under a single roof, at relatively low prices. Other advantages include ease of parking and frequently the convenience of shopping hours that extend into the evening or even 24 hours a day. Supermarkets usually allocate large budgets to advertising, typically through newspapers. They also present elaborate in-shop displays of products. The shops are usually part of corporate chains that own or control (sometimes by franchise) other supermarkets located nearby even transnational thus increasing opportunities for economies of scale.

##### c) Convenience store

A convenience store is a small store or shop, generally accessible or local. Alongside, busy roads, gas/petrol stations. Railway stations, densely-populated urban neighborhoods.

Items offered are milk, bread, soft drinks, cigarettes, coffee, slurped, candy bars, sandwiches, pizza hot dogs, ice cream, candy, gum, chips, popcorn, maps, magazines, newspapers, small toys, feminine hygiene products, cat food, dog food, and toilet paper, CD, DVD, video game.

**Notes****d) Cash and Carry**

Goods are sold from a wholesale warehouse operated either on a self-service basis or on the basis of samples. Retailers, professional users, caterers, institutional buyers are customers. Wholesalers buy from manufacturers and sell mostly to retailers. Selling and promoting, buying and assortment building, warehousing, transporting, financing, risk-bearing, supplying market information, and providing management services. Cash and carry wholesaler arrange the transport of the goods themselves and pay the goods in cash and not on credit. 100% FDI is allowed in this format in India. WAL-MART & BHARTI Joint venture based on this strategy.

**2. Non-store Retailing**

Non-store retailing is the selling of goods and services outside the confines of a retail facility. It is a generic term describing retailing taking place outside of shops and stores (that is, off the premises of fixed retail locations and of markets stands). The non-store distribution channel can be divided into direct selling (off-premises sales) and distance selling, the latter including all forms of electronic commerce. Distance selling includes mail order, catalogue sales, telephone solicitations and automated vending. Electronic commerce includes online shopping, internet trading platforms, travel portals, global distribution systems and teleshopping. Direct selling includes party sales and all forms of selling in consumers' homes and offices, including even garage sales.

Nonstore retailing is a form of retailing in which sales are made to consumers without using physical stores. The non-store retailers are known by medium they use to communicate with their customers, such as direct marketing, direct selling and vending machines or e-tailing. Non store retailing is patronized to time conscious consumers and consumers who can't easily go to stores, or compulsive buyers. Most non-store retailers offer consumers the convenience of buying 24 hours a day seven days a week and delivery at location and time of their choice. Nonstore sales are now growing at a higher rate than sales in retail stores. Non-store retailing now accounts for more than 15% of all consumer purchases, and it may account for over 1/3 of all sales by the end of the century. The high growth rate is primarily due to the growth of electronic retailing. The growth of catalogue retail sales and sales in other nonstore retailing formats such as TV home shopping, direct selling, and vending machines are slower.

**11.7 Wholesaling**

Wholesaling includes all activities involved in selling goods and services to those buying for resale or business use. A retail bakery is engaging in wholesaling when it sells pastry to the local hotel.

**Wholesellers**

Wholesaling includes all activities involved in selling goods and services to those buying for resale or business use. A retail bakery is engaging in wholesaling when it sells pastry to the local hotel. We call wholesalers those firms engaged primarily in wholesaling activity.

**Characteristics of Wholesellers**

The following are the main characteristics of wholesaler:

- (i) Wholesalers generally buy merchandise direct from the producers in large quantities mainly in cash.

- (ii) They are a trading concern having an army of agents and stock the large quantities of goods, supply or sell goods to the retailers directly or through their agents in small quantities.
- (iii) Generally, wholesalers are financially of good health. They purchase goods in cash from the manufacturers and sell to the retailers on credit.
- (iv) Wholesalers profit margin is very small so that they can maximise their sale-volume to earn maximum profit.

### Types of Wholesellers

Wholesalers fall into three major groups:

- (i) **Merchant wholesalers:** Merchant wholesalers include two broad types: full service wholesalers and limited service wholesalers.
- (ii) **Brokers and agents:** Brokers and agents differ from merchant wholesalers in two ways: They do not take title to goods, and they perform only a few functions. Like merchant wholesalers, they generally specialise by product line or customer type.

### Functions of Wholesellers

- (i) **Selling and Promoting:** Wholesaler's sales forces help manufactures reach many small customers at a low cost. The wholesaler has more contacts and is often more trusted by the buyer than the distant manufacturer.
- (ii) **Buying and Assortment Building:** Wholesalers can select items and build assortment needed by their customers, thereby saving the consumers much work.
- (iii) **Bulk Breaking:** Wholesalers save their customers money by buying in carload lots and breaking bulk.
- (iv) **Warehousing:** Wholesalers hold inventories, thereby the inventory costs and risks of suppliers and customers.
- (v) **Transportation:** Wholesalers can provide quicker delivery to buyers because they are closer than the producers.
- (vi) **Financing:** Wholesalers finance their customers by giving credit, and they finance their suppliers by ordering early and paying bills on time.
- (vii) **Risk Bearing:** Wholesalers absorb risk by taking title and bearing the cost of theft, damage, spoilage and obsolescence. These risks may occur on account of change in prices and demand, spoilage of goods and bad debts.
- (viii) **Market Information:** Wholesalers give information to suppliers and customers about competitions, new products, and price developments.
- (ix) **Management Services and Advice:** Wholesalers often help retailers train their sales clerks, improve store layouts and displays and set up accounting and inventory control systems.

### Services rendered by the Wholesellers

The wholeseller renders the following services to the manufacturers:

- (a) **Concentration on Production:** By taking over the marketing function from the manufacturer, the wholesaler enables him to concentrate on the problems of production.

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- (b) **Helpful in Large Scale Production:** The manufacturer gets more or less standard type through the wholesalers. The wholesalers either purchase goods in bulk from the manufacturers for resale or collect orders from the retailers and pass on them to the manufacturers.
- (c) **Distribution Facilities:** Wholesaler is the vital link between manufacturers and consumers. The manufacturers does not have to take the trouble of collecting small orders and supplying them to a large number of retailers.
- (d) **Helpful in Demand Analysis and Forecasting:** The manufacturers can regulate their production, estimate their sale or demand according to the changes in the direction and pattern or demand.
- (e) **Purchasing Facilities:** A retailer has a large number of customer to deal with and has therefore to keep a wide variety of products in store to cater the individual needs.
- (f) **Financial Assistance:** Wholesaler finances the bulk of retail trade by supplying goods on credit. Due to small capita, most of the retailers buy goods on credit from wholesalers and pay them when they collect the money by selling the goods to the ultimate customers.

### 11.8 Summary

Distribution decisions focus on establishing a system that, at its basic level, allows customers to gain access and purchase a marketer's product. However, marketers may find that getting to the point at which a customer can acquire a product is complicated, time consuming, and expensive. The bottom line is a marketer's distribution system must be both effective i.e., delivers a good or service to the right place, in the right amount, in the right condition and efficient i.e., delivers at the right time and for the right cost.

Distribution decisions are relevant for nearly all types of products. While it is easy to see how distribution decisions impact physical goods, such as laundry detergent or truck parts, distribution is equally important for digital goods e.g., television programming, downloadable music and services e.g., income tax services. In fact, while the Internet is playing a major role in changing product distribution and is perceived to offer more opportunities for reaching customers, online marketers still face the same distribution issues and obstacles as those faced by offline marketers.

Physical distribution is the set of activities concerned with efficient movement of finished goods from the end of the production unit to the consumer. The physical distribution considers many sales distribution channels such as wholesale and retail, and includes critical decision areas which include customer service, inventory, materials, packaging, order processing, and transportation and logistics.

The customer service function is a strategically designed standard for consumer satisfaction which the business intends to provide its customers. As an example, a customer satisfaction approach for the handbag business may be that 75% of all custom handbags are delivered to the customer within 72 hours of ordering. An additional approach might include that 95% of custom handbags be delivered to the customer within 96 hours of purchase. Once these customer service standards are set, the physical distribution system is then designed to attain these goals.

Transportation and logistics costs are a large component of the marketing budget for a product. The system is what moves the products from the production line to the end consumer. This system includes transportation of over the land, sea, and air and the storage and processing of goods through warehouses and distribution centres.

Packaging is the technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging is to the process of design, evaluation and production of packages. This can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale and end use.

The product characteristic plays an important role in influencing the channel selection. The marketing executive must study the uses of a product, its frequency of purchase; perish ability, rapidity of fashion change, the service required, and its bulkiness.

**Purchase Frequency:** The more frequently purchases are made, more feasible it is for the manufacturer to use direct distribution. This requires extensive distribution which involves a financial consideration.

**Perishability:** Perishable products like, bakery products, fruits and vegetables, sea food must be placed in the hands of the final consumer as soon as possible after production. These require more of direct marketing because of the risk associated with repeated handling and delays.

This choice of channel is also influenced by company characteristic such as its financial position, size, and product mix, morale, of its employees, past channel experience and executive prejudices and overall marketing policies.

The financial strength of the company determines which marketing tasks, it can handle efficiently and which ones are to delegate to the middlemen. A company having good financial resources may engage itself in direct marketing in a profitable manner. A Weak financial position may force a company to use financially strong intermediaries even if this is not profitable.

## 11.9 Check Your Progress

### I. Fill in the Blanks

1. The public and private goods and services can be made available for use of consumption through \_\_\_\_\_.
2. The emergence and arrangement of the wide variety of distribution - oriented institutions and agencies are called as \_\_\_\_\_.
3. Intermediaries help in \_\_\_\_\_ and \_\_\_\_\_.
4. Channels of distribution are mainly concerned with the \_\_\_\_\_.
5. A flow is a set of functions performed by \_\_\_\_\_.
6. In the flow process \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ are linked.
7. After a producer is selected the next step is to choose \_\_\_\_\_.
8. Distribution intensity is frequently modified as a product progresses through its \_\_\_\_\_.
9. Marketers have basic levels of intensity to choose from \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.
10. \_\_\_\_\_ and \_\_\_\_\_ frame work introduces a range of tools available to assist managers in the finalization of a channel plan.

### II. True or False

1. The public and private goods and services can be made available for use of consumption through promotion.

**Notes**

2. The emergence and arrangement of the wide variety of distribution oriented institutions and agencies are called as intermediaries.
3. Intermediaries help in searching and sorting process.
4. Channels of distribution are mainly concerned with the physical distribution of goods.
5. A flow is a set of functions performed by advertisers.
6. In the flow process producers, wholesalers, retailers and consumers are linked.
7. After a producer is selected the next step is to choose the product.
8. Distribution intensity is frequently modified as a product progresses through its product cycle.
9. Marketers have basic levels of intensity to choose from intensive, selective and exclusive.
10. Planning and analysis framework introduces a range of tools available to assist managers in the finalization of a channel plan.

**III. Multiple Choice Questions**

1. The public and private goods and services can be made available for use of consumption through.....
  - (a) Storing
  - (b) Distribution
  - (c) Advertising
  - (d) marketing
2. The emergence and arrangement of the wide variety of distribution- oriented institutions and agencies are called as.....
  - (a) Intermediaries
  - (b) Distributors
  - (c) Marketers
  - (d) Ultimate consumers
3. Intermediaries help in.....
  - (a) Searching process
  - (b) Sorting process
  - (c) Manufacturing process
  - (d) Both a and b
4. Channels of distribution are mainly concerned with the.....
  - (a) Physical distribution of goods
  - (b) Personal selling
  - (c) Wholesale selling
  - (d) None of the above
5. A flow is a set of functions performed by.....
  - (a) Manufacturers
  - (b) Channel members
  - (c) Resellers
  - (d) Retailers



6. In the flow process they are linked.....
  - (a) Producers, wholesalers, retailers & consumers
  - (b) Producers to consumers
  - (c) producer, wholesaler & consumer
  - (d) wholesaler to ultimate consumer
7. After a producer is selected the next step is to choose.....
  - (a) Type of channel
  - (b) Market
  - (c) Target people
  - (d) Consumers
8. Distribution intensity is frequently modified as a product progresses through its .....
  - (a) Product cycle
  - (b) Life cycle
  - (c) Manufacturing cycle
  - (d) None of the above
9. Marketers have basic levels of intensity to choose from.....
  - (a) Intensive
  - (b) Selective
  - (c) Exclusive
  - (d) All the above
10. This frame work introduces a range of tools available to assist manageress in the finalization of a channel plan.....
  - (a) Planning of a channel plan
  - (b) Analysis
  - (c) Both a & b
  - (d) Organizing

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### **11.10 Questions and Exercises**

#### **I. Short Answer Questions**

1. What is distribution channel?
2. What is Marketing Channel?
3. What is Channel Management?
4. Give the meaning of Logistic?
5. What is Logistics Management?
6. What is Retailing?
7. What is Wholesaling?

