Si No.: **Subject Code: U16BA3C4**

GOVERNMENT ARTS COLLEGE (AUTONOMOUS), KARUR-05

B.B.A., - III SEMESTER – CORE COURSE - IV

(For the candidates admitted from the year 2016-17 onwards)

MARKETING MANAGEMENT

UNIT- I Market and Marketing: Types of market –Marketing concepts – Functions of marketing – Marketing management – Objectives – Importance of marketing management – Marketing Environment – Micro and Macro environment.

UNIT- II Market Segmentation: Criteria of effective segmentation – Benefits of segmentation – Bases for marketing segmentation Buyer Behavior: Factors influencing consumer behavior – Buyer motives

UNIT-III Marketing Mix - Product: Product planning and development – product mix – new product development – product life cycle Pricing – meaning – influencing factors – objectives – pricing methods

UNIT-IV Marketing channels: Meaning and definition – need and importance – classification – Types of Intermediaries – Agent middlemen – Merchant middlemen – Wholesalers – functions – Retailers – Functions of Retailers – Physical distribution – Elements of physical distribution (logistics).

UNIT-V Promotion mix: Personal selling - meaning – process – Advertising – objectives – types – Sales promotion – objectives – sales promotion methods – publicity and public relation – meaning.

UNIT- I Market and Marketing: Types of market –Marketing concepts – Functions of marketing – Marketing management – Objectives – Importance of marketing management – Marketing Environment – Micro and Macro environment.

Market

The market actually refers to a set up where potential buyers and sellers can meet to exchange goods or services. It is basically a medium that facilitates these transactions in an economy. It allows for the exchange of goods, services, information under the protection of the law and generally in exchange for consideration.

Traditionally a market is a physical location or place, like a bazaar or a shopping mall. The kind of market it is will depend on a lot of factors. Some of the ways in which we can characterize markets are,

- According to the products being sold. Example: cotton market, iron market, share market
- Based on geographical locations, like a local market or international market
- By the types of buyers involved, example: consumer market, industrial market etc
- The quantity of goods transacted between parties like a wholesale market or a retail market

However, in the modern world, we currently live in has a somewhat wider definition of a market. In the world of e-commerce and start-ups, a market is no more just a meeting point for buyers and sellers. It actually represents a set of all the potential buyers in an environment.

So if you are launching a new product, your market will be every potential buyer of the said product, wherever they are. It is not restricted to a geographical location, or to the meeting of buyers and sellers.

Types of Markets

Physical Markets. Any physical market is a place where buyers and sellers physically meet that involve both parties in a transaction in exchange for money. Few good examples are departmental stores, shopping malls and retail stores

Virtual Markets / Internet Markets. Todays' business environment such type of markets are increasing on a fast track. It is a place where the seller offers goods and services via online platform i.e. internet. Buyers and sellers are not required to physically meet or interact. Examples are Freelancer.com, Amazon.com.

Auction Market. An auction market is a place where sellers and buyers indicate the lowest and highest prices they are willing to exchange. This exchange takes place when both the sellers and buyers agree on a price. A good example is the New York Stock Exchange (NYSE).

Consumer Markets. This market type means the marketing of consumer goods and services for personal and family consumption. Consumer market examples are

- fast moving consumer goods are ready to cock meals and newspaper, magazines etc.,

- consumer durables goods are fridge, televisions, personal computers etc.,
- soft goods are shoes and clothes and
- services include hoteling, hairdressing, schools and colleges etc.

Industrial Markets. The industrial market involves business to business sales of goods and services. These marketers do not target consumer markets. Some examples of the industrial market include

- Finish goods like office furniture,
- Selling raw materials for businesses i.e. gasses and chemicals
- Offering services to businesses2business for example security agencies, auditing and legal services etc.

Black Market. Just like black money, black market deals in illegal drugs and weapons.

Market for Intermediate Goods. These markets dealing in selling raw materials that need further processing to produce finish goods.

Financial Market. This is a broad market known as a financial market. This is a place for dealing with liquid assets for example shares, bonds etc.

Marketing

Marketing is a very wide term. It includes all the activities involved right from the production of the goods, until their consumption. Every activity in between, like designing, pricing, promotion, distribution, transportation, warehousing etc are activities of marketing.

Marketing is often taken to be a post-production activity, which is incorrect. Some activities of marketing start even before the production begins. One of its main aims is to satisfy customer needs, which requires understanding of these needs. And the product design will follow the leads of this study.

In modern terms, economists such as Philip Kotler have termed marketing as a “social process”. Here the wants and needs of the consumer are heard, and accordingly, products and services are offered to them. People interact with each other to exchange goods and services they require in exchange for money. There is no force or coercion, people will choose these products.

Important Features of Marketing

- *Satisfy Needs and Wants*: The main focus of all marketing activities is consumer satisfaction. When a group of individuals (potential customers) express their needs, the companies strive to satisfy these needs via marketing activities.

- *Creating a Market Offering*: Then the companies must dedicate their efforts to create an ideal market offering based on their study of potential customers. This product/service offered must try to fulfil all of the requirements of the potential customer in a given market.
- *Customer Value*: The customers buying decisions will be greatly dependant on the price of the product. It must satisfy their needs at the cost that they think is fair. So the sellers must add value to the product and price it accordingly, so the customer is willing and gets value for his price,
- *Exchange Mechanism*: Marketing is not a one-way process. The seller must satisfy the needs of the buyer. And the buyer in an exchange must provide consideration for the goods/services, which can be money or something else. It must be an exchange mechanism

Differences between Market and Marketing

Market	**Marketing**
In this comparison Market is the narrower concept	Marketing is a much wider concept than market
Market is the point of interaction between buyers and sellers	Marketing is the social process by which human needs are identified and eventually satisfied
Market is a set-up, or a place, or a point of interaction	Marketing is a process involving roughly 12 activities
Market can be of many types based on the goods traded, quantity traded, geographical location etc	Marketing philosophy is generally uniform for any type of goods or services.

Functions of Marketing

Marketing is the process that comprises of all the activities involved from the concept of the product all the way till it reaches the final consumer. So there are a lot of activities in this process, which we call the functions of marketing. Let us take a look.

1] Identify Consumer Needs

One of the first steps the company needs to take is to identify the needs and wants of the consumers in the market. To do so they must gather information and analyse this information. Once you understand your customer thoroughly you can base your product design on this information.

2] Planning

The next logical step would be to make a marketing plan. Firstly you must be very clear about the objectives of the company and what it wishes to achieve. Then you figure out a timeline to achieve these objectives. And finally, you plan the marketing strategy of your company accordingly.

3] Product Development

As per your consumer research, we then develop the product that suits the needs of the consumer. The design of the product is also an important factor in many products. Like for example when buying a car, the design will play a huge factor. There are other factors to be considered like cost, durability etc

4] Standardisation and Grading

Standardisation means ensuring uniformity in the product. All customers must get the same product of the same design and quality. And these standards need to be maintained throughout.

Grading is the process of classification of products according to similar characteristics and/or quality. If the product does not have any predetermined quality or other specifications like say agricultural products. Grading will ensure the consumer knows your goods are of the highest quality.

5] Packing and Labeling

The package and the label are the first impressions your product makes on the consumer so they are of essential importance. They are not only to protect and identify the goods but are great marketing tools. There is proof that an attractive package and label can go a long way in making a product a success.

6] Branding

One important decision the company has to make is whether they want the product to have an individual identity in the market or they want it to be recognized by the brand name.

Certain brands enjoy incredible goodwill in the market and it can benefit the product. But you may also want the product to have a separate identity so it can flourish on its own attributes.

7] Setting up Customer Support Services

Depending on your product there may be a variety of customer services that the company has to set up. Pre-sales service, consumer helpline, maintenance services, technical support are just some of the services that your product may require. These are important functions of marketing.

8] Pricing

This may be one of the most important functions of marketing. The price of a product will largely determine its success or failure. Factors like demand, market conditions, competition prices etc will be considered to come up with the correct pricing strategy.

9] Promotion

This is where you inform the customers of your product and persuade them to buy it. There are four major promotion methods – advertising, personal selling, sales promotion and publicity. The company must decide on its best promotion mix, a combination involving all or some of these four methods.

10] Distribution

Here the company must ensure the correct distribution channel for its product. It will depend on a variety of factors such as the concentration of the market, shelf life of the product, company's capital requirements etc. Inventory management is another important factor the company must look into.

11] Transportation

The physical movement of the goods from its place of production to its place of consumption is transportation. It is a very important function of marketing. The company must analyse the geographical boundaries of its market. This will help them choose the correct modes of transportation.

12] Warehousing

As we have seen there is always a lag time between the production and the consumption of most goods. Sometimes the products are seasonal or the supply is irregular or there are production difficulties. But companies like to maintain a smooth flow of goods. So storage and warehousing of goods are necessary.

Marketing Management: Meaning

Marketing management facilitates the activities and functions which are involved in the distribution of goods and services.

According to Philip Kotler, "Marketing management is the analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target markets for the purpose of achieving organisational objectives.

It relies heavily on designing the organisations offering in terms of the target markets needs and desires and using effective pricing, communication and distribution to inform, motivate and service the market." Marketing management is concerned with the chalking out of a definite programme, after careful analysis and forecasting of the market situations and the ultimate execution of these plans to achieve the objectives of the organisation.

Further, their sales plans to a greater extent rest upon the requirements and motives of the consumers in the market. To achieve this objective, the organisation has to pay heed to the right pricing, effective advertising and sales promotion, distribution and stimulating the consumers through the best services.

To sum up, marketing management may be defined as the process of management of marketing programmes for accomplishing organisational goals and objectives. It involves planning, implementation and control of marketing programmes or campaigns.

Importance of Marketing Management:

Marketing management has gained importance to meet increasing competition and the need for improved methods of distribution to reduce cost and to increase profits. Marketing management today is the most important function in a commercial and business enterprise.

The following are the other factors showing importance of the marketing management:

(i) Introduction of new products in the market.

(ii) Increasing the production of existing products.

(iii) Reducing cost of sales and distribution.

(iv) Export market.

(v) Development in the means of communication and modes of transportation within and outside the country.

(vi) Rise in per capita income and demand for more goods by the consumers.

Objectives of Marketing Management

Marketing management is the process of planning & implementing the conception, pricing, promotion and distribution of products or services. It is a target-oriented process and an operational area of management.

Marketing management is basically an organizational discipline, which focuses on the practical usage of marketing orientation, techniques and methodologies in companies and organizations and on the management of a firm's marketing resources and activities.

The following are the main objectives of marketing management −

- To satisfy the clients' requirements and their objectives.
- To leverage the gain for the growth of business.
- To develop customer base for the business.
- To create an appropriate marketing mix.
- To raise the quality of life of people.
- To build a good image of the organization.
- To maintain the long-run concept.

Now, we are clear about the need and objective of marketing management. Moving forward, let us discuss the broad marketing concepts in detail.

Marketing Environment

The market environment is a marketing term that refers to factors and forces that affect a company's behavior.

By the term company's behavior, we mean the company's ability to build and maintain successful relationships with customers, clients and all the people related to it.

Macro Environment

The term macro means large. Macro refers to large factors or vital factors like social factors, for example, male-female ratio, social changes, new lifestyle, or arrival of new thought. Examples of economic factors are per capital income, balance of payment, balance of trade, inflation rate, and gross domestic product.

Other factors like geographical, cultural, political, demographical and legal factors such as competitions and technology are also included in this environment.

Examples − Geographical distribution, distance from market, age, sex, literacy etc., cultural differences, cultural change, arrival of a new tradition, government decision making, new plans, programs & policies, government support, political disturbances and so on.

Micro Environment

Here the word itself describes the meaning − micro means small. So, micro environment is a composition of small factors, inside factors/nearer factors like customers, mediators like wholesaler, retailer, supplier, other stakeholders who demand something from the organization, i.e., shareholders, debenture holders, creditors, debtors, moneylenders, etc.

Micro environment also involves factors like working conditions, employees, purchase groups, local community and pressure groups.

Market segmentation depends on two levels − the **strategic level** and the **tactical level**. At a strategic level, it has a direct link with the decisions on positioning. At a tactical level, it relates with the decision of which consumer groups are to be targeted. We will discuss here the parameters based on which a market can be segmented.

UNIT- II Market Segmentation: Criteria of effective segmentation – Benefits of segmentation – Bases for marketing segmentation Buyer Behavior: Factors influencing consumer behavior – Buyer motives

Market segmentation can be defined as the subdivision of the market into compatible subsections of customers where any subsection may be selected as a market target to be reached with a unique marketing mix.

For example, Hindustan Unilever (HUL) produces a variety of products for different classes such as Surf Excel for higher class, Rin for middle class and Sunlight/Wheel for the lower class.

Objectives of Marketing Segmentation

The main objective of marketing segmentation or the goals to be achieved through marketing segmentation can be understood through the following points −

- To label potential customers
- To avail additional privileges for their customers
- To acknowledge the convenient place to purchase
- To pay additional benefits willingly
- To pay proper attention to some precise area
- To ensure proper database marketing usage
- To acknowledge real competition in the market
- To enhance productivity

These are the objectives an organization should keep in mind in order to design the marketing mix and increase its promotion. Let us move forward with the topic and have a look on the importance of market segmentation.

Importance of Segmentation

To achieve the objectives stated above, one has to clearly know the need of market segmentation in the first place. Following are some points outlining the importance of market segmentation.

- It promotes proper selection of target market.
- It assists planning and marketing exercises.
- It aids the tapping of market.
- Marketing effort is made more effective.
- It assists in accessing the strength and weakness of the company.
- It assists in effective usage of marketing resources.
- It balances proper coordination between the customers and the company.

Based on these points of importance of market segmentation, we will further look at the levels of market segmentation.

Levels of Market Segmentation

The level of marketing segmentation is dependent on the marketing plan of the marketer and the product attributes. There are four different levels of market segmentation.

- Segment marketing
- Individual marketing
- Niche marketing
- Local marketing

Segment Marketing

In segment marketing, we divide the entire marketing into a bunch of customers with respect to some common characteristics. That common characteristics may be taste, preference, choice etc. Segmenting this market is a very complex process as there are no criteria for the above attributes.

Individual Marketing

In this case, the customers are targeted individually by e-mail, SMS, calls etc. However, in order to make this marketing successful, we have to reduce the degree of heterogeneity.

Niche Marketing

In this type of segmentation, the small markets are targeted taking into consideration customer taste, preference, income and purchasing power.

In this type of market, we have to care for the bargaining power, the discounts, free gift, bonus points, free delivery, lucky coupons and post purchase voucher.

Local Marketing

In this type of segmentation, generally the local markets are targeted.

The organizations try to create patriotism in the mind of the customer by following the slogan "See global, use local". Again they take help of low-cost advertisements, low transportation costs, frequent delivery, speedy services etc.

Marketing segment are determined depending on the targeted consumer groups for particular products.

Steps in Market Segmentation

Segmentation is the process of creating small portions within a broad market to choose the right target market for various brands. Market segmentation assists the marketers to devise and execute relevant strategies to sponsor their products amongst the target market.

A market segment consists of people who have identical choices, interests and preferences. They generally think on the same lines and are biased towards similar products. Once the enterprise selects on their target market, they can easily codify strategies and plans to make their brands fashionable amongst the consumers.

Let us now discuss the steps in market segmentation −

Identify the Target Market

Identifying the target market means choosing the group of audience who could be a potential customer for the product. By identifying the target group, the marketing strategies can be prepared and products can be shaped.

For example − Different segments of cars are targeted at different consumer groups like the SUV for consumer who likes adventure and prefers outdoor road trips and the Sedan for luxury seeker consumer.

Identify Expectations of Target Audience

Expectations of different audience vary as per their requirement from the product. The demand and requirement of the target consumer changes and the company should keep a track of it and change its strategy as needed. For example, Instant noodles are designed for consumers who don't have much time to cook.

Create Subgroups

Creation of subgroup specifies the group it is targeted at and consumers from that group can easily relate to the product. This gives the product an edge in market over other products. For example, Face wash has created subgroups such as men and women and advertisements are made accordingly.

Criteria for an effective segmentation:

i. Measurable and Obtainable:

The size, profile and other relevant characteristics of the segment must be measurable and obtainable in terms of data. It has to be possible to determine the values of the variables used for segmentation with justifiable efforts. This is important especially for demographic and geographic variables. For an organisation with direct sales (without intermediaries), the own customer database could deliver valuable information on buying behaviour (frequency, volume, product groups, mode of payment etc).

ii. Relevant:

The size and profit potential of a market segment have to be large enough to economically justify separate marketing activities for this segment. If a segment is small in size then the cost of marketing activities cannot be justified.

iii. Accessible:

The segment has to be accessible and servable for the organisation. That means, the customer segments may be decided considering that they can be accessed through various target-group specific advertising media such as magazines or websites the target audience likes to use.

iv. Substantial:

The segments should be substantial to generate required returns. Activities with small segments will give a biased result or negative results.

v. Valid:

This means the extent to which the base is directly associated with the differences in needs and wants between the different segments. Given that the segmentation is essentially concerned with identifying groups with different needs and wants, it is vital that the segmentation base is meaningful and that different preferences or needs show clear variations in market behaviour and response to individually designed marketing mixes.

vi. Unique or Distinguishable or Differentiable:

The market segments have to be that diverse that they show different reactions to different marketing mixes. If not then there would have been no use to break them up in segments.

vii. Appropriate:

The segments must be appropriate to the organisation's objectives and resources.

viii. Stable:

The segments must be stable so that its behaviour in the future can be predicted with a sufficient degree of confidence.

ix. Congruous:

The needs and characteristics of each segment must be similar otherwise the main objective of segmentation will not be served. If within a segment the behaviour of consumers are different and that they react differently, then a unique marketing strategy cannot be implemented for everyone. This will call for a further segmentation.

x. Actionable or Feasible:

It has to be possible to approach each segment with a particular marketing programme and to draw advantages from that. The segments that a company wishes to pursue must be actionable in the sense that there should be sufficient finance, personnel and capability to take them all. Hence, depending upon the reach of the company, the segments must be selected.

xi. Some general considerations:

Apart from the above-mentioned characteristics, the segment must have some other features:

i. Growth potential

ii. Profitable

iii. Less risk prone

iv. Less competition intensive

Benefits of Market Segmentation

In a recent survey of marketing professionals in North America, 62 percent of respondents said improving audience segmentation to enable more precisely targeted messaging was a top priority. There’s a reason improving segmentation was the most frequently reported priority in the survey. Market segmentation offers many benefits to marketers, publishers and others, including the following advantages.

1. Improves Campaign Performance

Market segmentation can help you to improve the performance of your marketing campaigns by helping you to target the right people with the right messaging at the right time. Segmentation enables you to learn more about your audience so you can better tailor your messaging to their preferences and needs.

2. Informs Product Development

Market segmentation can also help companies to develop products that better meet the needs of their customers. You can create products to appeal to needs your main market segment may have and develop different products tailored to different parts of your customer base.

3. Reveals Areas to Expand

Market segmentation can also help businesses to identify audience segments that they are not currently reaching with their marketing efforts and then expand into new markets.

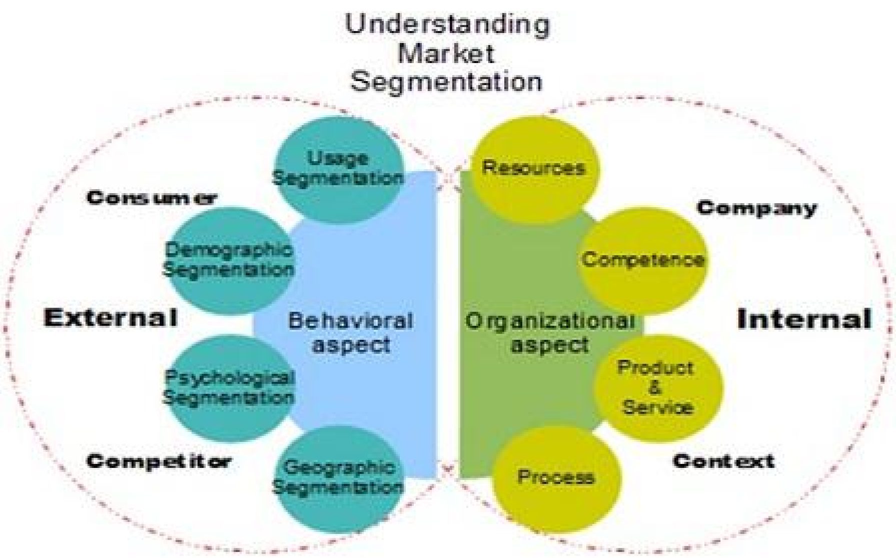
4. Improves Business Focus

Market segmentation can also help businesses to focus their efforts, which enables them to establish a brand identity and specialize in a particular type of products. A brand that tries to appeal to everyone in their marketing will come off as generic and unmemorable.

5. Informs Other Business Decisions

Market segmentation can also help to inform other important business decisions regarding how you get your product to customers. These decisions may involve matters such as pricing and distribution.

Bases for marketing segmentation Buyer Behavior



Geographic Segmentation

Prospective customers are in local, state, regional or national marketplace segment. If a firm is selling a product such as a farm equipment, the geographic location will remain a major factor in segmenting the target markets because their customers are located in specific rural areas.