#### **II. Extended Answer Questions**

1. Discuss need for Marketing Channels.
2. Explain various channels of distribution.

## Notes

3. Discuss in brief regarding decisions involved in Setting up the Channels.
4. Discuss various Channel Management Strategies.
5. Give an introduction to Logistics Management.
6. Discuss functions of Retailing.
7. Explain important functions of Wholesaling.

### 11.11 Key Terms

- **Distribution decision:** Distribution decisions focus on establishing a system that, at its basic level, allows customers to gain access and purchase a marketer's product. However, marketers may find that getting to the point at which a customer can acquire a product is complicated, time consuming, and expensive. The bottom line is a marketer's distribution system must be both effective i.e., delivers a good or service to the right place, in the right amount, in the right condition and efficient i.e., delivers at the right time and for the right cost.
- **Physical distribution:** Physical distribution is the set of activities concerned with efficient movement of finished goods from the end of the production unit to the consumer. The physical distribution considers many sales distribution channels such as wholesale and retail, and includes critical decision areas which include customer service, inventory, materials, packaging, order processing, and transportation and logistics.
- **Customer Service:** The customer service function is a strategically designed standard for consumer satisfaction which the business intends to provide its customers. As an example, a customer satisfaction approach for the handbag business may be that 75% of all custom handbags are delivered to the customer within 72 hours of ordering. An additional approach might include that 95% of custom handbags be delivered to the customer within 96 hours of purchase. Once these customer service standards are set, the physical distribution system is then designed to attain these goals.
- **Order Processing:** Order processing is designed to take the customer orders and execute the specifics the customer has purchased. The business is concerned with this function because it directly relates to how the customer is serviced and attaining the customer service goals. If the order processing system is efficient, then the business can avoid other costs in other functions, such as transportation or inventory control.
- **Inventory Control:** Inventory control is a major role player in the distribution system of a business. Costs consider investment into current inventory, loss of demand for products, and depreciation. There have been inventory control systems implemented such as first in-first out (FIFO) and flow through, which are methods for businesses to handle products.
- **Transportation and Logistics:** Transportation and logistics costs are a large component of the marketing budget for a product. The system is what moves the products from the production line to the end consumer. This system includes transportation of over the land, sea, and air and the storage and processing of goods through warehouses and distribution centres.
- **Packaging:** Packaging is the technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging is to the process of design, evaluation and production of packages. This can be described as a coordinated

system of preparing goods for transport, warehousing, logistics, sale and end use.

- **Product Characteristics:** The product characteristic plays an important role in influencing the channel selection. The marketing executive must study the uses of a product, its frequency of purchase; perish ability, rapidity of fashion change, the service required, and its bulkiness.
- **Consumer or Industrial Market:** The producer of consumer product may choose a long channel involving wholesalers and retailers depending upon the nature of product. In case industrial of product the channel is comparatively short because retailer's services are required in such cases.
- **Financial Resources:** The financial strength of the company determines which marketing tasks, it can handle efficiently and which ones are to delegate to the middlemen. A company having good financial resources may engage itself in direct marketing in a profitable manner. A Weak financial position may force a company to use financially strong intermediaries even if this is not profitable.
- **Middlemen Consideration:** The choice of channel also depends upon the strengths and weakness of various types of middlemen performing various functions. Their behavioural differences, product lines, the number, location, size differ and affect the design of the channel.

## 11.12 Check Your Progress: Answers

### I. Fill in the Blanks

1. Distribution
2. Intermediaries
3. Searching process & sorting process
4. physical distribution of goods
5. channel members
6. producers; wholesalers; retailers & consumers
7. type of channel
8. life cycle
9. intensive; selective exclusive
10. planning & analysis

### II. True or False

- |          |          |
|----------|----------|
| 1. False | 2. True  |
| 3. True  | 4. True  |
| 5. False | 6. True  |
| 7. False | 8. False |
| 9. True  | 10. True |

### III. Multiple Choice Questions

- |        |        |
|--------|--------|
| 1. [b] | 2. [a] |
| 3. [d] | 4. [a] |
| 5. [b] | 6. [a] |

## Notes

7. [a]

8. [b]

9. [d]

10. [c]

**11.13 Case Study**

Samsung Electronics, one of the leading players in mobile sales in India, was faced with a boycott threat from its distributors in India in 2014. The dealers raised their voice against the price discrimination followed by Samsung in online sales where the mobile sets were offered at a discounted price when compared to offline prices. They felt that this had led to a fall in the sales of the models offline, and they were incurring losses due to this price discrimination by Samsung. While the growth in the number of online shoppers in India was increasing, the dealers of Samsung sent an ultimatum to Samsung that unless it took action to safeguard their interests, they would boycott its products. In response, Samsung announced that it had decided to extend exclusivity of selling rights of 48 models, including its much-awaited Galaxy Alpha and Note 4, to offline retailers. While the dealers welcomed this decision, industry observers felt that the decision was regressive and might hamper the sales of Samsung in future given the rise in the trend of online shopping. Some of its rivals had already tasted success by opting for an online-only distribution model.

India had a multi-layered distribution system which added to the costs of mobile phone companies. By 2014, there were more than 400,000 retail outlets for mobile handsets and around 25% of these outlets sold smartphones. Samsung understood quite early that if it wanted to compete with companies like Nokia in India, it had to have a strong distribution strategy. In 2008, it strengthened its position in the Indian market by appointing regional distributors. As a result, its sales doubled and it was able to corner 8% of the market share. The following year, the company revamped its sales and distribution structure in India again. As part of the restructuring, 17 sales offices were set up in smaller markets. The operations were decentralized till the branch level and efforts were made to rope in more distributors.

**Rise of E-Commerce in India**

There were 173 million mobile internet users in India as of December 2014 and the total number of mobile internet users in the country was expected to reach 213 million by June 2015, according to Internet & Mobile Association of India (IAMAI) and market research firm IMRB International...

**Online-Offline Retail Conflict**

Online shopping had given rise to a concept called 'showrooming' in which the people physically checked the product's features in the showroom but finally bought it online at a discounted price. Gagandeep Singh, owner of Lakshmi Electronics, a large-sized retail store in Delhi, said, "People won't buy anything at all now, unless it's on discount..."

**Turbulent Times For Samsung**

Although Samsung was the largest handset vendor in India in 2013, it almost lost its position to Micromax in 2014 (See Exhibit VI). A combination of lackluster device launches combined with high pricing had led to a shift in the fortunes of the South Korean vendor...

**Samsung Changes Channel Strategy**

Responding to the threat, Samsung decided to stop selling 48 phone models online to focus on offline retail in September 2014. Looking at the growing complaints, Samsung

was reported to have set up a 'brand store' on the websites of its e-retailers including Amazon, Snapdeal, and Flipkart, where only sellers authorized by the vendor could offer its products at prices mandated by the company, preventing predatory discounting.

**Questions:**

1. Understand the issues and challenges involved in designing effective distribution and channel strategies.
2. Understand how to prevent or deal with channel conflicts that arise due to changing trends in the market.
3. Analyze the pros and cons of Samsung's decision to favor the offline channel.
4. Explore ways in which companies can tackle the online-offline channel conflict.

**11.14 Further Readings**

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2. Principles of Marketing by Philip Kotler
3. Contemporary Marketing by David L. Kurtz
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## Unit 12: Promotion Management-Managing Non-Personal Communication Channels

### Structure:

- 12.1 Integrated Marketing Communications (IMC)
- 12.2 Communication Development Process
- 12.3 Budget Allocation Decisions in Marketing Communications
- 12.4 Introduction to Advertising
- 12.5 Fundamentals of Sales Promotion
- 12.6 Basics of Public Relations and Publicity
- 12.7 Summary
- 12.8 Check Your Progress
- 12.9 Questions and Exercises
- 12.10 Key Terms
- 12.11 Check Your Progress: Answers
- 12.12 Case Study
- 12.13 Further Readings
- 12.14 Bibliography

### Objectives

After studying this unit, you should be able to understand:

- Integrated Marketing Communications (IMC)
- Communication Development Process
- Budget Allocation Decisions in Marketing Communications
- Introduction to Advertising
- Fundamentals of Sales Promotion
- Basics of Public Relations and Publicity

## Notes

**12.1 Integrated Marketing Communications (IMC)**

Integrated marketing communications (IMC) is a process for managing customer relationships that drive brand value primarily through communication efforts. Such efforts often include cross-functional processes that create and nourish profitable relationships with customers and other stakeholders by strategically controlling or influencing all messages sent to these groups and encouraging data-driven, purposeful dialog with them. IMC includes the coordination and integration of all marketing communication tools, avenues, and sources within a company into a seamless program in order to maximize the impact on end users at a minimal cost. This integration affects all firms' business-to-business, marketing channel, customer-focused, and internally directed communications. Integrated Marketing Communications is a simple concept. It ensures that all forms of communications and messages are carefully linked together. At its most basic level, Integrated Marketing Communications, or IMC, as we'll call it, means integrating all the promotional tools, so that they work together in harmony. Promotion is one of the Ps in the marketing mix.

All of these communications tools work better if they work together in harmony rather than in isolation. Their sum is greater than their parts - providing they speak consistently with one voice all the time, every time. This is enhanced when integration goes beyond just the basic communications tools. There are other levels of integration such as Horizontal, Vertical, Internal, External and Data integration. Here is how they help to strengthen Integrated Communications.

Horizontal Integration occurs across the marketing mix and across business functions - for example, production, finance, distribution and communications should work together and be conscious that their decisions and actions send messages to customers. While different departments such as sales, direct mail and advertising can help each other through Data Integration. This requires a marketing information system which collects and shares relevant data across different departments. Vertical Integration means marketing and communications objectives must support the higher level corporate objectives and corporate missions. Check out the Hall of Fame later for more about missions.

Meanwhile Internal Integration requires internal marketing - keeping all staff informed and motivated about any new developments from new advertisements, to new corporate identities, new service standards, new strategic partners and so on. External Integration, on the other hand, requires external partners such as advertising and PR agencies to work closely together to deliver a single seamless solution a cohesive message an integrated message.

**Definition of Integrated marketing communications (IMC)**

The American Association of Advertising Agencies defines IMC as "a concept that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines, and combines these disciplines to provide clarity, consistency and maximum communication impact".

**Benefits of Integrated marketing communications (IMC)**

1. Integrated Marketing Communications requires a lot of effort it delivers many benefits. It can create competitive advantage, boost sales and profits, while saving money, time and stress.
2. IMC wraps communications around customers and helps them move through the various stages of the buying process. The organization simultaneously



consolidates its image, develops a dialogue and nurtures its relationship with customers.

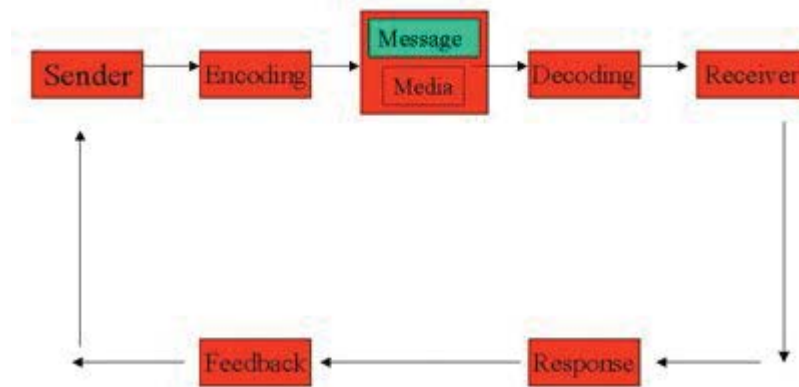
3. Relationship Marketing cements a bond of loyalty with customers which can protect them from the inevitable onslaught of competition. The ability to keep a customer for life is a powerful competitive advantage.
4. IMC increases profits through increased effectiveness. At its most basic level, a unified message has more impact than a disjointed myriad of messages. In a busy world, a consistent, consolidated and crystal clear message has a better chance of cutting through the 'noise' of over five hundred commercial messages which bombard customers each and every day.
5. IMC can boost sales by stretching messages across several communications tools to create more avenues for customers to become aware, aroused, and ultimately, to make a purchase
6. Carefully linked messages also help buyers by giving timely reminders, updated information and special offers which, when presented in a planned sequence, help them move comfortably through the stages of their buying process and this reduces their 'misery of choice' in a complex and busy world.
7. IMC makes messages more consistent and therefore more credible. This reduces risk in the mind of the buyer which, in turn, shortens the search process and helps to dictate the outcome of brand comparisons.
8. Un-integrated communications send disjointed messages which dilute the impact of the message. This may also confuse, frustrate and arouse anxiety in customers. On the other hand, integrated communications present a reassuring sense of order.
9. Consistent images and relevant, useful, messages help nurture long term relationships with customers. Here, customer databases can identify precisely which customers need what information when and throughout their whole buying life.
10. IMC saves money as it eliminates duplication in areas such as graphics and photography since they can be shared and used in say, advertising, exhibitions and sales literature. Agency fees are reduced by using a single agency for all communications and even if there are several agencies, time is saved when meetings bring all the agencies together - for briefings, creative sessions, tactical or strategic planning. This reduces workload and subsequent stress levels - one of the many benefits of IMC.