In case of retail stores, geographic location of the store is one of the most important considerations. Here, urban areas are preferred.

Segmentation of customers based on geographic factors are −

- **Region** − Segmentation by continent / country / state / district / city.
- **Size** − Segmentation on the basis of size of an urban area as per the population size.
- **Population Density** − Segmentation on the basis of population density such as urban / sub-urban / rural etc.

Demographic Segmentation

Market segmentation can be done based on demographic factors such as Age. For example, Rico watches have segmented their product portfolio according to different age groups of people.

Psychographic Segmentation

Psychographic Segmentation focuses on group customers according to their life-style and purchasing psychology. Many businesses offer products based on the attitudes, beliefs and emotions, ideas, and perceptions of the target market. Psychographic segmentation includes variables such as Activities, Interests, Opinions, Attitudes, and Values.

Behavioralistic Segmentation

Markets can be segmented on the basis of buyer behavior. It is because the buying behavior of consumers differ based on the geographic, demographic and psychographic factors. Marketers often find practical benefits in using buying behavior as a separate segmentation basis in addition to factors like geographic, demographics, and psychographics.

Factors Influencing Consumer Behavior

The marketers try to understand the actions of the consumers in the marketplace and the underlying motives for such actions. These motives are the factors that influence the consumer behavior. These are:

Psychological Factors: The human psychology plays a crucial role in designing the consumer's preferences and likes or dislikes for a particular product and services. Some of the important psychological factors are:

- Motivation
- Perception

- Learning
- Attitudes and Beliefs

Social Factors: The human beings live in a complex social environment wherein they are surrounded by several people who have different buying behaviors. Since the man is a social animal who likes to be acceptable by all tries to imitate the behaviors that are socially acceptable. Hence, the social factors influence the buying behavior of an individual to a great extent. Some of the social factors are:

- Family
- Reference Groups
- Roles and status

Cultural Factors: It is believed that an individual learns the set of values, perceptions, behaviors, and preferences at a very early stage of his childhood from the people especially, the family and the other key institutions which were around during his developmental stage. Thus, the behavioral patterns are developed from the culture where he or she is brought up. Several cultural factors are:

- Culture
- Subculture
- Social Class

Personal Factors: There are several factors personal to the individuals that influence their buying decisions. Some of them are:

- Age
- Income
- Occupation
- Lifestyle

Economic Factors: The last but not the least is the economic factors which have a significant influence on the buying decision of an individual. These are:

- Personal Income
- Family Income
- Income Expectations
- Consumer Credit
- Liquid Assets of the Consumer
- Savings

These are some of the underlying factors that influence the consumer behavior, and the marketer must keep these in mind, so that appropriate strategic marketing decision is made.

Buying Motives

Definitions

Behind every sale there is always a buying motive, but that motive is never merely to own the article on question. It is on the other hand, always the prospects believe that ownership of the article will satisfy some specific desire on his part. A motive is the inner state that moves, or prompts a person to action.

In the words of W. J. Stanton, "A motive may be defined as a drive or an urge for which can individual seeks satisfaction. It becomes a buying motive when the individual seeks satisfaction through the purchase of something."

Some important definitions of motive are as under:

In the words of D. J. Durdian, "Buying motives are those influences or considerations which provide the impulse to buy, induce action or determine choice in the purchase of goods and services."

Motive is meant for that urge, lure or the power that inspires or entices any person to act in a proper direction. It is a kind of human hunger for satisfaction of which, the man does activities.

According to Dr. R.S. Davar – "A motive is defined as an inner urge that moves or prompts a person to action."

According to Berelson and Steiner – "A motive is the inner state that energizes, activates or moves and that directs or channels behaviour to work goals."

We arrive at conclusion after going over properly on the above said definitions that motive is the psychological human urge that energizes a man to act. Every person does the acts according to his motive.

It is clear from the above definitions of buying motives that buying motive is meant for the powers that inspire any person to buy the goods or items.

Buying Motives – Classification

1. Physical, Psychological and Sociological Buying Motives:

The psychological buying motives are related to the satisfaction of basic human needs for subsistence such as satisfaction of the needs for food, shelter and clothes, and security. The psychological buying motives relates to the need for prestige or self-preservation, etc. the sociological buying motives are related to the motives that exist at present and is expected in all the social situations.

2. Acquired and Inherent Buying Motives:

The acquired buying motives are learned motives and are influenced by the environment factors. Such motives are related to socioeconomic conditions and the level of education, such as economy, information, work efficiency, profit facility, quality, beauty, fashion, social presage, acceptance, etc.

3. Primary and Selective Buying Motives:

The primary buying motives increase the general demands for products and not the specific demands for a specified product/brand. The demands for radios, TVs, cars, motorcycles, etc. fall under this category of primary motives. The selective buying motives influence for the purchase of specific brands, for instance, the demands for Bajaj's Chetak Scooter, Onida TV, Philips Radios, etc.

4. Conscious and Dormant Buying Motives:

The conscious buying motives are such motives, which are identified by the buyer without any help from marketing functions, like advertising, personal selling or promotional tools. The conscious buying motives influence the satisfaction of presently existing needs of a customer. Such buying motives take shape within the sub-conscious minds of the customers and are not influenced by the external environmental factors.

5. Rational and Emotional Buying Motives:

Alfred Gross has classified the buying motives as emotional and rational.

A customer takes rational or economic buying decisions for availing at least a few of the following advantages:

(i) Where the buying is more profitable.

(ii) Where there is saving of time.

(iii) Where there is similarity/uniformity in the products.

(iv) Where the item is simple to operate.

(v) Where there are different uses of the product.

(vi) Where it saves the space in keeping the product.

(vii) Where there is economy in use.

(viii) Where the product is of good design.

(ix) Where it is a better product comparing to other products.

(x) Where the product is durable and the consumer has confidence on its durability.

(xi) Where the product is easily available.

(xii) Where the product is made as a result of high level innovation.

(xiii) Where it maintains continuity of supply.

(xiv) Where the goods are available with complete set and services facility is available.

(xv) Where it is automatically working.

Emotional buying motives influence a person to purchase certain goods or services not because of its rationality, but because of his emotion.

6. Product and Patronage Buying Motives:

Product buying motives motivates a person towards purchasing a special products. This motive is a generated by the physical and psychological features of the product, such as design, colour, size, package, quality, price etc.

UNIT-III Marketing Mix - Product: Product planning and development – product mix – new product development – product life cycle Pricing – meaning – influencing factors – objectives – pricing methods

Marketing Mix'

Definition: The *marketing mix* refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.

4Ps of marketing

Price: refers to the value that is put for a product. It depends on costs of production, segment targeted, ability of the market to pay, supply - demand and a host of other direct and indirect factors. There can be several types of pricing strategies, each tied in with an overall business plan. Pricing can also be used a demarcation, to differentiate and enhance the image of a product.

Product: refers to the item actually being sold. The product must deliver a minimum level of performance; otherwise even the best work on the other elements of the marketing mix won't do any good.

Place: refers to the point of sale. In every industry, catching the eye of the consumer and making it easy for her to buy it is the main aim of a good distribution or 'place' strategy. Retailers pay a premium for the right location. In fact, the mantra of a successful retail business is 'location, location, location'.

Promotion*:* this refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests and prizes.

The importance of the marketing mix

All the elements of the marketing mix influence each other. They make up the business plan for a company and handled right, can give it great success. But handled wrong and the business could take years to recover. The marketing mix needs a lot of understanding, market research and consultation with several people, from users to trade to manufacturing and several others.

Product Planning and Development Step

 # 1. Generation of New Product Ideas:

The first step in product planning and development is generation of ideas for the development of new/innovative products.

Ideas may come from internal sources like company's own Research and Development (R&D) department, managers, sales-force personnel etc.; or from external sources like, customers, dealers, competitors, consultants, scientists etc.

Step # 2. Screening of Ideas:

Screening of ideas means a close and detailed examination of ideas, to determine which of the ideas have potential and are capable of making significant contribution to marketing objectives. In fact, generation of ideas is not that significant as the system for screening the generated ideas.

Step # 3. Product Concept Development:

Those product ideas which clear the screening stage must be developed into a product concept – identifying physical features, benefits, price etc. of the product. At this stage product idea is transformed into a product concept i.e. a product which target market will accept.

Step # 4. Commercial Feasibility:

At this stage, the purpose is to determine whether the proposed product idea is commercially feasible, in terms of demand potential and the costs of production and marketing. Management must also ensure that product concept is compatible with the resources of the organization technological, human and financial.

Step # 5. Product Development:

Product development encompasses the technical activities of engineering and design. At this stage, the engineering department converts the product concept into a concert form of product in view of the required size, shape, design, weight, colour etc. of the product concept.

Step # 6. Test Marketing:

A sample of the product is tested in a well-chosen and authentic sales environment; to find out consumers' reaction. In view of consumers' reactions, the product may be improved further.

Step # 7. Commercialisation:

After the management is satisfied with the results of test marketing, steps are taken to launch a full-fledged programme for the production, promotion and marketing of the product. It is the stage where the new product is born; and it enters it life cycle process.

Product Mix

Product mix, also known as product assortment, is the total number of product lines that a company offers to its customers. The product lines may range from one to many and the company may have many products under the same product line as well. All of these product lines when grouped together form the product mix of the company.The product mix is a subset of the marketing mix and is an important part of the business model of a company. The product mix has the following dimensions

Width

The width of the mix refers to the number of product lines the company has to offer.

Length

The length of the product mix refers to the total number of products in the mix. That is if a company has 5 product lines and 10 products each under those product lines, the length of the mix will be 50 [5 x 10].

Depth

The depth of the product mix refers to the total number of products within a product line. There can be variations in the products of the same product line. For example – Colgate has different variants under the same product line like Colgate advanced, Colgate active salt, etc.

Consistency

Product mix consistency refers to how closely products are linked to each other. Less the variation among products more is the consistency. For example, a company dealing in just dairy products has more consistency than a company dealing in all types of electronics.

Product Mix Vs Product Line

A product mix is a group of everything a company sells.

However, the product line is a subset of the product mix. A product line refers to a unique product category or product brand a company offers.

Product Mix Example

Coca-Cola has product brands like Minute Maid, Sprite, Fanta, Thumbs up, etc. under its name. These constitute the *width of the product mix*. There are a total of 3500 products handled by the Coca-Cola brand. These constitute the *length*. Minute Maid juice has different variants like apple juice, mixed fruit, etc. They constitute the *depth of the product line* 'Minute Maid'. Coca-Cola deals majorly with drinking beverage products and hence has more *product mix consistency*.

Product Mix depends on many factors like

- ***Company Age***
- ***Financial Standing***
- ***Area of Operation***
- ***Brand identity, etc.***

Many new companies start with limited width, length, depth, and high consistency of the product mix, while companies with good financial standing have wide, long, deep, and less consistency of the product mix. The area of operation and brand identity also affects its product mix.

New Product Development Process

If a company needs to launch a new product in the market, there is a different development process to be considered. The following are the factors contributing to new product development −

- Demand in market
- Acceptance of a product in the market
- Acceptance of company strategy in market
- Economic viability of the product
- Changing the product as per consumer preference
- Adapting as per technological development
- Consideration of Government Policy

The development process has to consider these different perspectives for product development and has to adapt as per the market demand.

Stages of New Product Development

The following are the different stages of new product development −

- **Stage 1** − Generation of new product ideas
- **Stage 2** − Screening and evaluation of ideas
- **Stage 3** − Development and testing of concept
- **Stage 4** − Development of advertisement and promotion strategies
- **Stage 5** − Analysis of business

Product life cycle

Product life cycle is the timeline of demand for the product from its initial stage of introduction.

Let us now discuss the various stages of a product, starting from its innovation to its decline stage.

Stages of Product Cycle

Product life cycle can be defined as the life cycle of the product. It means the various stages a product sees in its complete life span.

Product life cycle comprises of the following four stages −

- Introduction or innovation
- Growth
- Maturity
- Decline

Let us start by describing the first stage we have in the product life cycle, that is, the introduction stage.

Introduction Stage

The product is introduced in the market in this stage; it is the initial stage of the product.

- Sales of the product are low in this stage because there may not be a need of the product in the market.
- The product may undergo brand trouble.
- In this stage, there is very little or no profit.
- The demand for the product is created and developed in this stage.

After this initial stage, the next stage of the product is the growth stage.

Growth Stage

In this stage, the demands and market share increases as well as competition emerges in the market.

- Generally, the price remains constant in this stage.
- Marketing and promotional expenses increase.
- There is rapid increase in sales.
- The manufacturing cost decreases so there is increase in profit margin.
- It penetrates other market segment.

In the growth stage, there is a boom in the demand of the product and the profit increases substantially.

Maturity Stage

The price of the product is comparatively low, but the advertisement and promotion cost increases in this stage.

- This stage remains for a comparatively longer duration.
- In this stage, there is high competition.
- Profit is decreased.
- Sales growth can be divided into the following three categories in the maturity stage −
    - Growth
    - Stability
    - Decay

In growth, there is an increase in the demand of the product. In stability, the demand of the product remains constant. In decay, there is a slight decrease in the demand.

Decline Stage

There is a decrease in sales in this stage. Demand of product also decreases.

- There is decrease in the price of the product.
- Margins are lowered.
- There is introduction of new product in market.
- New strategies are implemented.

This is the final stage of the product. There is a decrease in demand and sales of the product.

Importance of Product Life Cycle

Product life cycle is an important tool for market forecasting, planning and control. Product life cycle is important in various ways. The situation of the product can be analyzed properly and changes can be made in order to increase profit. Some other important features are −

- Helpful in formulating a proper product policy, production and pricing.
- Helpful in modifying the marketing policy.
- Helpful to the marketer regarding competition.
- Cautions the management about the decline stage of the product.
- **Stage 6** − Development of product
- **Stage 7** − Testing product in market
- **Stage 8** − Commercialization of the product

Development of a new product follows a long process, from the generation of an idea to the commercialization of the product in the market.

Pricing in Marketing

Definition: Pricing is the method of determining the value a producer will get in the exchange of goods and services. Simply, pricing method is used to set the price of producer's offerings relevant to both the producer and the customer.

Every business operates with the primary objective of earning profits, and the same can be realized through the Pricing methods adopted by the firms.

While setting the price of a product or service the following points have to be kept in mind:

- Nature of the product/service.
- The price of similar product/service in the market.
- Target audience i.e. for whom the product is manufactured (high, medium or lower class)
- The cost of production viz. Labor cost, raw material cost, machinery cost, inventory cost, transit cost, etc.
- External factors such as Economy, Government policies, Legal issues, etc.

Pricing Objectives

The objective once set gives the path to the business i.e. in which direction to go. The following are the pricing objectives that clears the purpose for which the business exists:

1. **Survival:** The foremost Pricing Objective of any firm is to set the price that is optimum and help the product or service to **survive in the market**. Each firm faces the danger of getting ruled out from the market because of the intense competition, a mature market or change in customer's tastes and preferences, etc.Thus, a firm must set the price covering the **fixed and variable cost** incurred without adding any profit margin to it. The survival should be the short term

objective once the firm gets a hold in the market it must strive for the additional profits.The **New Firms** entering into the market adopts this type of pricing objective.

2. **Maximizing the current profits:** Many firms try to maximize their current profits by estimating **the Demand and Supply** of goods and services in the market. Pricing is done in line with the product's demand in the customers and the substitutes available to fulfill that demand. Higher the demand higher will be the price charged. **Seasonal supply and demand** of goods and services are the best examples that can be quoted here.

3. **Capturing huge market share**: Many firms charge **low prices** for their offerings to capture greater market share. The reason for keeping the price low is to have an increased sales resulting from the **Economies of Scale**. Higher sales volume lead to lower production cost and increased profits in the long run.This strategy of keeping the price low is also known as **Market Penetration Pricing**. This pricing method is generally used when competition is intense and customers are price sensitive. **FMCG industry** is the best example to supplement this.

4. **Market Skimming:** Market skimming means charging a **high price** for the product and services offered by the firms which are innovative, and uses modern technology. The prices are comparatively kept high due to the high cost of production incurred because of modern technology. **Mobile phones, Electronic Gadgets** are the best examples of skimming pricing that are launched at a very high cost and gets cheaper with the span of time.

5. **Product –Quality Leadership**: Many firms keep the price of their goods and services in accordance with the **Quality Perceived** by the customers. Generally, the **luxury goods** create their high quality, taste, and status image in the minds of customers for which they are willing to pay high prices. Luxury cars such as **BMW, Mercedes, Jaguar**, etc. create the high quality with high-status image among the customers.

Factors Influencing Pricing

Pricing decision are influenced by many factors.

These factors can be classified under two heads:

1. Internal Factors:

Internal factors are those factors that work from within the organization.

Such factors include:

(i) Organisational Factors:

In the organization pricing decision happens at two levels. At the higher level management, decisions like price range and the pricing policies are decided. The actual price is then

(ii) Marketing Mix:

Pricing is only one element of marketing mix. All other elements hold equal importance to the success of marketing strategies of the firm.

(iii) Product Differentiation:

Price of the product very much depends upon the nature and characteristics of the product. A differentiated product with value added features like quality, size, color, attractive packaging, different uses of the product, utility etc. always forces the customers to pay more price as compared to any other product.

(iv) Cost of the Product:

Cost and price of a product are closely related and are independent. The firm must decide a realistic price based on current demand, competition, buying capability, etc. The firm must also keep into consideration its cost of production as it would not want to sell below the cost of production on a long term basis.

(v) Objectives of Firm:

Pricing contributes its share in attainment of the objectives of the firm. The firm may have a variety of objectives including – sales revenue maximisation, profit maximisation, market share maximisation, maximisation of customer value, maintaining image and position, maintaining stable prices etc. Pricing policy must be established only after objectives of the firm have been decided and understood.

2. External Factors:

External factors are those factors which affect all the firms of a given industry almost uniformly and are usually beyond the control of the firm.

They include:

(i) Demand:

Market demand of a product obviously has a major impact over its pricing policy. If the demand is inelastic then higher price may be fixed but if the demand is elastic then prices must be competitive.

(ii) Competition:

In a market with many competitors, prices have to be competitive without compromising on the quality. But in a monopolistic kind of market, prices can be determined by the market leader, irrespective of the pricing strategy of its competitors.

(iii) Supplies:

If prices of raw material goes up then the price of finished goods are bound to go up. Also suppliers pricing policy has a direct impact on the prices. Scarcity or abundance of raw material will also determine its prices' thereby affecting the overall price.

(iv) Economic Conditions:

Overall economic conditions have a very important role to play in the pricing decision. During recession prices have to be reduced considerably to sustain. On the other hand, during boom time, prices can be increased to reap the benefits of improved economy.

(v) Buyers:

The nature and behaviour of buyers will also have an influence on the pricing decisions. Their buying capability and willingness to pay a certain price cannot be ignored by the marketer.

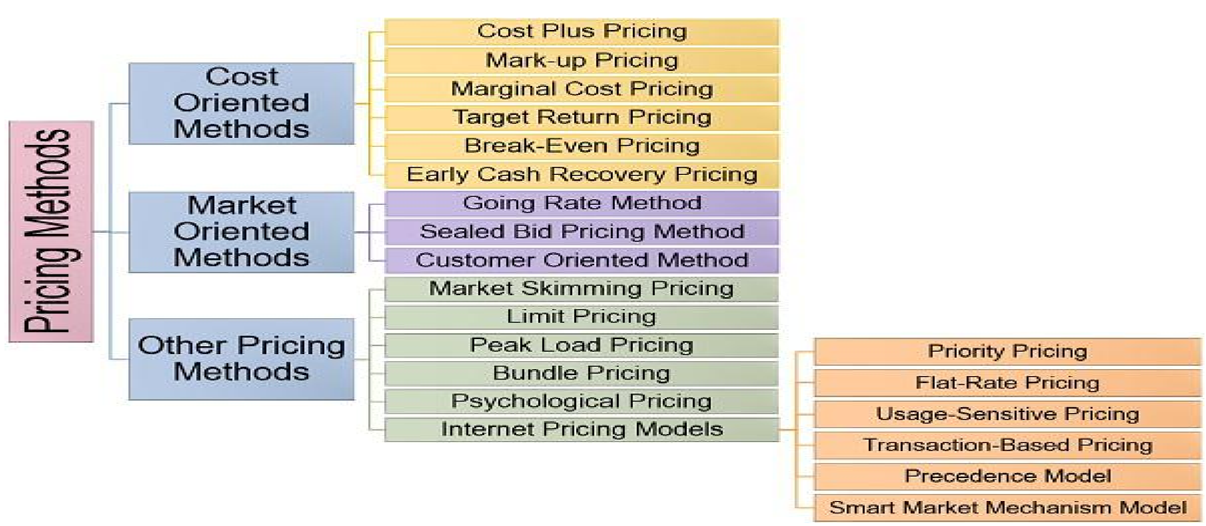
(vi) Government:

Government may exercise some measure of price control through enactment of certain legislations etc. Such measures are taken to protect the interest of people at large.

Pricing Methods

Definition: Pricing method can be seen as the process of ascertaining the value of a product or service at which the manufacturer is willing to sell it in the market. The cost, market competition and demand are the three significant factors which influence a product's price.