## 12.2 Communication Development Process

To ensure your audience understands what you want to communicate, you will want to adopt a communication development process. Adhering to a defined process can make your communication tasks more efficient and effective. The process for developing your communication typically includes these key steps that help you create your communication quickly and efficiently.

Communication is a process of exchanging verbal and nonverbal messages. It is a continuous process. Pre-requisite of communication is a message. This message must be conveyed through some medium to the recipient. It is essential that this message must be understood by the recipient in same terms as intended by the sender. He must respond within a time frame. Thus, communication is a two way process and is incomplete without a feedback from the recipient to the sender.

## Notes



**The main components of communication process are as follows:**

- i) **Context:** Communication is affected by the context in which it takes place. This context may be physical, social, chronological or cultural. Every communication proceeds with context. The sender chooses the message to communicate within a context.
- ii) **Sender / Encoder:** Sender / Encoder is a person who sends the message. A sender makes use of symbols to convey the message and produce the required response. Sender may be an individual or a group or an organization. The views, background, approach, skills, competencies, and knowledge of the sender have a great impact on the message. The verbal and non verbal symbols chosen are essential in ascertaining interpretation of the message by the recipient in the same terms as intended by the sender.
- iii) **Message:** Message is a key idea that the sender wants to communicate. It is a sign that elicits the response of recipient. Communication process begins with deciding about the message to be conveyed. It must be ensured that the main objective of the message is clear.
- iv) **Medium:** Medium is a means used to exchange / transmit the message. The sender must choose an appropriate medium for transmitting the message else the message might not be conveyed to the desired recipients. The choice of appropriate medium of communication is essential for making the message effective and correctly interpreted by the recipient.
- v) **Recipient / Decoder:** Recipient / Decoder is a person for whom the message is intended / aimed / targeted. The degree to which the decoder understands the message is dependent upon various factors such as knowledge of recipient, their responsiveness to the message, and the reliance of encoder on decoder.
- vi) **Feedback:** Feedback is the main component of communication process as it permits the sender to analyze the efficacy of the message. It helps the sender in confirming the correct interpretation of message by the decoder. Feedback may be verbal or non-verbal. It may take written form also in form of memos, reports, etc.

### 12.3 Budget Allocation Decisions in Marketing Communications

The concept of an integrated marketing plan is a direct result of how varied the marketing landscape is today. It seems like every day a new option is added. An integrated marketing plan, simply, is the new way marketers must approach their communications and messaging to create a cohesive experience for consumers approaching their brand, business, or organization. Integrated marketing encompasses all types of marketing

tactics including paid advertising, public relations, social media marketing, direct marketing, and sales promotions, employing each with a singular purpose that meets a company's goals and objectives. Some experts believe that integrated marketing is not just about the methods of communication used, but also how well you incorporate your audience into those methods and tactics. A comprehensive integrated marketing plan can be costly, of course, and you may not be able to afford to use every marketing tactic that you would like. You need to make some important choices and that's where your media budget comes in.

### 1. Blend corporate finance and marketing thinking

Instead of looking at inputs like market share or competitive pressure to inform budget allocations, this is important to look down the road to ROI drivers.

One auto OEM (original equipment manufacturer) that we worked with used corporate-finance principles - market growth, competition, and internal economics—to project future profit pools for brands and geographies and made a base allocation for each of its regional markets. It then tweaked the budget according to its business goals in a given region and its related marketing needs, such as the launch of a new product or the need to increase brand share. Allocations were further refined to reflect the profit feedback loop or factors specific to a given region, such as the ratio of share of voice to share of market.

About a quarter of the overall marketing budget was allocated to a few key regions in order to meet business goals. The marketing team got better support from management for future budget allocations, and the marketing budget as a whole was much better aligned with the organization's strategic direction.

Similarly, a global consumer-electronics company used discounted cash-flow techniques to estimate the value of each of its businesses and make initial allocations of marketing spend. The company then adjusted these allocations for business objectives, such as revenue or margin goals for a particular region. As a result, it reallocated about 20 percent of its marketing funds, compared with an average of 12–15 percent it would have reallocated using traditional models.

### 2. Engage the organization around facts, not feelings

When it comes to judging how to weight a given criterion or set guardrails for spending, sophisticated regression models beat gut feeling every time. Here's one example: A telecom company looking for a fact-based method for allocating discretionary spending to particular regions recently tested 60 drivers of business performance, including brand-specific characteristics, external drivers, and competitive intensity. It then applied linear regressions to test model accuracy and the relative influence and statistical significance of each driver. It found that it could fine-tune its marketing allocations by using a combination of internal and external drivers, and as a result, ended up shifting about 30 percent of its marketing dollars from large, saturated markets to small markets with greater opportunities for growth. Moreover, by using the regression-based model, it was able to increase customer acquisitions by 3 percent.

In another instance, a European retailer that frequently had to increase local media advertising in order to maintain sales decided to adopt a granular approach. It enlarged its focus from 200 cells to about 2.4 million, each including household data (socio-demographics, income, and amount and frequency of customer purchases by retail category). The organization then matched these cells to a broad media database to identify the best marketing vehicles for each.

**Notes**

As a result, the organization reallocated the entire advertising budget from roughly defined regions to a micro-cell level and put sales growth back on track. In addition, the match with target-group criteria rose 150 percent, and spending on leaflet distribution dropped 30 percent.

**3. Stage the implementation**

Don't go cold turkey. A drastic budget shift in one year could complicate vendor relationships and marketing activities. Your organization may have product-launches or campaigns it cannot alter. Budgeting shifts can and should be phased in through pilot programs that offer early evidence of success and learnings along the way.

One option is to set caps on budget reallocation. One consumer-electronics company, for example, made sure that no business unit's budget was reallocated by more than 30 percent in the first year. You can also earmark a percentage of funds for marketers to use in response to marketplace developments. Select a handful of brands or markets for a pilot, set clear ROI goals for example, a lift in sales or margins for Brand A and establish a feedback loop from markets to the management, where budgeting decisions are made. Measure performance against those goals. And if the pilot works, scale up.

**12.4 Introduction to Advertising**

Advertising is a powerful communication tool directed towards specific target customers in order to carry the messages regarding a particular product, service or ideas, meaningfully and persuasively with a view to achieve certain specific objectives such as, to establish brand loyalty, expansion of the existing markets, increased sales volume, etc. The basic objective of advertising of a concern is to increase its sales volume and profits. Advertising can be used to build up a long-term image for a product or trigger quick sales. It can efficiently reach geographically dispersed buyers.

Advertising is a form of communication used to persuade an audience like viewers, readers or listeners to take some action with respect to products, ideas, or services. Most commonly, the desired result is to drive consumer behaviour with respect to a commercial offering, although political and ideological advertising is also common. Advertising messages are usually paid for by sponsors and viewed via various traditional media; including mass media such as newspaper, magazines, television commercial, radio advertisement, outdoor advertising or direct mail; or new media such as websites and text messages.

Commercial advertisers often seek to generate increased consumption of their products or services through "Branding," which involves the repetition of an image or product name in an effort to associate certain qualities with the brand in the minds of consumers. Non-commercial advertisers who spend money to advertise items other than a consumer product or service include political parties, interest groups, religious organizations and governmental agencies. Nonprofit organizations may rely on free modes of persuasion, such as a public service announcement

Sales promotions are another way to advertise. Sales promotions are double purposed because they are used to gather information about what type of customers you draw in and where they are, and to jumpstart sales. Sales promotions include things like contests and games, sweepstakes, product giveaways, samples coupons, loyalty programs and discounts. The ultimate goal of sales promotions is to stimulate potential customers to action.

## Meaning of Advertising

Advertising refers to the activity of attracting public attention to a product or business, as by paid announcements in the print, broadcast or electronic media.

## Definition

“Advertising is any paid form of non-personal communication of ideas, goods or services by business firms identified in the advertising message intended to lead to a sale immediately or eventually”. - **American Marketing Association (AMA)**

## Essentials for Good Advertising

1. **Use a dominant element:** Use a large picture or headline to insure quick visibility. Photographs and realistic drawings have about equal attention-getting value, but photographs of real people win more readership. So do action pictures. Photographs of local people or places also have high value. Use good art work. It will pay off in extra readership.
2. **Make the ad copy complete:** Sizes and colors available are important, pertinent information. The copy should be enthusiastic, sincere. A block of copy written in complete sentences is easier to read than one composed of phrases and random words. In designing the layout of a copy block, use a boldface lead-in. Small pictures in sequence will often help readership. Don't be too clever, or use unusual or difficult words.
3. **Make your ads easily recognizable:** Advertisements which are distinctive in their use of art, layout techniques and typefaces usually enjoy higher readership than run-of-the-mill advertising. Make your account's ads distinctively different in appearance from the advertising of competitors. Then keep the ad's appearance consistent. This way, readers will recognize your account's ads even before they read them
4. **Use a prominent benefit headline:** The first question a reader asks of an ad is: “What's in it for me?” Select the main benefit which the merchandise offers and feature it in a compelling headline. “How to” headlines encourage full copy readership, as do headlines which include specific information or helpful suggestions. The headline will be easier to read if it is black-on-white and not printed over part of an illustration.
5. **Specify branded merchandise:** If the item is a known brand, say so in the ad. Manufacturers spend large sums to sell their goods, and the retailer can capitalize on their advertising while enhancing the reputation of the retailer's store by featuring branded items.
6. **Use a simple layout:** The layout should carry the reader's eye through the message easily and in proper sequence: from headline to illustration to explanatory copy to the store's name. Avoid the use of too many different type faces, overly decorative borders and reverses. These devices are distracting and reduce the number of readers who receive the entire message.
7. **Let white space work for you:** Don't overcrowd the ad White space is an important layout element in newspaper advertising. White space focuses the reader's attention on the ad and will make the headline and illustration stand out. When a “crowded” ad is necessary such as for a sale, departmentalize the items so that the reader can find his way through them easily.

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- 8. Urge your readers to buy now:** The ad should ask for the sale. Prompt action can be stimulated by using such phrases as “limited supply” or “this week only”. If mail-order coupons are included in ads, provide spaces large enough for customers to fill them in easily.

**“Advertising Is Economically Beneficial But Not Socially Justifiable”**

Advertising is a type of commercial communication. It is for giving information to consumers. It aims at encouraging consumers to purchase a specific product. It is used as a sales promotion technique by manufacturers and traders. Advertising is for giving information about products in an attractive manner. It facilitates sales promotion.

Advertising plays a significant role in awareness creation and attitude formation. It can even generate a trial and purchase as long as all other elements of the marketing mix play a contributory role. Thus, it has to be appreciated that advertising has a limited role in marketing strategy. A marketing plan and strategy takes into account several marketing tools to achieve marketing objectives. These are product, packaging, customer service, pricing, sales promotion and channel relationships.

Although advertising is a potent instrument of communication that serves the dual purpose of making product awareness and an increased profit margin yet it suffers for a number of limitations as well. Advertising is a deferred revenue expenditure, the result of which we can't get immediately rather after a considerable period of time. And, after all advertising occupies a substantial portion of the total budget of the organization. So, investing a large sum in it does not necessary yield immediate results thus limiting its utility. So, advertising is economically beneficial but not socially justifiable.

**Importance of Advertising**

- (i) It increases sales volume by creating attraction towards the products and also the profits of the concern.
- (ii) It helps easy introduction of new products into the markets by the same manufacturer.
- (iii) It increases the rate of return over the stock because demand is already created by advertisement.
- (iv) It ensures more economical selling because selling overheads are reduced.
- (v) It helps in eliminating the middlemen by establishing direct contracts between producers and consumers. It results in cheaper goods.
- (vi) It helps them to know where and when the products are available. This reduces their shopping time.

**Advantages of Advertising**

1. The advertisement informs the consumer about qualities and price of goods and this makes purchasing easy for the consumers.
2. As the prices are already advertised, the consumers cannot be over charged.
3. By regular advertisement, the manufacturer can sell the goods directly to the consumers without depending on middlemen this eliminates the Middleman's charges and profit. It means higher profit to the manufacturer and lower prices to the consumers.
4. It helps in improvement of the quality of the goods.

5. The consumers are attracted by the quality of the products that are advertised. If the consumers are convinced that the quality is the same that is advertised, they continue buying.
6. It helps the consumer to save time. As the consumer has already been the consumer is not required to spend time in getting the products.
7. It raises the living standard of consumers.
8. It provides knowledge about the new designs of the commodities to consumers and thus consumers consume those commodities and increase their living standard.

### Disadvantages of Advertising

1. **Non-productive in nature:** Advertising does not produce any tangible goods. But all productive work not necessarily results in tangible goods. On the other hand, it renders a very valuable service. Services are always intangible. The service rendered by advertising is highly necessary, especially when one has to choose from among the thousands of products which are similar in most respects.
2. **Advertising creates multiplies the needs:** When a new kind of Talcum powder is introduced, advertising will only help to shift the demand from one product in favour of another. But this is not entirely true. Advertising also helps in the extension of demand and it also help in comparing the two substitutes.
3. **It increases the cost of goods:** Expenses on it form a part of total cost. One of forgets the benefits desired from it. Moreover, advertising effects saving on the side of distribution costs and production costs.
4. **The monopoly effects:** This emphasis makes the consumer to become a slave of a particular brand. The best answer to this argument is that it is the age of survival of the fittest. Moreover, all could advertise, so no monopoly effects.
5. **Advertising occurs waste:** People are forced to use the product as fast as possible since new products with improvements are introduced. The production of any product requires the use of exhausting natural resources which are to be preserved by planned use.
6. **Misrepresentation of facts:** Advertisements contain tall claims and the benefits advertised are not enjoyed in full. Such products are short-lived.
7. **Wastage of national resources:** Advertising is that it destroys the utility of goods before it becomes useless due to change in fashion, improved technology etc. It results in wastage of national wealth.
8. **The Press is influenced** by the advertisers because they provide the major sources of revenue to the existence of newspapers and journals. But this is also not true because pressmen are not slaves of the advertisers.
9. **Advertising** appeals make people to use such articles as might affect their health for example liquors and cigarettes.
10. **Consumer deficit:** Consumer deficit reflect when, less purchasing power cannot afford to buy articles though the advertisement creates a strong desire to purchase the product. This makes a section of the society remain discontented and frustrated.

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**Advertising Objectives**

The objectives of advertising include those sets of steps and tasks that can help in successful launch of products and can help the firm to garner maximum profits. Just like every company has various goals and objectives to achieve, the objectives of advertising are to help the product gain maximum success. Without proper advertising objectives, advertising agencies won't be able to thrive in the tough competition and they may also fail to impress its clients. In essence, objectives of advertising are essential for success of an advertising campaign and an advertising program. Here, in this article, I'll talk about various advertising objectives that are essential for the success of a firm.

**Advertising Objectives-1: Basic Objectives of Advertising**

Advertising has evolved to become one of the most important industries. The basic objectives of advertising are to secure, develop, innovate and create advertisements to sell a product. All advertising techniques and strategies that are required for making a product successful stem from basic objectives of advertising. So in essence, objectives of advertising are in line with objectives of firm's plans and marketing campaigns to generate maximum profits and provide quality service to its customers.

**Advertising Objectives-2: Informative Objectives**

One of the first objectives of advertising campaigns is to inform customers about products and its development. Through informative objectives, customers are informed about the product, its working, pricing and cost standards. Besides these, informative advertising objectives include developing awareness about the product and the company among consumers. Now, these objectives are achieved during launch and re-launch of a new or an already existing product.

**Advertising Objectives-3: Persuasive Objectives**

When a firm focuses its marketing strategies on very highly competitive markets, it involves tools of persuasive marketing to go ahead of its competitor by adopting methods of 'comparison advertising'. This is a very common observation in day-to-day life. Firms with same brands are often seen proving their products better than their rival.

**Advertising Objectives-4: Reminder Objectives**

Some products that have become legends are always in the mind of customers. However, it doesn't mean that advertising firms don't work on advertising those products. One of the objectives of advertising, called as reminder advertising is done by firms that have to retain some of their brands in the market. Such advertising technique is used by firms like Reebok, Nike, Coco Cola, etc to maintain their position in the market.

**Advertising Objectives-5: Advertising Message**

An appealing message to the audience is the most essential part of every advertising campaign. Without an effective advertising message, it's impossible for any firm to succeed and achieve its objectives. Due to immense information that is projected on the minds of consumers, striking and impressing the consumer is very difficult. Hence, advertising messages become extremely crucial.

**Advertising Objectives-6: Communicate Effectively**

Now a days just being an inexpensive product and with quality features may not be enough for the success of a product. The product must establish an emotional connection with the consumer. Through series of market research, it has been proved that products that are able to influence consumers at emotional level are always best sellers. So the bottom line of advertising objectives is to communicate effectively.



### Different Types of Advertising

- (i) **Mural Advertising:** Mural advertising which has a general and wide appeal. It can attract attention of numerous people. It is good to remind prospects. An advertiser has simple scope to use his skill and art in advertising.  
However, mural advertising has certain limitations. It cannot have a long message. It is not useful in selective advertising or for specialised products. It has a low retention value. Its effectiveness cannot be accurately measured and it may lead to considerable wastage also.
- (ii) **Radio Advertisement:** Radio uses only an audio signal. The copy can be submitted up to air time. It has a very wide appeal. Spoken word has greater impact than written word. However, radio cannot permit selective advertising. It cannot give detailed information. People remember for more of what they see than of what they hear. Its cost is high.
- (iii) **Television Advertisement:** Television can appeal through ear as well as eye. Product can be demonstrated with explanation. Television reaches the audiences almost like personal face-to-face contact. To that extent it is just like personal salesmanship. Full opportunity exists for product demonstration and the amplification of selling points with audio presentation; it is really a wonder full means of mass communication for creating market.
- (iv) **Transit Advertising:** It refers to the car-card advertising, which is located within buses, subways, railways and outside displays, which appear on the fronts sides and backs side of buses or other public transport and at transportation terminals. Transit advertising is the lowest-cost media. It gives geographic selectivity and seasonal selectivity. However, non-riders are now exposed to car-cards located inside the vehicle.
- (v) **Direct Mail:** Direct mail is the most personal and selective media. It reaches only the desired prospects. It has minimum waste in circulation. The advertising copy can be very flexible. It has maximum possible personal features even without personal contact. Its effectiveness is measurable. It can be timed as per advertiser's will. It has maximum personal appeal. It is not in direct competition with the rivals matter. The results of direct mail advertising can be checked by means of an offer incorporated in the mailing. However, direct mail is costly.
- (vi) **Advertising Specialties:** Advertising specialties are given to advertising targets without cost or obligation. Advertiser's name, address, phone number, and a short sales message are imprinted on the item. The advertiser can choose from among 5,000 specialties in the market. Advertising specialties are reminder type of promotion. It is hoped that they will lead to customer's orders and re-orders.
- (vii) **Point-of-Purchase Advertising:** Point of purchase advertising represents sales promotion devices. It covers the display material used in advertising programme.

### 12.5 Fundamentals of Sales Promotion

"Promotion consist of those cultivates that are designed to bring a company's goals or services to the favorable attention of customers". - **Masson & Ruth**

Sales promotion is a parts of promotional mix. Sales promotion refers to the activities which supplement and co-ordinate personal selling and advertising to attract customers to buy a product. Sales promotion methods include displays, demonstrations, expositions, exhibitions and other non-recurrent selling efforts which aim at impelling spot buying action

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by prospective customers. Sale promotion techniques are indirect and non-personal. Sales promotion activities are more common for consumer's goods marketing than for industrial goods. Consumers are attracted by displays, packaging and publicity. Sales promotion devices are also a source of information to the customers.

**Definitions**

According to **William.J.Stanton**, "Sales promotion is an exercise in information persuasion and influence.

According to **Philip Kotler**, "Promotion encompasses all the tools in the marketing mix whose major role in persuasive communication".

**Characteristics of Sales Promotion**

- (i) Sales promotion does not include advertisement, personal selling and publicity.
- (ii) Sales Promotion activities are not regular activities. These are purely temporary and are performed at certain times such as display, free samples, exhibitions, demonstration etc.
- (iii) It makes advertisement and personal selling more effective.
- (iv) Sales promotion encourages dealers, distributors and consumers.

**Types of Sales Promotions**

The different kinds of sales promotions are as follows:

- (i) **Sales promotional letters:** Several large companies utilise the medium of letters for sales promotion. These letters serve different purposes. Sometimes, they are used to give information about the company's products, sometimes, they are reminders to continue to buy a particular brand.
- (ii) **Catalogues:** Catalogues carry essential information on the products offered by the company. Well designed catalogues give complete information relating to the products, their pictures, size specifications, colours, packing, uses and prices.
- (iii) **POP's:** Point of purchase (POP's) promotion is one of the most widely used sales promotion. It is also sometimes referred to as point of sales promotion. Various kinds of display materials like posters, danglers, strickers, mobile wobblers and streamers are used at the retail shop level to induce purchase.
- (iv) **Demonstrations:** Companies resort to product demonstrations for sales promotion especially, when they are coming up with a product new to the market. In India, recently, several low unit price products like light beverages and washing powders and high unit price products like washing machines and personal computers utilised product demonstration for sales promotion.
- (v) **Trade Fair and Exhibitions:** Trade fairs and exhibitions are extensively used sales promotion. They also form one of the oldest practices in sales promotion. Trade fairs and exhibitions provide companies with the opportunity of introducing and displaying their products.

**12.6 Basics of Public Relations and Publicity**

Public relations (PR) are the way organizations, companies and individuals communicate with the public and media. A PR specialist communicates with the target

audience directly or indirectly through media with an aim to create and maintain a positive image and create a strong relationship with the audience. Examples include press releases, newsletters, public appearances, etc. as well as utilization of the World Wide Web.

The world of business is characterized by fierce competition and in order to win new customers and retain the existing ones, the firms have to distinguish themselves from the competition. But they also need to create and maintain a positive public image. A PR specialist or firm helps them both create and maintain a good reputation among both the media and the customers by communicating in their behalf and presenting their products, services and the overall operation in the best light possible. A positive public image helps create a strong relationship with the customers which in turn increase the sales.

PR specialists and firms use a number of tools and techniques to boost their clients' public image and help them form a meaningful relationship with the target audience. To achieve that, they use tools such as news releases and statements for media, newsletters, organisation and participation at public events conferences, conventions, awards, etc.. PR specialists of course also utilise the Internet tools such as social media networks and blogs. Through the mentioned tools, PR specialists give the target audience a better insight into their clients' activities and products/services as well as increase publicity.

## **Importance of Public Relations for Organizational Effectiveness**

### **1. Products and Services**

A good public relations campaign highlights a small business's products and services through creative means. For example, a publicity campaign that highlights a new product launch also promotes the business as a whole. A press conference held to discuss an expansion has the added benefit of introducing key decision-makers to the general public and putting a public face with the company name. These types of outreach efforts can help improve the overall impression of an organization.

### **2. Innovation**

A public relations initiative that touts a small business's innovations can attract attention, investors and potential business partners. Regular forms of communication in the form of feature news articles, public appearances and presentations, and service on expert industry panels establish a small business's place in their industry's spotlight. This positive perception can help improve overall effectiveness by demonstrating the company's ongoing successes.

### **3. Charitable Work**

When the general public is aware of a small business's charitable contributions and community support, it can make it more interested in patronizing the business. For example, a public relations outreach effort that notifies the community about a small business's cash donation to a local school paints the business as a good corporate citizen. This can help elevate an image of trust and respect, which can translate to a better overall perception of a company.

### **4. Economic Impact**

Regularly touting a company's earnings, job creation and overall economic impact can help establish it as an important part of a city's economic engine. For example, releasing quarterly employment figures or contributing to economic development reports is an effective way to show the benefit the company brings to the community. This can

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raise awareness of the importance of the organization and better position it for expansion funding and business-to-business opportunities, and even make it be seen as a viable employer.

**5. Internal Perceptions**

Internal public relations campaigns have the potential to bolster staff morale, improve communications and motivate employees. Public relations efforts that keep all employees in the loop about company activities and strategic plans and invite feedback can get significant buy-in from employees. This can make them more supportive of the company's efforts and more effective performing their jobs.

**12.7 Summary**

Promotion consists of those attributes that are designed to bring a company's goods and services to the favourable attention of the customers. Promotion mix is the marketing strategies used by a company to market and promote its products and services. These strategies include advertising, sales promotion, personal selling, publicity and direct marketing.

Advertising is a form of communication used to persuade an audience like viewers, readers or listeners to take some action with respect to products, ideas, or services. Most commonly, the desired result is to drive consumer behavior with respect to a commercial offering, although political and ideological advertising is also common. Advertising messages are usually paid for by sponsors and viewed via various traditional media; including mass media such as newspaper, magazines, television commercial, radio advertisement, outdoor advertising or direct mail; or new media such as websites and text messages.

Sales promotions are another way to advertise. Sales promotions are double purposed because they are used to gather information about what type of customers you draw in and where they are, and to jumpstart sales. Sales promotions include things like contests and games, sweepstakes, product giveaways, samples coupons, loyalty programs, and discounts. The ultimate goal of sales promotions is to stimulate potential customers to action.