Pricing of products or services is a crucial decision-making strategy of the firm. Since it has a long-lasting impact over the business and its existence. Hence, a suitable pricing method needs to be adopted for this purpose.



Cost-Oriented Methods

These are the traditional methods of product pricing. The major factors which influence the product price are the fixed cost, variable cost other overheads incurred in manufacturing the products.

Let us now go through the different cost-oriented pricing models below:

Cost Plus Pricing

Cost-plus pricing is one of the simplest ways of price determination. A certain percentage of cost is added as a profit margin to the value of the product to acquire the selling price.

Mark-up Pricing

It is a form of cost-plus pricing, but here the profit margin is presented as a percentage of expected return on sales. The formula for mark-up pricing is:

$$\text{Mark} - \text{up Price} = \frac{\text{Unit Cost (Fixed + Variable)}}{1 - \text{Percentage of Expected Return on Sales}}$$

Example: If the unit cost of manufacturing a bag is ₹100 and the expected return on sales is 25%, determine the mark-up price.

Mark-up Price=Unit Cost (Fixed+Variable)/(1-Percentage of Expected Return on Sales)
Mark-up Price=100/1-25%
Mark-up Price=₹133.33

Marginal Cost Pricing

The primary aim of the company adopting this pricing method is to meet its marginal cost and overheads. The marginal costing method is suitable for entering the industries which are dominated by giant players, posing a fierce competition for the organization to sustain in the business.

Target Return Pricing

The pricing objective in target return method is to attain a certain level of ROI (Return on Investment). The formula for determining the target return price is:

$$\text{Target Return Price} = \frac{\text{Total Cost + Desired Return on Investment}}{\text{Total Sales in Units}}$$

To find out the desired return on investment:

$$\text{Desired Return on Investment} = \text{Desired \%ROI} \times \text{Total Investment Value}$$

Example: If the total business investment is ₹80000, the desired ROI is 25%; the total cost incurred is ₹30000 and the expected sales are 5000 units, determine the target return price.

Target Return Price=(Total Cost+Desired Return on Investment)/Total Sales in Units
Desired Return on Investment=Desired %ROI×Total Investment Value
Desired Return on Investment=25%×80000
Desired Return on Investment=₹20000
Target Return Price=(30000+20000)/5000
Target Return Price=₹10

Break-Even Pricing

This method is similar to break-even analysis, here the company needs to price the products such that it generates profit after recovering the fixed and variable costs. The selling price should be equal to or more than the break-even price (the point at which the sales revenue matches the cost of goods sold).

The formula for ascertaining the break-even limit is:

$$\text{Break} - \text{Even Limit} = \frac{\text{Total Fixed Cost}}{\text{Selling Price Per Unit} - \text{Variable Cost Per Unit}}$$

For instance, a company incurs ₹500000 as fixed cost and ₹25 as a variable cost. If the selling price is Rs.75, find out the break-even limit.

Break-Even Limit=Total Fixed Cost/(Selling Price Per Unit-Variable Cost Per Unit)
Break-Even Limit=500000/(75-25)
Break-Even Limit=10000 Units

Thus, the organization either needs to sell more than 10000 units or price the product higher than Rs.75 to earn a profit.

Early Cash Recovery Pricing

When it comes to rapidly growing technological products or the ones with a short life cycle, the cost needs to recover as early as possible. This method is very similar to target return pricing; the only difference is that it considers a high value of return on investment owing to a short recovery period.

Market-Oriented Methods

In a highly competitive market, the company cannot survive with cost-oriented pricing. Hence, it needs to price its products according to the market demand and competitor’s pricing strategy.

To understand the three primary market-oriented models of pricing, read below:

Going Rate Method

'Follow the crowd' method is based on market competition, where the company price its product similar to the competitor's product price. If the market leader reduces the price of its product, the organization also needs to decrease its product price, even if the latter's cost of production is high.

Sealed Bid Pricing Method

When it comes to industrial marketing or government projects, the supplier needs to bid specific product price, which he/she assumes to be the lowest, in a sealed quotation.

In other words, the organization needs to fill a tender, which indicates its costing and competitiveness. The pricing should be done smartly by estimating the profit margin at different price levels and enclosing the most competitive price.

Customer-Oriented Method

This method is also called perceived value pricing. It is demand-based pricing where the company determines the product price on value perception in terms of consumer demand for the particular goods or service. This perceived value is based on the following constituents:

- **Acquisition Value**: The acquisition value is based on the opportunity cost of a product or service, which is estimated through the comparison of the perceived benefit and the perceived sacrifice.
- **Transaction Value**: The comparison of the customer's reference price (assumed or quoted price) with the actual price paid for the product or service is the transaction value.

The other methods to find out the perceived value are as follows:

- **Direct Price Rating Method**: The customers need to determine the price of products displayed to them, where each product belong to a different brand.
- **Direct Perceived Value Rating**: The buyers rate the different brand products on a scale of 0-100 according to their preference. The highest-rated product has the maximum perceived value.
- **Economic Value to the Customer**: To determine the target market segment, the companies correlate its total product cost to the consumer benefits of the current product.
- **Diagnostic Method**: The customers evaluate products of multiple brands on various parameters or attributes. Each attribute has an importance weight, and on multiplying it with the given ratings, the perceived value of each brand can be determined.

Other Pricing Methods

There are specific other methods for determining the price of a product or service, other than considering the cost or market competition as the basis. These are explained in detail below:

Market Skimming Pricing

The skimming method is usually implemented in case of speciality, luxury or innovative products.

Here, the company avails the profit opportunity in the initial stage of marketing by selling the products at a high price in a non-price-sensitive market segment. Later, the prices are dropped down gradually to sustain in the market.

Limit Pricing

This is defensive pricing strategy. The company price its products immensely low (and this price is known as entry forestalling price), to retain the monopoly in the market. It is done to discourage the entry of competitors by presenting the business as unattractive and non-profitable.

Peak Load Pricing

The peak load method is demand-based pricing, where the companies charge high prices in the peak seasons or period when the demand for the product is quite high. However, in the off-peak time or season when the demand falls, the prices are kept low.

It is applied for seasonal product pricing, airline travel pricing, tourism package pricing, etc.

Bundle Pricing

Bundling refers to compiling of two or more products together and selling it as a single product. The company prices the complete bundle at a single price known as the offer price.

An organization can either opt for pure bundling, where the products in a bunch are strictly not available individually. Or it may go for a mixed bundling, i.e. the products in a bundle can be sold separately but at a higher price.

Psychological Pricing

This pricing method aims to influence the consumers mentally by posing a low product price.

Internet Pricing Models

Internet is a modern communication platform and therefore, provides vast scope for carrying out marketing activities. The different pricing methods for internet services (as a product) are as follows:

Priority Pricing: The consumer's priority for service quality determines the price of internet services; thus, the price increases with the quality of internet service.

Flat-Rate Pricing: The consumer is charged a fixed amount for availing the internet services for a defined period irrespective of the sage.

Usage-Sensitive Pricing: The utility tariff is divided into two sections, the provider first charges for the service connection and then for the usage in terms of price per unit (bit).

Transaction-Based Pricing: Here, the price is first charged for service connection and then each transaction is separately chargeable.

Precedence Model: The pricing here, is based on the security provided to the existing customers by setting up the priority of different applications. Data packets are formed based on network preference and are given different precedence numbers. In case of congestion, the packets are sent in the sequence of their assigned precedence numbers.

Smart Market Mechanism Model: This model is purely dependent on network congestion. It functions through a dynamic bidding system where the bit price fluctuates with the level of congestion or traffic in the network. The bidder with the highest bit or unit price wins the deal.

Every business organization has a different objective; not all the companies aim at profit-making. Some may look forward to capturing the market and others may focus on long term existence.

Thus, these organizational goals determine the pricing methods to some extent. However, the prevailing market trends or industry type also influence these decisions massively.

UNIT-IV Marketing channels: Meaning and definition – need and importance – classification – Types of Intermediaries – Agent middlemen – Merchant middlemen – Wholesalers – functions – Retailers – Functions of Retailers – Physical distribution – Elements of physical distribution (logistics).

Marketing Channels

Definition: Marketing channel is a system which ensures the distribution of the merchandise from the producer to the consumers by passing it through multiple levels known as middlemen. It is also known as channels of distribution. Every product is different from one another and so are their channels of distribution.

Let us take the **example** of Mondelez India Foods Limited (Cadbury India Limited).

Cadbury is India's most popular chocolate brand and we can easily buy it from any of our next-door grocery stores. But do you know how it reaches each and every part of the country, even to the villages?

All this possible because of marketing channels. Cadbury has limited manufacturing units in India. With the help of a well-designed marketing channel, the product reaches the depots located in the various states. From these depots, it is sent to the C&F agents and from there it reaches the distributors located in different cities.

The distributors sell the product to the wholesalers and the retailer who finally makes it available to the customers.

Types of Marketing Channels

- Direct Marketing Channel / Zero-Level Channel
- Indirect Marketing Channels: One-Level Channel; Two-Level Channel; Three-Level Channel

Content: Marketing Channels

1. Factors
2. Product-Related Factors
3. Company Related Factors
4. Competitive Factors
5. Market-Related Factors
6. Environmental Factors
7. Functions

Factors Determining the Marketing Channels

There are certain factors related to the product, the company, the competitors, the market and the environment which determines the selection of an appropriate channel of distribution for a particular product.

To know about these factors in detail, let us go through the following categories:

Product-Related Factors

The product's features, specifications, nature, usage, value and durability plays a vital role in the selection of marketing channels. Let us go through the related factors give below:

- **Nature of Product**: If the product is a general product which is widely used like cosmetics, it requires a more extended channel. Whereas, the product which is customised or has limited customers like industrial machinery needs a shorter channel.
- **Perishability**: The goods which are perishable require to be sold through the shorter channel. However, the products which are non-perishable can be distributed through a longer channel.
- **Unit Value of the Product**: If the product is of low value it can be easily distributed through the longer channel, but for the products which are expensive and valuable the manufacturers prefer a shorter channel.
- **Product Complexit**y: If the product is complicated to use and has technical specifications, it will require a shorter channel. The products which are user-friendly and easy to handle can be sold through longer channels.

Company Related Factors

The company's financial condition, objectives, privacy policies and level of control influences the selection of a particular marketing channel:

- **Finance Available**: If a company is financially sound it can go for a shorter channel of distribution by opening its retail outlets otherwise it can opt for a longer marketing channel.
- **Core Competency**: If the manufacturing company focus on its core ability which is the production of goods it will be least interested in retailing. Thus it can opt for a longer marketing channel.
- **The degree of Control**: If the company wants to regulate its sale and the market segment it caters, it will prefer a shorter channel. The companies which do not exercise much control over its products go for a longer distribution channel.

Competitive Factors

The competitors affect the company's decisions related to the selection of marketing channels in the following ways:

- **Competitor's Channel of Distribution**: Sometimes the companies follow their competitors and use the same channel as adopted by them.
- **Distribution Policy**: Some companies have a different distribution policy, and they adhere to it. Multi-level marketing (MLM) companies usually stick to their chain marketing policy.

Market-Related Factors

The market is the place where the customers are served. Thus, it has a crucial role in determining the type of channel for any product. Let us see these factors in detail:

- **Market Size**: When the company needs to reach a large number of customers, it has to go for the longer channel. If the company has to cater a few customers, it can opt for a shorter channel of distribution.
- **Geographical Concentration**: If the potential customers are located in a vast geographic area, the company can reach them through a longer channel. The shorter channel will be preferred for the buyers located in the limited area.
- **Quantity Purchased**: If the product is purchased in bulk quantity by the limited customers, a shorter channel is suitable whereas the products which are bought in small quantities by multiple customers, a longer channel will work.

Environmental Factors

Every businesss operates within an environment where it has to deal with some legal obligations as well as economic conditions. These factors include the following:

- **Legal Environment**: The government imposes certain legal restrictions over trading activities which also affects the selection of a distribution channel. Like selling of weapons cannot take place through a longer channel.
- **Economic Conditions**: At the time of recession or depression in a country, the manufacturers prefer to reduce their distribution cost by going for a shorter marketing channel.

Functions of Marketing Channels

Marketing channels initially aim at the availability of products or services to prospective customers. This channel is selected by the factors mentioned above.

Intermediaries are the people or organisations which acts as a link between the manufacturers and the customers. They perform multiple functions to facilitate both, the companies as well as the customers.

These functions are explained in detail below:

- **Sorting**: The middlemen purchase goods from multiple manufacturers and segregate the products which are similar in quality, features, size, etc.
- **Accumulation**: Marketing channels ensure regular supply and circulation of goods in the market since the middlemen involved in the process are responsible for maintaining the required stock in ample quantity.
- **Allocation**: The goods are manufactured in bulk quantities whereas the customers prefer to buy very less quantity. Here comes the role of the middlemen who breaks the volume into small packages according to the customers' requirement.
- **Assorting**: The customers can avail a large variety of products since the middlemen buy goods from the manufacturers or suppliers located in different regions and make them available to the customers at one single place.
- **Product Promotion**: The middlemen involved in the channel of distribution sometimes directly or indirectly promotes the sale of a particular product through a special display, loyalty programmes, additional discounts, organising sale, etc.
- **Negotiation**: The middlemen is the person who bargains with the manufacturer as well as the consumer for the product's price, proportion, quality, after-sale service, guarantee, etc.
- **Risk-Taking**: The middlemen, i.e. the wholesalers and the retailers have to bear the risk related to products like expiry, breakage, spoilage, damage, etc. These risks are even born at the time of transportation and warehousing.

Types of Intermediaries

Meaning of Intermediaries:

Intermediaries are an individual or a company that behaves as a middleman between parties for an investment deal, business deal, negotiation, insurance, etc. These are commonly known as a consultant or a broker and are specialised in one specific area having all the necessary information. They give all the required information about a product to the customers and also streamlines a company's processes. In other words, intermediaries are third party agents or individuals between parties for a specific deal.

Types of Intermediaries:

The 4 types of traditional intermediaries are as follows:

- **Brokers and Agents-** Both the intermediaries sell products and services on a commission or percentage basis. They are legally appointed to impart information about a product to the customers on behalf of the manufacturer or producer, but never take ownership of the product sold. The key function of these intermediaries is to bring buyers and sellers together to make a deal. For example, an insurance or real estate agent gets a commission for their service or a sale, but do not take ownership.

- **Wholesalers and Reseller-** They typically buy goods from the manufacturer in bulk and resell them to the retailer or other businesses. They are an independent businessman and take ownership of the products purchased from the manufacturers or producers. Some wholesalers also provide services such as order processing, storage, delivery, and participate in promotion as well.
- **Distributors-** The distributors are selected by the manufacturer to distribute their products to the wholesaler or resellers in different locations. The distributors are involved in many businesses and cover many geographical areas. Few services distributors offer to the wholesalers are delivery, maintain inventory, extend credit, etc.
- **Retailers-** Retailers are the mediator between wholesalers and customers. They purchase different goods from the wholesaler and sell them to the ultimate customers in small quantities from one place.

AGENT MIDDLEMEN

In contrast to merchant wholesalers, agent middlemen do not purchase the goods they sell. Their purpose is to bring together buyers and sellers, and they make their money as a commission of the sale price. Many agents specialize in specific kinds of products. Terlato Wines International, for example, is a wholesaler for imported wine and liquors. The chief kinds of agent middlemen are brokers, auction houses, commission merchants, sales agents, manufacturers' agents, and import-export agents.

Probably the most familiar type of broker is the real-estate agent, whose job is to bring together the seller of a house or other building with a buyer. There are also food brokers who specialize in grocery products.

Auction houses provide places for sellers and buyers to come together. Sotheby's and Christie's, based in London, England, are two well-known auction houses for the arts. Auctions are also held for other goods, such as tobacco, used cars, and livestock. Internet auction houses, such as eBay, serve as forums where millions of sellers offer a bewildering variety of goods.

Commission merchants are middlemen in the most obvious sense. They take goods shipped to them by sellers and arrange for sale. These agents are most often used for agricultural products. Sales agents are marketing experts who take over the marketing tasks from manufacturers. They sell all of a company's output and generally have a say in setting prices. They also send back marketing information to manufacturers and thus may play a role in product development.

Manufacturers' agents, in spite of their title, are really independent (in contrast to a manufacturer's representative). They work on a commission basis for several, usually noncompeting, companies. The agent is primarily a salesperson and already has a territory and sales contacts. Import-export houses represent manufacturers whose companies are separated geographically from the point of sales. They are basically brokers who simplify the wholesaling and retailing process for foreign or domestic companies, depending on which way the trade is flowing.

Merchant Middlemen

Merchant Middlemen are the intermediaries who buy and sell the goods in their own name, and in return earn a profit out of it. They take ownership as well as possession of the goods they sell. They operate in their own name and bear all the risks. Merchant middleman can be further sub- divided into:

1. Wholesaler,

2. Retailer

1. Merchant Wholesalers: Merchant wholesalers are wholesalers who take title to the goods. They are also sometimes referred to as distributors, dealers, and jobbers. This category includes both full- service wholesalers and limited-service wholesalers. Full-service wholesalers performabroadrangeofservicesfortheir customers, such as stocking inventories, operating warehouses, supplying credit to buyers, employing salespeople to assist customers, and delivering goods to customers.

a. Limited- Service Wholesalers offer fewer services to their customers but lower prices. They might not offer delivery services, extend their customers' credit, or have sales forces that actively call sellers. Small retailers often buy from cash-and-carry wholesalers to keep their prices as low as big retailers that get large discounts because of the huge volumes of goods they buy.

b. Drop Shippers are another type of limited-service wholesaler. Although drop shippers take title to the goods, they don't actually take possession of them or handle them. They deal with goods that are large or bulky. Instead, they earn a commission by finding sellers and passing their orders over to the producers, who then ship them directly to the sellers. Mail-order wholesalers sell their products using catalogs instead of sales forces and then ship the products over to buyers.

Truck jobbers (or truck wholesalers) actually store products, which are often highly perishable (e.g., fresh fish), on their trucks. The trucks make the rounds to customers, who inspect and select the products they want straight off the trucks.

Rack Jobbers sell specialty products, such as books, hosiery, and magazines that they display on their own racks in stores. Rack jobbers retain the title to the goods while the merchandise remain physically in the stores for sale. Periodically, they take count of what's been sold off their racks and then bill the stores for those items.

WHOLESALE

Wholesale Trade means buying and selling goods in relatively large quantities or in bulk. The traders who are engaged in wholesale trade are called wholesalers.

A wholesaler buys goods in bulk directly from manufacturers and sells them in small lots to customers or industrial users. A wholesaler is the first intermediary and serves as a link between producers and retailers. Wholesalers place large orders with producers and supply in small quantities to retailers. In this way wholesaler serve both manufacturers and retailers.

Definition

According to Cundiff and still "wholesaler buys from the producer and sell merchandise to the retailers and other merchants and not to the consumers".

According to Evelyn Thomas "a true wholesaler is himself neither a manufacturer nor a retailer but act as a link between the two".

The Characteristics of Wholesalers

The following are the characteristics of wholesalers;

1. Wholesalers buy goods directly from producers or manufacturers,
2. Wholesalers buy goods in large quantities and sell in relatively smaller quantities,
3. Wholesalers sell different varieties of a particular variety of product,
4. They employ a number of agents or workers for distribution of products
5. They need large amount of capital to be invested in his business,
6. They generally provide credit facility to retailers,
7. They also provide financial assistance to the producers or manufacturers,
8. In a city or town, they are normally located in one particular area of the market.

Function of Wholesalers

Following are the functions of wholesalers,

a. **Collection of Goods:** Wholesaler collects the goods from manufacturers or producers in bulk.

b. **Storage of Goods:** Wholesaler collects and stores them safely in warehouses, till they are sold out. Perishable goods like fruits, vegetables, etc. are stored in cold storage facility.

c. **Distribution:** Wholesaler sells goods to different retailers. Thus he performs the function of distribution.

d. **Financing:** Wholesalers provide financial support to producers and manufacturers by providing money in advance to them. He also sells goods to retailer on credit. Thus, at both ends wholesaler acts as a financier.

e. **Risk Taking:** Wholesaler buys finished goods from the producer and keeps them in the warehouses till the time they are sold and assumes the risk arising from price, spoilage of goods, and changes in demand.

f. **Grading Packing and Packaging:** Wholesaler classifies the goods into different categories. He grades the goods on the basis of quality, size and weight etc. He also undertakes packaging of goods and also performs the function of branding.

g. **Providing Information:** Wholesalers provide valuable information to retailers and producers. The retailers are informed about the quality and type of products available in the market for sale. The producers are informed about the changes in taste and fashions of consumers by wholesalers so that they may produce the goods on the basis of tastes and preferences of customers.

h. **Transportation:** A wholesaler arranges for the transport of goods from producers to his warehouse and from the warehouse to retailer. Many wholesalers maintain their own trucks, carry goods in bulk and add place utility to the goods.

Services of a Wholesaler

A wholesaler provides valuable services to manufacturers, producers, retailers and customers.

Services to Producers or Manufacturers

1. **Economies in Large Scale:** A wholesaler buys goods in bulk and, thereby, enables the producers to produce goods on a large scale. Large scale production helps to reduce the cost of production per unit.