Sales promotion is a part of promotional mix. Sales promotion refers to the activities which supplement and co-ordinate personal selling and advertising to attract customers buy a product. Sales promotion methods include displays, demonstrations, expositions, exhibitions and other non-recurrent selling efforts which aim at impelling spot buying action by prospective customers.

Personal selling refers to the face-to-face selling in which a seller attempts to persuade a buyer to make a purchase. It is when an individual salesperson sells a product, service or solution to a client.

Publicity is the deliberate attempt to manage the public's perception of a subject. The subjects of publicity include people, goods and services, organizations of all kinds and works of art or entertainment.

Direct Marketing is a form of advertising in which physical marketing materials are provided to consumers in order to communicate information about a product or service. Direct marketing does not involve advertisements placed on the internet, on television or over the radio. Types of direct marketing materials include catalogs, mailers and fliers.

## 12.8 Check Your Progress

### I. Fill in the Blanks

1. \_\_\_\_\_ is a form of communication activity whose main objective is making profit.
2. Promotion is the \_\_\_\_\_ element of marketing mix.
3. Promotion is important in \_\_\_\_\_ market.
4. Promotion is the process of marketing communication involving \_\_\_\_\_, \_\_\_\_\_ & \_\_\_\_\_.
5. \_\_\_\_\_ is the spark plug of our marketing mix.
6. \_\_\_\_\_ is an important marketing strategy.
7. Purposes of promotion are providing marketing information to \_\_\_\_\_.
8. Promotion persuades & convinces the \_\_\_\_\_ & influences his / her behaviour to take the desired action.
9. In competitive market nothing can be sold without \_\_\_\_\_.
10. Promotion message has 2 basic purposes namely \_\_\_\_\_ & \_\_\_\_\_.
11. Promotion is responsible for \_\_\_\_\_ for your product.
12. \_\_\_\_\_ helps you to maintain the demand for your product.
13. Promotion mix includes \_\_\_\_\_, \_\_\_\_\_ & \_\_\_\_\_.
14. \_\_\_\_\_ is non- personal presentations & impersonal salesmanship for mass selling.
15. \_\_\_\_\_ is a best means of oral & face to face communication for making sales.

### II. True or False

1. Promotion is a form of communication activity whose main objective is making profit.
2. Promotion is the third element of marketing mix.
3. Promotion is not important in competitive market.
4. Promotion is the process marketing communication involving information, persuasion & influence.
5. Promotion is the spark plug of our marketing mix .
6. Promotion is not an important marketing strategy.
7. Purposes of promotion are providing marketing information to consumers.
8. Promotion persuades & convinces the buyer & influences his / her behaviour to take the desired action.
9. In competitive market nothing can be sold without promotion.
10. Promotion message has 2 basic purposes namely persuasive communication & fool of competition.

### III. Multiple Choice Questions

1. Promotion is a form of communication activity whose main objective is.....
  - (a) Product
  - (b) service or idea industries

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- (c) Channel of distribution  
(d) All the above
2. Promotion is the \_\_\_\_\_ element of marketing mix.  
(a) Second  
(b) third  
(c) First  
(d) fifth
3. Promotion is important in.....  
(a) Competitive market  
(b) global  
(c) Wider market  
(d) local market
4. Promotion is the process of marketing communication involving.....  
(a) Information  
(b) persuasion  
(c) Influence  
(d) All the above
5. Which of the following is the spark plug of our marketing mix?  
(a) Promotion  
(b) price  
(c) Product  
(d) place
6. Which of the following is an important marketing strategy?  
(a) Advertisement  
(b) marketing  
(c) Promotion  
(d) channel of distribution
7. Purposes of promotion are.....  
(a) providing marketing information to consumers  
(b) providing marketing information to users  
(c) providing marketing information to resellers  
(d) All the above
8. Promotion persuades & convinces the & influences his/her behaviour to take the desired action.....  
(a) Buyer  
(b) seller  
(c) wholesalers  
(d) Retailers
9. In competitive market nothing can be sold without.....  
(a) Price  
(b) product  
(c) promotion  
(d) none of the above

10. Promotion message has 2 basic purposes.....
  - (a) persuasive communication
  - (b) tool of competition
  - (c) both a & b
  - (d) None of the above

## 12.9 Questions and Exercises

### I. Short Answer Questions

1. What is Integrated Marketing Communications (IMC)?
2. Define the term Promotion.
3. What is Communication?
4. What is Communication Development Process?
5. What is Budget Allocation?
6. What is Marketing Communication?
7. Define the term Advertising.
8. What is Sales Promotion?
9. What is Public Relation?
10. What is Publicity?

### II. Extended Answer Questions

1. Discuss importance of Integrated Marketing Communications (IMC).
2. Explain steps in Communication Development Process.
3. Discuss various elements of promotion mix.
4. Explain about Budget Allocation Decisions in Marketing Communications.
5. Discuss importance of Advertising.
6. Explain advantages and disadvantages of advertising.
7. Discuss fundamentals of Sales Promotion.
8. Explain about basics of Public Relations and Publicity.

## 12.10 Key Terms

- **Promotion:** Promotion consists of those attributes that are designed to bring a company's goods and services to the favourable attention of the customers.
- **Promotion Mix:** Promotion mix is the marketing strategies used by a company to market and promote its products and services. These strategies include advertising, sales promotion, personal selling, publicity and direct marketing.
- **Advertising:** Advertising is a form of communication used to persuade an audience like viewers, readers or listeners to take some action with respect to products, ideas or services.
- **Internet Marketing:** Internet marketing is the term used for marketing your products or services over the Internet. Internet marketing is a great way to reach a wide, international audience at a relatively low cost.

## Notes

- **Sales promotion:** Sales promotion is a part of promotional mix. Sales promotion refers to the activities which supplement and co-ordinate personal selling and advertising to attract customers buy a product.
- **Point of purchase (POP's):** Point of purchase (POP's) promotion is one of the most widely used sales promotions. It is also sometimes referred to as point of sales promotion. Various kinds of display materials like posters, danglers, strickers, mobile wobblers and streamers are used at the retail shop level to induce purchase.
- **Demonstrations:** Companies resort to product demonstrations for sales promotion especially, when they are coming up with a product new to the market. In India, recently, several low unit price products like light beverages and washing powders and high unit price products like washing machines and personal computers utilized product demonstration for sales promotion.
- **Personal Selling:** Personal selling refers to the face-to-face selling in which a seller attempts to persuade a buyer to make a purchase. It is when an individual salesperson sells a product, service or solution to a client.
- **Publicity:** Publicity is the deliberate attempt to manage the public's perception of a subject. The subjects of publicity include people, goods and services, organizations of all kinds and works of art or entertainment.
- **Direct Marketing:** Direct Marketing is a form of advertising in which physical marketing materials are provided to consumers in order to communicate information about a product or service. Direct marketing does not involve advertisements placed on the internet, on television or over the radio. Types of direct marketing materials include catalogs, mailers and fliers.

### 12.11 Check Your Progress: Answers

#### I. Fill in the Blanks

1. Promotion
2. Third
3. Competitive
4. Information; persuasion & influence
5. Promotion
6. Promotion
7. Consumers
8. Buyer
9. Promotion
10. Persuasive communication & tool of competition
11. Stimulating consumer demand
12. Promotion
13. Advertising; publicity; personal selling
14. Advertising
15. personal selling

#### II. True or False

- |          |         |
|----------|---------|
| 1. False | 2. True |
| 3. False | 4. True |



- |         |          |
|---------|----------|
| 5. True | 6. False |
| 7. True | 8. True  |
| 9. True | 10. True |

### III. Multiple Choice Questions

- |        |         |
|--------|---------|
| 1. [d] | 2. [b]  |
| 3. [a] | 4. [d]  |
| 5. [a] | 6. [c]  |
| 7. [d] | 8. [a]  |
| 9. [c] | 10. [c] |

## 12.12 Case Study

Tata Chemicals Limited (TCL), the parent company of Tata Salt, a pioneer in the Indian branded salt market, launched a new promotional campaign 'Desh Ka Salaam, SarhadKeNaam'(nation's salute to the armed forces on the border) to coincide with the 69th Independence day of India (August 15, 2015). The campaign bagged two Guinness World Records. The first was for the loudest indoor shout with a crowd-sourced slogan 'Jai Hind' (victory to India) being shouted out at the 122.2 decibel level; the second was for the longest line of postcards with a chain of 6400 hand-written messages and postcards from Indian citizens to the armed forces in the country.

The case discusses the promotional campaigns undertaken by Tata Salt, India's first iodized salt brand, to enhance its market share in the Indian branded salt industry. Tata Salt was the first to introduce iodized, hygienic, and standardized salt in the Indian market. It started its product positioning on the rational platform of purity. Through its communication campaigns, Tata Salt advocated the importance of pure, iodized, and iron-rich salt in people's diet. The case discusses the various promotional strategies adopted by Tata Salt to capture the position of the most trusted brand in the Indian salt industry. Over the years, the brand was successful in establishing an emotional connect with customers by tapping the nationalist and patriotic fervor through campaigns such as 'Namak ho Tata ka - Tata namak', 'Desh ka Namak' and 'GhulMilke'. The case concludes by discussing the need for the brand to identify future market needs and address them as it continues to grow.

### Questions:

1. Understand the existing competition and importance of promotions in a generic product like salt.
2. Explore the future strategies that the brand could adopt to maintain its dominance in the Indian salt market.

## 12.13 Further Readings

1. Marketing by Gary Armstrong, Michael Harker, Philip Kotler, Ross Brennan
2. Principles of Marketing by Philip Kotler
3. Contemporary Marketing by David L. Kurtz
4. Principles of marketing by Frances Brassington, Stephen Pettitt
5. Marketing insights from A to Z by Philip Kotler
6. Principles of marketing by Frances Brassington, Stephen Pettitt

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7. Principles of marketing by Veronica Wong, John Saunders
8. Marketing by Armstrong, Armstrong Gary
9. Essentials of Marketing by Charles W. Lamb, Joseph F. Hair, Jr., Carl McDaniel

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## Unit 13: Personal Communication Channels

### Structure:

- 13.1 Personal Selling
- 13.2 Sales Management Basics
- 13.3 HR Practices in Sales Management
- 13.4 Evaluation of Training
- 13.5 Personal Selling Process
- 13.6 Direct Marketing
- 13.7 Summary
- 13.8 Check Your Progress
- 13.9 Questions and Exercises
- 13.10 Key Terms
- 13.11 Check Your Progress: Answers
- 13.12 Case Study
- 13.13 Further Readings
- 13.14 Bibliography

### Objectives

After studying this unit, you should be able to understand:

- Personal Selling
- Sales Management Basics
- HR Practices in Sales Management
- Evaluation of Training
- Personal Selling Process
- Direct Marketing

## Notes

### 13.1 Personal Selling

Personal selling is a broader concept and involves oral presentation in conversation with one or more prospective buyer for the purpose of making sales. The purpose of personal selling is to bring the right products into contact with the right customers, and to make certain that ownership transfers takes place. Personal selling is a direct method of selling the products to the salesmen.

#### Definitions

Personal selling has been defined by the American Marketing Association as, "Oral presentation in conversation with one or more prospective purchaser for the purpose of making sales".

Richard Buckish has defined the term as "Personal selling consists of contracting prospective buyers of a product personally".

#### Features of Personal Selling

- (i) **Personal Confrontation:** Two or more persons come into active relation and each party is able to observe at close quarters the characteristics and needs of the other and make immediate adjustments and thereby make the encounter successful.
- (ii) **Cultivation:** Personal selling may lead to all kinds of relationship to a deep personal friendship.
- (iii) **Response:** Personal selling usually makes the prospects feel a sort of peculiar obligation for having listened to sales talk.

#### Functions of Personal Selling

- (i) Selling goods and services to new existing customers.
- (ii) To convince the customers about the quality and uses of the product:
  - (a) By demonstration, and
  - (b) By removing the doubts and confusions of the customers about the products.
- (iii) To advise the customers on the intricacies of the products.
- (iv) To instruct the customers for the use of the product.
- (v) To maintain the record of sales and to provide after sale service to customers.
- (vi) To prepare long term and short term marketing programme.

#### Essentials of Personnel Selling

There are six prerequisites of effective selling or essentials of personnel selling:

1. **Knowledge of the company:** Most products especially costly and complicated products are not judged on their merits. They are judged by the name of the company that manufactures them. Hence, salesmen must be company oriented.
2. **Knowledge about the product:** A salesman should know about his product:
  - (a) Materials from which it is made
  - (b) How it is used and how it is maintained
  - (c) Product features

- (d) Customer benefits
  - (e) Selling point of the product in relation to its rivals and so on.
3. **Knowledge about the competition:** It is required to study the product effort by his competitors and determine their strengths and weaknesses in comparison to his own products.
  4. **Knowledge of the customers:** A salesman must have adequate knowledge about both the customer's wants and desire. And the products offered by the firm to satisfy customers.
  5. **Knowledge about the selling process:** To move the customer through the stages in the buying process the salesman undertakes the stages in the selling process, viz, protecting, preparation presentation, and post sale activities.
  6. **Knowledge about himself:** Know yourself is one of the most essentials of personnel selling.

### Challenges in Personal Selling

- i) At first personal selling is dyadic in nature. Dyadic simply means of or relating to two people. Thus, personal selling revolves around a marketing relationship developed between two people. Frequently, personal salespeople enlist the help of others in their organizations to sell to and service customers. And just as frequently, personal salespeople find themselves making presentations to small groups of people or working with multiple individuals within customers' firms. However, ultimately a successful marketing relationship is built by two people one person selling and person buying. Successful salespeople identify that person early on and work to win their trust and confidence.
- ii) Secondly personal selling is a process, not a single activity. And done correctly, the process continues indefinitely. Salespeople, sales managers, and others inside the seller's organization frequently see the selling process as culminating or ending with a signed order. However, in these days of so-called "relationship marketing" and "customer relationship management" successful organizations recognize that signed orders simply represent one point of positive feedback in an ongoing and continuous process.
- iii) Third, personal selling is highly interactive. In advertising, information flow occurs initially in a one-way direction. What feedback the advertiser receives arrives late well after an advertisement has aired. Moreover, without costly research, the attitudinal effects of advertising may never be known. In personal selling, feedback is largely Personal Selling instantaneous and continuous. The two-way flow of information that characterizes personal selling creates a communication channel rich with information, much of it nonverbal. Effective personal salespeople become adept at interpreting this information quickly and adapting their responses to it.
- iv) Personal selling is about problem solving. As the marketing concept is adopted by more and more firms, the emphasis of personal salespeople will be more on identifying customers with a true need for the firm's products and applying those products to solve customer problems. Less emphasis will be placed on simply making a sale. The focus on problem solving in personal selling reflects a larger trend toward building relationships between customers and clients. Marketers know that to develop these relationships, they must be willing to forego short term gains, particularly when the salesperson realizes that at that moment a purchase might not be in the customer's best interests.

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**Objectives of Personal Selling**

Personal selling is used to meet the five objectives of promotion in the following ways:

1. **Building Product Awareness:** A common task of salespeople, especially when selling in business markets, is to educate customers on new product offerings. In fact, salespeople serve a major role at industry trades shows. Sales Promotion where they discuss products with show attendees. But building awareness using personal selling is also important in consumer markets. As we will discuss, the advent of controlled word-of-mouth marketing is leading to personal selling becoming a useful mechanism for introducing consumers to new products.
2. **Creating Interest:** The fact that personal selling involves person-to-person communication makes it a natural method for getting customers to experience a product for the first time. In fact, creating interest goes hand-in-hand with building product awareness as sales professionals can often accomplish both objectives during the first encounter with a potential customer.
3. **Providing Information:** When salespeople engage customers a large part of the conversation focuses on product information. Marketing organizations provide their sales staff with large amounts of sales support including brochures, research reports, computer programs and many other forms of informational material.
4. **Stimulating Demand:** By far, the most important objective of personal selling is to convince customers to make a purchase. In the Selling Process tutorial we will see how salespeople accomplish this when we offer detailed coverage of the selling process used to gain customer orders.
5. **Reinforcing the Brand:** Most personal selling is intended to build long-term relationships with customers. A strong relationship can only be built over time and requires regular communication with a customer. Meeting with customers on a regular basis allows salespeople to repeatedly discuss their company's products and by doing so helps strengthen customers' knowledge of what the company has to offer.

**13.2 Sales Management Basics**

Sales management is a business discipline which is focused on the practical application of sales techniques and the management of a firm's sales operations. It is an important business function as net sales through the sale of products and services and resulting profit drive most commercial business. These are also typically the goals and performance indicators of sales management.

**Sales Responsibilities**

The duties and responsibilities of the sales persons can vary depending upon the nature of the business.

- i) A sales person should have all the knowledge about the product so that he may communicate with the customers.
- ii) He should sell the products with persuasion and it is the responsibility of sales person to satisfy the customers while they are looking for the products. iii) Sales person should also handle and maintain the cash.

- iv) Sales person is also responsible to greet the customers, to help the customers in identifying their requirements, to promote products, to answer the customers' questions regarding the products, to negotiate the price on the spot, to arrange the merchandise properly and to supervise the ordering the supplies.

### Types of Sales Manager

There are four types of sales managers. Here is an in-depth discussion of the different types of sales manager in any kind of company.

#### 1. The Dictator Manager

There are managers that are called as dictators. These managers love to dictate and usually want their opinions to be done all the time. Their listening skills are only limited and they do not regard the opinions of their subordinates. Although the dictator managers are regarded as evil managers, there is still an advantage of being one. In fact, your subordinates exactly know where they stand and therefore do not cross the line. Since being a dictator means that you follow the guidelines strictly, then you can be ensured that your subordinates will also learn the rules themselves. However, the major drawback about being one is that you tend to monopolize the entire work place. Moreover, your subordinates will follow you not because they respect you but because they are afraid.

#### 2. The Disappearing Managers

These managers have a lot of things to do and are often out from the office most of the time. This type of manager is always on the go. If you are this kind of manager, then you need to make sure that change yourself. As found out, this type of manager can be very frustrating since they are nowhere around when their representatives need them.

#### 3. The Demonstrator Manager

This particular manager loves to work most of them time on their own without the need to work with others. Although this is good, sometimes the manager does not give his or her subordinates a chance to work for themselves. The downside to this manager is that he or she does not illicit the value of teamwork among the subordinates.

#### 4. The Developer Manager

This manager takes time with his or her subordinates and develops ways to improve them. In all types of manager, this particular manager is the best type of all. This makes the subordinates feel comfortable with the manager thus they perform well with their jobs.

### 13.3 HR Practices in Sales Management

The recruitment and selection of a sales force often is the key to success for an organization. A successful sales team leads to profitability and future growth. Most organizations that hire sales professionals use a very detailed, well-orchestrated process to ensure that the candidates selected will meet or exceed targeted sales goals.

#### Job Description

A detailed job description is created that represents a top-notch sales person. The job description includes the overall function of the job, detailed responsibilities, sales expectations, as well as education and personal attributes required to be successful. A sales job description also represents the challenges of the job. When the job description

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is posted to find candidates, the goal is to attract highly skilled sales professionals willing to take on the challenge.

**Cover Letter and Resume**

Applications received from candidates interested in the opportunity are reviewed carefully. Candidates' cover letters and resumes often are scrutinized, and recruiting professionals look for enthusiastic candidates who exhibit potential to provide successful accomplishments in sales.

**Screening**

After resumes are screened, selected candidates are contacted. In many cases, the candidates are screened during a phone interview to verify that they qualify for the job opening. During the screening process, hiring professionals evaluate sales skills, as well as the candidates' personalities to ensure they match the overall requirements for the position. One or several candidates are then selected to proceed to the next phase of the recruitment and selection process.

**Assessments**

When candidates are selected after an initial phone interview, many organizations administer an assessment to evaluate the candidate's personality and how it reflects on his/her sales abilities. In many cases, the assessment is administered online. After the assessment is completed, hiring professionals evaluate the results and determine if the candidate's personality and skills are a fit for the sales position.

**13.4 Evaluation of Training**

Training refers to effectively systematized and evaluated attempts in any programme, tailor made to fit the needs of a particular organization, in harmony with its aims and policy and followed for the purpose of developing in men and women are whatever level of responsibility certain attitude, actions, skills and abilities that enable them to make the most effective contribution to their organization. Training is a process of learning a sequence of programmed behaviour. It is an application of knowledge. It gives people an awareness of the rules and procedures to guide their behaviour. It attempts to improve their performance on the current job or prepare them for an intended job.

Training may be viewed as a systematic and planned process, which has its organizational purpose to impart and provide learning experiences that will bring about improvement in an employee and thus enabling him to make his contribution in greater measure in meeting the goals and objectives of the organization. Training is an organized procedure for increasing the knowledge and skill of people for a specific purpose. The trainee acquires the skill, technical knowledge, problem-solving ability etc. Training also gives an awareness of the rules and procedures to guide their behaviour. Training improves the performance of employees on present jobs and prepares them for taking up new assignment in future.

**Meaning of Training**

Training is the process of maintaining and developing the required skills in an employee so as to enable him/her to maintain and/or improve the performance. Training is the human resource development sub-function. Every organization spends more time



and money to provide training to the employees for better performance.

### **Definition of Training**

According to **Edwin B. Flippo**, "Training is the act of increasing the knowledge and skill of an employee for doing a particular job".

According to **Michael J. Jucius**, "The term training is used here to indicate only process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased".

According to **Dale Yoder**, "Training is the process by which manpower is filled for the particular jobs it is to perform."

According to **Beach**, "Training is the organised procedure by which people learn knowledge and skills for definite purpose."

### **Objectives of Training**

The objective of training is to improve the performance of employee's tasks. The objective of training is given below:

- To provide basic knowledge and skill to the newly joined people to perform the tasks as designed by the organization.
- To improve the skills, efficiency and productivity of the organization.
- To create specialization.
- For maximum utilization of given resources.
- To increase the morale of the employees.
- To promote innovation.
- To develop second and third line executives to strengthen the working links and levels, so that they can occupy higher positions.
- To attain the objectives of the organization.
- To avoid shortage of skilled labours.
- To increase profits.
- To mould the employee attitude with the purpose of achieving better co-operation with the company and develop loyalty to the organization.
- To motivate the workforce.
- To meet the competition.
- To prevent obsolescence.

### **Benefits of Training**

- (i) Leads to improved profitability and / positive attitudes toward profit orientation.
- (ii) Improves the job knowledge and skills at all levels of the organization.
- (iii) Improves the morale of workforce.
- (iv) Helps people identify with organizational goals.
- (v) Helps to create a better corporate image.
- (vi) Fosters authenticity, openness and trust.
- (vii) Improves relationship between superiors and subordinates.
- (viii) Aides in organizational development.

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- (ix) Helps prepare guidelines for work.
- (x) Helps in carrying out and implementing organizational policies.
- (xi) Aides in increasing productivity and for total quality of work.
- (xii) Reduces outside consulting costs by utilizing internal competent consultation.

**Need for Training**

The basic needs of training are as follows:

- (i) It helps to improve the quality of the product, the proper training is required. The quality increases may be in relationship to a company product or service, or in reference to the intangible organizational employment atmosphere.
- (ii) It improves the productivity, the training is necessary. Instruction may help employees increase their level of performance on their present assignment.
- (iii) To improve the health and safety of employee training is necessary. Proper training may help to prevent industrial accidents. A safer work environment leads to more stable mental attitudes on the part of employees.
- (iv) It promotes the proper training for that particular job is required.
- (v) to helps a company fulfil its future personnel needs, training is necessary. Organizations that have a good internal educational program will have to make less drastic manpower changes and adjustments in the event of sudden personnel alternations.

**Methods/Techniques of Training****1. On-The-Job Training**

On-the-Job training is the heart and soul of all training in business and industry. OJT sometimes called "Shop Training" is the most universal form of employee development. This is the traditional method of learning, which is designed to maximize learning while allowing the employee to perform his job under the supervision and guidance of a trained worker or instructor, providing him practical application and making principles and concepts of learning meaningful and realistic. This is the most effective method of development applicable at all levels to a wide range of semiskilled, skilled and technical jobs, as well as supervisory and management development programmes. There are several types of on the job training. The prominently deployed in use under On-the-Job training are:

**(I) Coaching**

The trainee is placed under a particular supervisor who functions as a coach in training the individual. The supervisor provides feedback to the trainee on his performance and gives some suggestions for improvement. Often the trainee shares some of the duties and responsibilities of the coach and relieves him of his burden. A limitation of this method is that the trainee would not have the freedom to express his ideas.

**(II) Understudy Programme**

In this method, an individual works as an 'assistant to' 'deputy to' the senior manager so that eventually the deputy can assume full responsibilities and duties of the job held by the senior manager. In this method, the trainee learns by experience and observation. The main advantage of this method is that the training is conducted in practical and realistic situations.

**(III) Job Rotation**

Job rotation method involves transferring the trainee from one job to the other within the department on a systematic basis. If the trainee is systematically moved from one job to other would expose him to other fellow member's working situation and also would come to know the kind of problems faced in doing the job.

**(IV) Special Projects**

In this method, the trainee may be asked to perform a special assignment so that he would be in a position to acquire knowledge and also learn the work procedure. Sometimes, the management may create a taskforce consisting of trainees representing different functions in the organization. The setting up of the task force not only helps the trainees in acquiring knowledge about the special assignment but also enables them to develop team spirit.