2. **Assistance in Distribution:** Wholesalers collect orders from a large number of retailers scattered over a wide area and buy goods in bulk from producers. He enables producers to reach customers scattered over different parts of the country by distributing goods through retailers located in different areas. Therefore producer can concentrate only on production.

3. **Warehousing Facility:** A wholesaler holds large stock of goods in his private warehouse or in a rented warehouse. In this way he relieves the manufacturer from the function of warehousing.

4. **Forecasting of Demand:** A wholesaler collects information from retailers about the nature and extent of demand and passes it onto the producers and enables them to produce goods according to the needs, tastes and fashions prevailing in the market.

5. **Publicity of Goods:** Often wholesalers launch advertising campaign to boost the demand for the goods. Producers get the benefit of such publicity and thus enabled to spend less on advertising.

6. **Financial Assistance:** A wholesaler often makes advance payments to producers. He buys the goods as soon as they are produced. Producers need not lock up their capital in maintaining huge stock of goods.

7. **Risk-bearer:** A wholesaler provides ready market to producers by placing advance orders and relieves the manufacturer from the risk of loss due to fluctuation in demand and storage of goods. He also reduces the risk by matching seasonal demand.

8. **Link:** A wholesaler serves as a useful intermediary between the producers and retailers.

Services to Retailers

1. **Financial Assistance:** Wholesalers provide financial assistance to retailers by selling goods on credit. This is done by allowing credit to retailers purchasing goods from them and makes payment to them after receiving money from their customers. This helps retailers to manage their business with small amount of working capital.

2. **Meeting the Requirements:** Due to limited capital and lack of space in his facility a retailer cannothold large variety of products. The wholesaler removes this difficulty by selling goods as and when the retailer requires.

3. **Introduction of New Products:** Wholesalers bring new products and their uses to the notice of retailers. Thus retailers get knowledge about innovated products and innovated features.

4. **Price Stability:** Wholesalers reduce price fluctuations by adjusting supply and demand and save the retailers from loss arising from price fluctuations.

5. **Economy in Transport:** A wholesaler often delivers goods at the door steps of retailers and save their time and cost of transport.

6. **Regular Supply:** Wholesalers keep large stock of varieties of goods and provide a regular supply of goods as per the retailer’s need. Retailers can purchase as much as they like, from time to time and need not maintain a large stock of goods.

Types of Wholesalers

1. Manufacturer wholesaler

Manufacturer wholesaler undertakes manufacturing of goods in addition to wholesale business. He sells not only the goods manufactured by him on wholesale business, but also goods manufactured by other producers.

2. Retail Wholesaler

This type of wholesaler carries on both wholesale and retail trade. He purchases goods in bulk from manufacturers and sells them directly to consumers through his own retail outlets.

Ex. Super Bazaar.

3. Merchant Wholesaler.

A merchant wholesaler neither manufactures goods nor sells them directly consumers. He is the 'wholesaler proper' or 'pure wholesaler'. He buys goods in bulk from manufacturers and sells them in small lots to retailers. Merchant wholesalers can be further classified into three categories on the basis of degree of specialisation.

a. General merchandise wholesalers.

b. Single line wholesalers

c. Speciality wholesalers

a. General Merchandise Wholesalers: This type of wholesaler deals in a wide range of goods such as groceries, electrical equipment, medicines, cloth etc. The importance of this type of wholesaler has heightened due to increasing specialisation in trade.

b. Single Line Wholesalers: This type of wholesaler deals in only one line of goods and distributes different brands and variety of the particular line. For example, a wholesaler may deal in refrigerators produced by different manufacturer.

c. Speciality Wholesalers: This wholesaler specialises in a single product. For example, a wholesaler may deal only in Tata tea and nothing else.

Retail trade - Meaning

Retail trade is a trade that deals with the distribution of goods in small quantities to the end consumers. The retails represent the final stage in the distribution where goods are transferred from the hands of manufacturers or wholesalers to the final consumers or users. If the sales are made directly to the end consumers it will be considered as retailing. Retail trade performs different functions in the distribution of goods and services, purchasing of variety of products, arranging proper storages and selling the goods in small quantities and so on.

Definition

According to S. Evelyn Thomas "*the retailer is the last of the many links in the economic chain whereby the consumer's wants are satisfied smoothly and efficiently by retailers*".

According to Cundiff and Still "*a retailer is a merchant or occasionally an agent whose main business is selling directly to the ultimate consumers*".

A retailer has been defined as "a trading intermediary engaged in the distribution of goods to the ultimate consumer".

RETAIL TRADE

Characteristics of Retailers

Following are the characteristics of retail traders

1. Retailer generally involves dealing in a variety of items. A retailer makes purchases from producers or wholesalers in bulk for sale to the end consumers in small quantities.

2. Retail trade is normally carried on in or near the main market area.

3. Generally, retailers involve buying on credit from wholesalers and selling for cash to consumers.

4. A retailer has indirect relation with the manufacturer (through wholesalers) but a direct link with the consumers.

Function of Retailers

1. **Buying:** A retailer buys a wide variety of goods from different wholesalers after estimating customer's demand. He selects the best merchandise from each wholesaler and brings all the goods under one roof. So, 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 the shop.

3. **Selling:** The retailer sells the goods in small quantities according to the demand taste and preference 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 and bears the risk of loss due to fire, theft, spoilage, price fluctuations, etc.

6. **Transportation:** Retailers often carry goods from manufacturers to their retail outlets.

7. **Financing:** Some retailers grant credit facilities to his customers and provide the facility of return or exchange of goods. Door delivery and after sale service are provided by retailers

Services Rendered by Retailers

The following are the services rendered by the retailers.

Services to Manufacturers and Wholesalers

Retailers provide the following services to manufacturers and wholesalers.

1. **Help in Distribution:** Retailers relieve the manufacturers and wholesalers of the burden of collecting and executing a large number of small orders from various consumers.

2. **Market Information:** Retailer supply valuable information to wholesalers about changes in tastes, preferences, fashion etc. of consumers

3. **Large Scale Operation**: The manufacturers and wholesalers are freed from the trouble of making individual sales to consumers in small quantities. This enables them to operate on, at relatively large scale and thereby fully concentrate on their other activities

4. **Help in Promotion**: Retailers participate in the promotional activities carried by manufacturers and wholesalers such as short time offers, coupons, free gifts, sales contests, etc. Retailers help in promoting the sale of the products.

5. **Personal Attention:** The retailer is able to provide more personal attention to his customers than the wholesaler is, He gives special services on the spot when the articles require minor repairs.

Services to Consumers

A retailer provides the following services to consumers.

1. **Regular Supply of Goods:** Retailers maintain a ready stock of various products of different manufacturers for sale to consumers. This enables the buyers to buy products as and when needed.

2. **New Products Information:** The retailers provide important information about the new arrival of products through their personal. Selling efforts and effective display of products.

3. **Credit Facilities:** Sometimes retailers provide credit facilities to their customers and enable them to increase their level of consumption.

4. **Wide Selection:** Retailers generally keep stock of a variety of products of different manufacturers. This enables the consumers to make their choice out of a wide selection of goods.

5. Miscellaneous Services

· Retailers provide free door delivery services to the customers.

· They provide after sale service to customers.

· They allow cash discounts on their sales.

Services to the Government

1. Payment of Taxes

Retailers collect General Service Taxes and pay it to the Government which leads to increase in national income.

2. Helps in Improve the Standard of Living

Retailers help the society to improve the standard of living of people and contribute to economic development of a country.

3. Implementation of Government Policies and Acts

Retailers implement the government policies and enforcing the acts such as prohibition of tobacco products, prohibition of child labour, prohibition of adulteration considering common interest.

Distinction Between Wholesaler and Retailer

1. **Link:** A wholesaler serves as a link between producers and retailers. On the other hand, a retailer provides a link between wholesalers and consumers. Wholesaler is the first link, whereas retailer is the last link in the chain of distribution of goods.

2. **Scale of Operations:** A wholesaler carries on business on a large scale and requires huge capital. A retailer, on the other hand, deals generally on a small scale and capital invested in retail trade is relatively small.

3. **Range of Goods:** A wholesaler generally deals in one commodity. But a retailer deals in a large variety goods and caters to the diverse needs of his end customers.

4. **Dealings:** A wholesaler generally sells goods to retailers on credit. But a retailer usually sells goods to end consumers on cash basis.

5. **Purpose of Selling:** A wholesaler sells goods for resale. On the other hand, a retailer sells goods for ultimate consumption or use.

6. **Source of Supply:** A wholesaler buys goods from manufacturers and their agents in large quantities. On the other hand, a retailer generally buys goods from wholesalers and their agents in small quantities.

7. **Location:** A wholesaler operates his business in big commercial cities and expand his business to different areas. A retailer operates in a smallest village and also big cities and locates his business in particular place of area.

Types of Retailers

i. Itinerant or Mobile Traders, ii. Fixed shop small retailers, iii. Fixed shop large scale retailers

Types of Retailers

On the basis of the size of the business, product mix, pricing and service level and ownership of the business, it can be classified into the following categories:

i. Itinerant or Mobile Traders, ii. Fixed shop small retailers, iii. Fixed shop large scale retailers

1. Itinerant or Mobile Traders

The traders who have no fixed place of sale are called Itinerants. They move from one place to another place in search of customers. They are also known as Mobile traders. Mobile traders deal in low price, daily usable items such as fruits, vegetables, fish, clothing, books, etc. They require small amount of investment. The types of itinerants are as follows:

a. Peddlers and Hawkers

Peddlers are individuals who sell their goods by carrying on their head or shoulders moving from place to place on foot. Hawkers are petty retailers who sell their goods at various places such as bus stop, railway station, Public Park and gardens, residential areas and other public places using a convenient vehicle to carry goods from place to place.

b. Street Vendors

The traders sit on the footpath of the road or at the end of the road (pavement) and sell their goods such as fruits, vegetables, books, etc. are called Street vendors.

c. Market Traders

Small traders open their shops at different places on fixed days or dates such as every Sunday or alternative Wednesdays and so on (Varasandhai - weekly market). They deal in one particular line of merchandise and in low priced consumer items of daily use. Examples Pollchi, Manapparai, Ranipet, etc.

d. Cheap Jacks

Those retailers who have independent shops of temporary nature in a business locality are depending upon the potentiality of the area. They deal in consumer goods and services such as shoes and chappals, plastic items, repair of watches, etc.