**(V) Junior boards committee**

Committees and Junior Boards which are also called 'multiple management' are important methods of training. The trainee by becoming a member of the committee gets an opportunity to interact with experienced managers and to know many problems of the organization and the viewpoints of different managers can also be used for the purpose of managerial development. The members in the junior boards deliberate upon the same problem faced by the company Board of Directors.

**(VI) Apprentice Training**

Apprenticeship training is the most commonly used method, especially when proficiency in job is the result of a relatively long training period of 2 years to 3 years for persons of superior ability and from 4 years to 5 years for others. A major part of training time is spent on-the-job productive work. Each apprentice is given a programme of assignments according to a pre-determined schedule, which provides for efficient training in trade skills.

**(VII) Job Instruction Training (JIT)**

The JIT method requires skilled trainers, extensive job analysis, training schedules, and prior assessment of the trainee's job knowledge. It involves listing all necessary steps in the job each step is also listed. The actual training follows a four-step process, beginning with:

- (a) The preparation of the trainee for instruction. This includes putting him at ease, emphasizing the importance of the task and giving a general description of job duties and responsibilities.
- (b) Presentation of the instructions giving essential information in a clear manner. This includes positioning the trainee at work site, telling and showing him each step of the job, stressing why and how each step is carried out as it is shown.
- (c) Having the trainee try out the job to show that he has understood the instructions, if there are any errors they are corrected.
- (d) Encouraging the question and allowing the trainee to work along and the trainer follows up regularly. The JIT method provides immediate feedback on results, quick correction of errors. And provision of extra practice when required. However, it demands a skilled trainer and can interfere with production and quality.

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**Advantages of On-the-Job Training**

The main advantages of on-the-job training are as follows:

- a) The trainee learns on the actual equipment is use and in the true environment of his job. He therefore, gets a feel of the actual production conditions and requirements.
- b) The trainee learns the rules, regulations and procedures by observing their day-to-day applications. He can, therefore, be easily sized up by the management.
- c) It is highly economical since no additional personnel or facilities are require for training.
- d) It is most appropriate for teaching the knowledge and skills which can be acquired in a relatively short period, say, a few days or weeks.
- e) This type of training is a suitable alternative for a company in which there are almost as many jobs as there are employees.

**Disadvantages of On-the-Job Training**

- a) This is due to such reasons as the inability of the experienced employee to import skills to the trainee, the breakdown of the job for the purpose of instructions, and the lack of motivation on the part of the trainee to receive training.
- b) Learners are often subjected to distractions of a noisy shop or office. Further, the other drawback is the low productivity, especially when the employee is unable to fully develop his skills.
- c) However, this training is generally given in a large number of organizations and is suitable for all levels of operatives, supervisors and executives, for it needs no schools, and the employee's contribution adds to the total output of the enterprise.
- d) Job rotation involves the movement of the trainee from one job-to another. The trainee receives job knowledge and gains experience from his supervisor or trainer in each of the different job assignments.

**2. Off-the-Job Training**

Under this method of training, the trainee is separated from the job situation and his situation is focused upon learning the material related to his future job performance. Since the trainee is not distracted by job requirements, he can place his entire concentration on learning the job rather than spending his time in performing it. There is an opportunity for freedom of expression for the trainees.

**(I) Role Playing**

It is defined as a method of human interaction that involves realistic behaviour in imaginary situations. The method of training involves action, doing and practice. The participants play the role of certain characters such as the production manager, mechanical engineer, superintendents, maintenance engineers, quality control inspectors, foreman and workers and like. This method is generally used for developing inter-personal relation and interactions. In role-playing, trainees act out a given role as they would in a stage play. Two or more trainees are assigned parts to play before the rest of the class. These parts do not involve any memorization of lines or any rehearsals. The role-players are simply informed of a situation and of the respective roles they have to play. Sometime

after the preliminary planning, the situation is acted out by the role-players. Role-playing primarily involves employee-employer relationships-hiring, firing, discussing a grievance procedure, conducting a post-appraisal interview or disciplining a subordinate or a sales man making a representation to a customer.

### Advantages of Role Playing

- (a) Learning by doing is emphasized.
- (b) Human sensitivity and interactions are stressed.
- (c) The knowledge of results is immediate.
- (d) Trainee interest and involvement tend to be high.
- (e) It is a useful method to project the living conditions between learning in the classroom and working on a job and creating a live business situation in the class room.
- (f) It develops skills and ability to apply knowledge, particularly in areas like human relations.
- (g) It brings about desired changes in behaviour and attitudes.

### (II) Case Study

It is a written description of an actual situation in business which provokes in the reader, the need to decide what is going on, what the situation reality is or what the problems are, and what can be done. Taken from the actual experiences of organizations, these cases represent attempt to describe, as accurately as possible, real problems that managers have faced. Trainees study the case to determine the problems, analyze causes, develop alternative stimulating discussions among participants, as well as excellent opportunities for individuals to defend their analytical and judgmental abilities

### Advantages of Case Study Method

- (a) Master the facts; become acquainted with the content of the case.
- (b) Define the objectives sought in dealing with the issues in the case.
- (c) Identify the problems in case and uncover their problem causes.
- (d) Develop alternative courses of action.
- (e) Screen the alternatives using the objectives as the criteria.
- (f) Select the alternative that is most in keeping with the stated objectives.
- (g) Define the controls needed to make the action effective and
- (h) To role play the action to test its effectiveness and find conditions that may limit it.

### Advantages of Case Study Method

- (a) It may deferent into a mere dreary demonstration of dusty museum-pieces, if it is taught only from books at developing centres of learning.
- (b) Instructions in the methods of analysis may be given due importance. It may suppress the critical faculties of mediocre trainees, and the habit of bunking by analogies may develop.

### (III) Sensitivity Training

Sensitivity training uses a small group of trainees, usually fewer than 12 in a group. They meet with a passive trainer and gain insight into their own and others behavior. Meetings have no agenda, are held away from workplaces, and questions deal with the 'here and now' of the group process. The objective for such a type of training is to provide

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the participants with increased awareness of their own behaviour and how others perceive them.

**(IV) Simulation**

A simulator is any kind of equipment or technique that duplicates nearly as possible the actual conditions encountered on the job. Simulation then, is an attempt to create a realistic decision-making environment for the trainee. Simulation presents likely problems situations and decision alternatives to the trainee. For example, activities of an organization may be simulated and the trainee may be asked to make a decision in support to those activities. The results of those decisions are reported back to the trainee with an explanation of what would have happened had they actually been made in the workplace.

**(V) Vestibule Training**

In this method, actual work conditions are simulated in a classroom. Vestibule training also called classroom training which is often imparted with the help of the equipment and machines which are identical with those in use in the place of work. A primary advantage of vestibule training is that it relieves the employee from the pressure of having to produce while learning. Material files and equipment which are used in actual job performance are also used in training. This type of training is commonly used for training personnel for clerical and semi-skilled jobs. The duration of this training ranges from days to a few weeks. The emphasis is on learning skills required by the job. Of course, the cost of duplicate facilities and a special trainer is an obvious disadvantage.

**Advantages**

- (i) As training is given in a separate room, distractions are minimized.
- (ii) A trained instructor who knows how to teach can be more effectively utilized.
- (iii) The correct method can be taught without interrupting production.
- (iv) It permits the trainee to practice without the fear of supervisors' or co-workers' observation and their possible ridicule.

**Disadvantages**

- (i) The splitting of responsibilities leads to organizational problems.
- (ii) An additional investment in equipment is necessary, though the cost may be reduced by getting some productive work done by trainees while in the school.
- (iii) This method is of limited value for the jobs which utilize equipment which can be duplicated.
- (iv) The training situation is somewhat artificial.
- (v) However, when the number of trainees is large, vestibule schools are generally utilized, but when the number is small, on-the-job training is preferred.

**(VI) Conference Method**

In the directed discussion, the trainer guides the discussion in such a way that the facts, principles or concepts are explained. In the training conference, the instructor gets the group to pool its knowledge and past experience and brings different points of view to bear on the problem. In the seminar conference, answer is bound to question or a solution to a problem. For this, the instructor defines the problem, encourages and ensures full participation in the discussion. It is the method in training the clerical, professional, and supervisory personnel. This method involves a group of people who pose ideas, examine and share facts, ideas and data, test assumptions, and draw conclusions, all of which contribute to the improvement of job performance.

**Advantages**

The conference is ideally suited for the purpose of analyzing problems and issues and examining them from different viewpoints. It is an excellent method for the development of conceptual knowledge and for reducing dogmatism and modifying attitudes because the participants develop solutions and reach conclusions, which they after willingly accepts.

**Disadvantages**

- (i) It is limited to a small group of 15 to 20 persons, because larger groups often discourage the active participation of all the conferees.
- (ii) It is usually slow because all those desiring to speak on a point are generally allowed to do so. Consequently irrelevant issues easily creep in.

**(VII) Programmed Instruction**

Programmed instruction involves a sequence of step which is often set up through the central panel of an electronic computer as guides in the performance of a desired operation or series of operation. This method is expensive and fine consuming.

**Advantages**

- (i) Trainees learn at their own pace.
- (ii) Instructors are not a key part in learning.
- (iii) The materials to be learned are broken down into small units.
- (iv) Immediate feedback is available.
- (v) Active learner participation takes place at each step in the programme.

**Disadvantages**

- (i) The impersonality of instructional setting.
- (ii) An advanced study is not possible until preliminary information has been acquired.
- (iii) Philosophical and attitudinal concepts and motor skills cannot be taught by this method.
- (iv) The cost of creating any such programme is very great.

**13.5 Personal Selling Process**

Selling process involves different steps, one by one so as to persuade the consumer to buy his product that will give him satisfaction. These steps are known as stages of selling process.

The various steps in personal selling process are as follows:

**Step-1: Prospecting**

Prospecting refers to identifying and developing a list of potential clients. Sales people can seek the names of prospects from a variety of sources including trade shows, commercially-available databases or mail lists, company sales records.

**Step-2: Pre-approach**

- i) Finding and analyzing information about prospects.
- ii) Evaluating a prospect's potential.

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**Step-3: Approach**

Under this step the salesman contact with target audience through telephone or mail. The initial face-to-face contact starts with prospect during which first impressions are formed.

**Step-4: Sales Presentation**

Presentation of how the product fills a need or solves a problem for the prospect. Using Persuasive communication tell the product's story.

- Hold Attention
- Stimulate Interest
- Desire

**Step-5: Handling Objections**

The prospective customer provides feedback and salesperson attempts to further tailor the presentation for the prospect's needs.

**Step-6: Closing the Sale**

Under this step the salesperson asks the prospect to buy.

**Step-7: Following Up**

Following up includes:

- |                     |  |
|---------------------|--|
| i) Commitments meet | ii) Shipment                                 |
| iii) Performance    | iv) Satisfied customers re-buy and recommend |

**13.6 Direct Marketing**

Direct marketing is a form of advertising where organizations communicate directly to customers through a variety of media including cell phone text messaging, email, websites, online adverts, database marketing, fliers, catalog distribution, promotional letters and targeted television, newspaper and magazine advertisements as well as outdoor advertising. Among practitioners, it is also known as direct response.

**Advantages of Direct Marketing**

There are a range of advantages of direct marketing, these are summarised below:

- 1) Builds loyalty** – A well-run direct marketing campaign can build brand loyalty by continual brand messaging on direct marketing channels. This is particularly effective where multi-channel messaging is used, e.g. Email, direct mail, SMS, etc. all in one consistent joined-up coherent campaign.
- 2) Direct** – As the name suggests this technique is direct. This engagement directly with the customer eliminates price hikes due to “middle men” and provides a direct approach. This has benefits as the organisation is totally in charge of the contact and can apply in-house CRM techniques to effectively manage the relationship
- 3) Effective** – Direct marketing when managed well has a long-standing reputation for high profitability and great ROI.
- 4) Monitorable** – Tracking and monitoring can be put in place to effectively analyse the results of a campaign. Strengths can be accentuated and weaknesses eliminated, with a view that through continual tweaks/enhancements campaign ROI and metrics will only continue to grow in the medium-long term.



- 5) **Personalised and targeted** – Direct marketing can be personalised based on actual experience of working with a customer and/or socio-economic factors. Even for prospects personalisation can be achieved through techniques such as customer segmentation and data profiling
- 6) **Reduced competitor awareness** – Competitors will have a much lower level of awareness with direct marketing as it is direct to the customer. Other marketing techniques such as TV, Radio, Internet advertising, etc. are public and open to counter-moves by competition

### Disadvantages of Direct Marketing

There are some disadvantages of direct marketing, these are summarised below:

- 1) **Environmental impact** – Some of the direct marketing channels are associated with having an environmental impact (most noticeably direct mail). This can be reduced by targeted direct mail campaigns and using environmentally friendly materials. This marketing technique is no worse than many indirect marketing methods (e.g. billboard posters)
- 2) **Image impact** – It's a common perception that image can be adversely affected by some direct marketing campaigns (direct mail and telemarketing in particular). Whilst this is true for poorly managed campaigns, the effects can be avoided by ensuring contacts are opted-in and happy to receive marketing messages (which is best practice anyway!)
- 3) **Limited reach** – This is a "perceived" disadvantage of direct marketing to many. The limited reach is due to the fact that mass broadcast techniques (e.g. TV, Radio, Internet Advertising, etc.) are not used. Although it's true the reach is less, the reach achieved is more specific and targeted. Reach can be extended by buying high-quality targeted opt-in additional contacts from reputable sources such as Baker Goodchild.
- 4) **Privacy intrusion** – The main drawback of direct marketing is its links with privacy intrusion (this is particularly related to telemarketing and direct mail). This is definitely the case with badly managed campaigns and links closely to the image impact above. Once again with true opt-in consent and best practice campaign management privacy would not be an issue.

### 13.7 Summary

Personal selling is the delivery of a specially designed message to a prospect by a seller, usually in the form of face-to-face communication, personal correspondence, or a personal telephone conversation. Unlike advertising, a personal sales message can be more specifically targeted to individual prospects and easily altered if the desired behavior does not occur.

Personal Selling is a two way communication between the seller and the buyer usually face-to-face, via the internet, the phone. A seller attempts to persuade a buyer to make a purchase under personal selling.

Dyadic simply means of or relating to two people. Thus, personal selling revolves around a marketing relationship developed between two people. Frequently, personal salespeople enlist the help of others in their organizations to sell to and service customers. And just as frequently, personal salespeople find themselves making presentations to small groups of people or working with multiple individuals within customers' firms. However, ultimately a successful marketing relationship is built by two people one person

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selling and person buying. Successful sales people identify that person early on and work to win their trust and confidence.

Personal selling is a process, not a single activity. And done correctly, the process continues indefinitely. Salespeople, sales managers, and others inside the seller's organization frequently see the selling process as culminating or ending with a signed order. However, in these days of so-called "relationship marketing" and "customer relationship management" successful organizations recognize that signed orders simply represent one point of positive feedback in an ongoing and continuous process.

Personal selling is highly interactive. In advertising, information flow occurs initially in a one-way direction. What feedback the advertiser receives arrives late well after an advertisement has aired. Moreover, without costly research, the attitudinal effects of advertising may never be known. In personal selling, feedback is largely Personal Selling instantaneous and continuous. The two-way flow of information that characterizes personal selling creates a communication channel rich with information, much of it nonverbal. Effective personal salespeople become adept at interpreting this information quickly and adapting their responses to it.

Controlled word-of-mouth has received a great deal of publicity though much of it has focused on potential ethical concerns. Some have expressed concern that paying people to "act" as if they are interested in a product without any indication of their relationship with the product breaches ethical standards. As more companies explore controlled word-of-mouth marketing it is expect to become an even more scrutinized form of personal selling.

Developing the skills and techniques needed to be successful at selling requires an extensive commitment by the individual seller and the seller's company to sales training. Sales training is the hallmark of professional selling. If there is one thing that separates the truly successful salesperson from those who are not, it is the amount of training and preparation they engage in.

Most organizations that employ a sales force offer new salespeople an extensive formal training program often held at dedicated training facilities. These training programs can range from a few days to many months depending on the industry. But once a salesperson has made the move to the field, training does not stop. Those involved in selling must continue to stay abreast of their products, customers, markets and competitors. While many companies may continue to employ the same methods used when they first trained their salespeople, a large number of firms are finding that ongoing training can be just as effective using electronic options such as delivering training over the Internet, through downloadable computer programs or through interactive CDs or DVDs.

### **13.8 Check Your Progress**

#### **I. Fill in the Blanks**

1. An organization can derive maximum benefit by giving importance to \_\_\_\_\_.
2. Personal selling enhances customer's confidence in the \_\_\_\_\_.
3. Personal selling promotes long-term business relation through \_\_\_\_\_.
4. Personal selling facilitates the seller to under-stand each customer's \_\_\_\_\_.
5. Personal selling provides a human touch to \_\_\_\_\_ transactions.
6. It helps to build long term relations between \_\_\_\_\_ & \_\_\_\_\_.
7. It is an effective tool in convincing the customer about the \_\_\_\_\_.

8. Personal selling provides a package of inputs of experts from difficult areas such as \_\_\_\_\_, \_\_\_\_\_ & \_\_\_\_\_.
9. \_\_\_\_\_ are the focal strategies that a company uses to achieve its marketing objectives.
10. Personal selling is useful in formulating \_\_\_\_\_.

**II. True/False**

1. An organization can derive maximum benefit by giving importance to personal selling.
2. Personal selling enhances customer's confidence in the manufacturers.
3. Personal selling promotes long-term business relation through personal intimacy.
4. Personal selling facilitates the seller to understand each customer's budget.
5. Personal selling provides a human touch to marketing transactions.
6. It helps to build long term relations between business & consumers.
7. It is an effective tool in convincing the customer about the product.
8. Personal selling does not provide a package of inputs of experts from different areas.
9. Marketing mix are the focal strategies that a company uses to achieve its marketing objectives.
10. Personal selling is useful in formulating pricing strategies.

**III. Multiple Choice Questions**

1. An organization can drive maximum benefit by giving importance to.....
  - (a) Sales Promotion
  - (b) Marketing
  - (c) Personal Selling
  - (d) Production
2. Personal selling enhances customer's confidence in the.....
  - (a) Marketer
  - (b) Sellers
  - (c) Advertiser
  - (d) Consumer
3. Personal selling promotes long-term business relation through.....
  - (a) Personal selling
  - (b) Personal intimacy
  - (c) both a & b
  - (d) None of the above
4. Personal selling facilitates the seller to understand each customer's.....
  - (a) Preferences
  - (b) attitudes
  - (c) Demand
  - (d) All the above

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5. Personal selling provides a human touch to .....
  - (a) Business transactions
  - (b) Marketing transactions
  - (c) Cash transactions
  - (d) Production transactions
6. Which of the following helps to build long - term relations?
  - (a) Wholesalers & retailers
  - (b) Retailers & consumers
  - (c) Business & consumer
  - (d) None of the above
7. Which of the following is an effective tool in convincing the customer?
  - (a) Market
  - (b) Goods
  - (c) Products
  - (d) All the above
8. Personal selling provides a package of inputs of experts from different areas such as.....
  - (a) Installation
  - (b) Trouble shooting
  - (c) Sales
  - (d) All the above
9. They are the focal strategies that a company uses to achieve its marketing objectives.....
  - (a) Product
  - (b) Price
  - (c) Promotion & distribution
  - (d) All the above
10. It is useful in formulating.....
  - (a) Pricing policies
  - (b) Pricing decision
  - (c) Pricing strategies
  - (d) Both a and b
11. If helps to frame prudent price policy to the management for the product.....
  - (a) Competitor's price
  - (b) Market reaction.
  - (c) Customer's sentiments
  - (d) All the above
12. Which of the following has a significant role to play in personal selling & Distribution?
  - (a) Sales price
  - (b) Sales force

- (c) Sales policy
- (d) None of the above

## 13.9 Questions and Exercises

### I. Short Answer Questions

1. Define the term Personal Selling.
2. What is Sales?
3. What is Sales Management?
4. What are the Sales Management Basics?
5. What is Human Resource?
6. Define the term HRM.
7. What is Training?
8. What is Direct Marketing?

### II. Extended Answer Questions

1. Discuss importance of Personal Selling.
2. Explain benefits of personal selling.
3. Discuss functions of sales management.
4. Explain about Sales Management Basics.
5. Discuss benefits of HRM.
6. Explain about HR Practices in Sales Management.
7. Discuss importance of Training.
8. Explain about Evaluation of Training.
9. Discuss various steps in Personal Selling Process.
10. Write note on: Direct Marketing.

## 13.10 Key Terms

- **Personal selling:** Personal selling is the delivery of a specially designed message to a prospect by a seller, usually in the form of face-to-face communication, personal correspondence, or a personal telephone conversation.
- **Sales Management:** Sales management is a business discipline which is focused on the practical application of sales techniques and the management of a firm's sales operations. It is an important business function as net sales through the sale of products and services and resulting profit drive most commercial business.
- **Sales planning:** Sales planning are the process of determining the number of sales persons or sales force required the sales targets to be achieved, the expenditures to be incurred and everything required for an effective sales organization in the firm.
- **Demonstrator Manager:** This particular manager loves to work most of their time on their own without the need to work with others. Although this is good, sometimes the manager does not give his or her subordinates a chance to work for themselves. The downside to this manager is that he or she does not illicit the value of teamwork among the subordinates.

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- **Training:** Training is the process of maintaining and developing the required skills in an employee so as to enable him/her to maintain and/or improve the performance. Training is the human resource development sub-function. Every organization spends more time and money to provide training to the employees for better performance.
- **Electronic Sales Training:** Developing the skills and techniques needed to be successful at selling requires an extensive commitment by the individual seller and the seller's company to sales training. Sales training is the hallmark of professional selling. If there is one thing that separates the truly successful salesperson from those who are not, it is the amount of training and preparation they engage in.
- **Professional Visitor:** This person doesn't have any problem making appointments. In fact, they thrive on it. They enjoy visiting and talking to people, getting to know them, and may even engage in a casual discussion of their customers' problems.

### 13.11 Check Your Progress: Answers

#### I. Fill in the Blanks

1. Personal selling
2. Sellers.
3. Personal intimacy
4. Preference.
5. Business.
6. Business & consumer.
7. Product.
8. Installation; trouble shooting & sales
9. Marketing mix.
10. Pricing strategies.

#### II. True or False

- |          |          |
|----------|----------|
| 1. True  | 2. False |
| 3. True  | 4. False |
| 5. False | 6. True  |
| 7. True  | 8. False |
| 9. True  | 10. True |

#### III. Multiple Choice Questions

- |         |         |
|---------|---------|
| 1. [c]  | 2. [b]  |
| 3. [b]  | 4. [a]  |
| 5. [a]  | 6. [c]  |
| 7. [c]  | 8. [d]  |
| 9. [d]  | 10. [c] |
| 11. [d] | 12. [c] |

### 13.12 Case Study

In January 2016, leading institutional broker Credit Suisse downgraded Colgate Palmolive India to 'neutral' rating in the wake of severe competition from the oral care products of Patanjali Ayurved (Patanjali). Patanjali was giving tough competition to other big FMCG companies operating in India. Since it was established in the year 2007, Patanjali had expanded from being a seller of pure medicinal products to a full-fledged FMCG company. The company priced its products cheaper than its competitors by sourcing raw materials directly from farmers. Patanjali could easily bank upon the growing demand for ayurvedic and natural products among urban consumers who perceived them to be safe and free of harmful chemicals. According to analysts, the most important factor was the association of the Patanjali brand with the popular yoga guru, Baba Ramdev (Ramdev). Patanjali's products were promoted at Ramdev's yoga classes organized across the country. Ramdev personally promoted Patanjali's products but did not charge the company. Due to Ramdev's personal image, many customers of Patanjali stayed loyal to the brand.

This case is about Patanjali Ayurved, one of the most successful FMCG companies that recently started its operations in India. The company was giving stiff competition to many well established FMCG companies in India like HUL. Right from the time it started its operations, Patanjali priced its products cheaper than its competitors by sourcing raw materials directly from farmers. Patanjali banked upon the growing demand for ayurvedic and natural products among urban consumers who perceived them to be safe and free of harmful chemicals. Another important factor behind the success of Patanjali Ayurved was the association of the Patanjali brand with the popular yoga guru, Baba Ramdev (Ramdev). The company spent very limited amount on the promotion of its products when compared with other FMCG companies. Patanjali wanted to quickly expand its business across the country and reach more customers through initiatives like establishing exclusive retail outlets, consolidating its online presence, and entering into tie-ups with retail chains. However, some analysts were skeptical about the company's growth prospects.

#### Questions:

1. How new companies challenge established players with a differentiated business model?
2. How can successful companies continue their growth momentum in the face of stiff competition in the market?

### 13.13 Further Readings

1. Marketing by Gary Armstrong, Michael Harker, Philip Kotler, Ross Brennan
2. Principles of Marketing by Philip Kotler
3. Contemporary Marketing by David L. Kurtz
4. Principles of marketing by Frances Brassington, Stephen Pettitt
5. Marketing insights from A to Z by Philip Kotler
6. Principles of marketing by Frances Brassington, Stephen Pettitt
7. Principles of marketing by Veronica Wong, John Saunders
8. Marketing by Armstrong, Armstrong Gary
9. Essentials of Marketing by Charles W. Lamb, Joseph F. Hair, Jr., Carl McDaniel

## Notes

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