2. Fixed Shop Retailers

The retailers who maintain permanent establishment to sell their goods are called Fixed Shop Retailers. They do not move from place to place to serve their customers. The fixed shop retailers can be classified into two types on the basis of the size of their operations. They are: a. Fixed Shop Small Retailers and b. Fixed Shop Large Retailers

Fixed shop small retailers are of the following categories:

a. Street Stalls

These small shop-keepers are commonly found at street crossings or other busy street cornersattractfloatingcustomersanddealin cheap variety of goods like hosiery products, toys, soft drinks, etc. They get their supplies from local suppliers and wholesalers.

b. General Stores

General Stores sell a wide variety of products under one roof, most commonly found in a local market and residential areas to satisfy the day-to-day needs of the customers residing in nearby localities. They remain open for long hours at convenient timings and often provide credit facilities to their regular customers. For example, a provision store deals in grocery, bread,butter, toothpaste, soaps, washing powder, soft drinks, confectionery, stationery, cosmetics, etc.

c. Single-line Stores

Single-line Stores are small shops which deal in a particular line of products such as garments, stationery, textiles, medicines, shoes, etc. They are generally situated in market places and deal in a variety of goods in that line of product.

d. Speciality Stores

Speciallity Stores deal in a particular type of product under one product line only.

For example, Sweets shop specialised in Tirunelveli Halwa, Bengali Sweets, etc.

e. Seconds Shops

These shops deal with second-hand goods or used articles in a low price such as books, furniture, utensils, clothes, automobiles, etc. and also new defective goods.

3. Fixed Shop Large Retailers

The retailers having permanent establishment and dealing in large scale are called Fixed shop large scale retailers. They are popular due to urbanisation, modernisation and other reasons. The most common forms of large scale retailers are as follows:

1. Departmental Stores
2. Chain Stores or Multiple Stores
3. Super Markets
4. Consumer Cooperative stores
5. Hire purchase and Instalment Traders
6. Shopping Malls
7. Mail order houses
8. Automatic Vending Machines
9. Tele-marketing
10. Online Shopping

1. Departmental Stores

A Departmental Store is a large retail establishment offering a wide variety of products, classified into well defined departments. Each department specialise in one particular line of product aimed at satisfying every customers' needs under one roof. Each department is like a separate shop with centralised purchasing, selling and accounting. Administrative activities of the departmental stores are managed by a General Manager. The General Manager appoints department managers of each department.

Features

i. Large Size:

A department is a large scale retail showroom requiring a large capital investment by forming a joint stock company managed by a board of directors. There is a Managing Director assisted by a general manager and several department managers.

ii. Wide Choice:

It acts as a universal provider of a wide range of products from low priced to very expensive goods (Pin to Car) to satisfy all the expected human needs under one roof.

iii. Departmentally organised

Goods offered for sale are classified into various departments. Each department specialises in one line of product and operates as a separate unit.

iv. Facilities provided:

It provides a number of facilities and services to the customers such as restaurant, rest rooms, recreation, packing, free home delivery, parking,etc.

v. Centralised puchasing

All the purchases are made centrally and directly from the manufacturers and operate separate warehouses whereas sales are decentralised in different departments.

Advantages

i. Convenience in buying

The departmental stores provide great convenience to all the members in a family in buying almost all goods of their requirements at one place. A large variety of goods available in all the departments enable customers to save time and no need to run from one place to another to complete their shopping.

ii. Attractive services

It aims at providing maximum services and facilities to the customers such as home delivery of goods, execution of telephone orders, rest rooms, restaurants, salons, children game centres, etc.

iii. Central location

These stores are usually located at central places so that more people can approach easily.

iv. Elimination of Middleman

A departmental store combines both the functions of retailing as well as warehousing. They purchase directly from manufacturers and operate separate warehouses. It helps in eliminating undesirable middlemen between the producers and the consumers.

v. Economies of Large Scale Operations

The Departmental stores are organised at a large scale i.e., buy goods in bulk, therefore they enjoy the benefit of special discount. In turn, the customers get their goods in quality and lower price.

Limitations

i. High cost of operations

A departmental store requires a large building with ample parking at a central place. It has to incur heavy expenditure on salaries, maintenance of building, customer services, advertising, etc. As a result, establishment and overhead cost of operations are very high.

ii. Higher prices

Due to high operating costs, prices of goods in a departmental store are comparatively high. Only rich persons can afford to buy goods at a departmental store.

iii. Distance

It is located at a central place of a city, away from people living in suburban areas have to travel a long distance to reach the store.

iv. Lack of personal touch

The management of a store finds it very difficult to maintain personal contact with the customers. The salaried staff may not take interest in securing the satisfaction and goodwill of the customers

v. Difficult to establish

A large amount of capital investment and a large number of specialised persons are required to establish a departmental store.

vi. High risk

Due to central location and large scale operations, risk of loss is very high

Change in tastes and fashion and market fluctuations may lead to heavy loss.

PHYSICAL DISTRIBUTION

Introduction

Physical distribution (P.D) is the set of activities concerned with efficient movement of finished goods from the end of the production operation to the consumer. Physical distribution takes place within numerous wholesaling and retailing distribution channels, and includes such important decision areas as customer service, inventory control, materials handling, protective packaging, order procession, transportation, warehouse site selection, and warehousing. Physical distribution is part of a larger process called "distribution," which includes wholesale and retail marketing, as well the physical movement of products.

Logistics is coordinating the flow of goods, services, and information among members of the supply chain. A major focus of logistics is physical distribution or marketing logistics, the tasks involved in planning, implementing, and controlling the physical flow of materials, final goods, and related information from points of origin to points of consumption to meet customer requirements at a profit.

Ideally, value is added to goods along each step of the supply chain through activities like superior product design, quality manufacturing, customer service, and efficient delivery. If managed effectively, physical distribution can increase customer satisfaction by ensuring reliable, cost-efficient movement of goods through the supply chain.

Physical distribution involves the handling and moving of raw materials and finished products from producer to consumer often via an intermediary. It is sometimes used synonymously with logistics (the branch of military science concerned with procuring, maintaining and transporting equipment and facilities etc.).

It has been defined as a term employed in manufacturing and commerce to describe the broad range of activities concerned with efficient movement of finished products from the end of production line to the consumer. In short physical distribution refers to the physical flow of the product from producer to consumers. Physical distribution management consists of the design and administration of systems to control the flow of products.

Physical distribution creates 'time' and 'place' utility, which maximises the value of products "by delivering them to the right customer at the right time and right place."

There are two dimensions to physical distribution process, the flow of information from the individual customer or organizer to the producer and the flow of materials from the producer to the consumer or the user.

A channel is a passageway that allows the happening of certain processes. Marketing is understood to be an exchange process. Marketing channels help this exchange process to take place. A marketing channel can be defined as a group of exchange relationships, which create customer value in acquiring, consuming and disposing of products and services.

The distribution channel is the movement of goods and services between the point of production and the point of consumption through organization that performs a variety of marketing activities. The major participants in the distribution channel are; producers, intermediaries and consumers.

Physical Distribution – Meaning

Physical distribution is an important marketing function describing the marketing activities relating to the flow of raw materials from the suppliers to the factory and the movement of finished goods from the end of production line to the final consumer or user. Marketing agencies such as dealers, merchants and mercantile agents manage the flow of goods and perform the function of physical supply—right up to the consumer's homes and stores.

Physical distribution function is responsible for completing the marketing transaction once the function of exchange is completed, i.e., buyer and seller come to terms and enter into a contract of sale. It should be noted that before the sale can be completed, the product must be available at the place the buyer wants it, at the time he wants it, and in the quantity he wants. In general, the function of physical supply attempts to accomplish the delivery of goods at the right place, at the right time and in the right quantity.

According to Philip Kotler, physical distribution "involves planning, implementing and controlling the physical flows of materials and final goods from place of production to the place of end use to satisfy buyers' needs."

Physical distribution is all about moving and storing the products and finally making them available to the consumers. Distribution is the process of making the products/services available to the consumer. It involves movement of the products/services from the manufacturers to the end user.

Physical distribution requires a distribution infrastructure that includes transportation, warehousing, material handling, inventory control, processing, customer services, which facilitate the movement of goods. Physical distribution includes both the marketing channels and these facilitators.

Physical distribution is purported to delivery of goods in right quantity, time and at right place. The scholars have defined the physical distribution as related to material handling, transportation, store, keeping, packaging, inventory control etc.

Physical Distribution – Definition

Some important definitions of physical distribution are as under:

According to Wendell M. Smith – "Physical distribution is the science of Business Logistics where by the proper amount of the right kind of product is made available at the place where demand for its exists. Viewed in this light, physical distribution is key link between manufacturing and demand creation."

According to W.J. Stanton – "Physical distribution involves the management of the physical flow of products and the establishment and operation of flow system."

According to Cundiff and Still – "Physical distribution involves the actual movement and storage of goods after they are produced and before they are consumed".

According to Mc Carthy – "Physical distribution is the actual handling and moving of goods within individual firms and along channel system."

It is concluded from the definitions that:

(i) Physical distribution is science of logistics.

(ii) Physical distribution is the main mid-look between manufactual and creation of demand.

(iii) Physical distribution is a management of flow of commodity and flow arrangement simultaneous to distribution channel of the commodities of company and inside the firm/company.

(iv) Physical distribution is related to the receipt of proposed and manufactured commodities, collection, and material handling storage, transportation, packaging and inventory control etc., functions.

Physical Distribution – Major Steps in Physical Distribution System Process

The design and management of physical distribution systems involve a number of business functions in addition to marketing including raw materials management, inventory control, manufacturing, transportation and warehouse and plant location.

The major steps in designing the PDS are:

1. Establish PDS Objectives:

Customer service as it relates to the physical distribution function consists of providing products at the time and location corresponding to the customers' needs. The customer service levels that be provided may range from very good to very poor. A 100% level of satisfaction would indicate that all customers are completely satisfied with product availability.

The ideal solution to the problem of P.D.S. design is to develop minimum cost systems for a range of acceptable levels of customer service and then to select the service level that markets the greatest contribution of sales less physical distribution costs. One major difficulty in this approach to PDS Design is estimating the sales response to different levels of customer service.

Customer would be 100% satisfied if a wide range of products were available at the right place and time in sufficient quantities to meet the needs and wants of all who were willing and able to buy. Clearly this condition rarely occurs, since the cost would be prohibitive. However, it is possible to achieve high level of customers satisfaction with properly designed distribution systems.

"Customer service is a complex collection if demand related factors under the control of the firm, but whose importance in determining supplier patronage is ultimately evaluated by the customer receiving the service". Five major factors affect customer service, time, dependability, communication, availability and convenience. The importance of these factors will vary by product and customer category.

A minimum cost physical distribution system is the system with the lowest cost that can provide a specified level of customer service. As customer approaches 100% sales level off and distribution costs sliding upward. The curves in the exhibit probably resemble those that exist in as wide variety of firms.

The physical distribution design task is clear. Within the range of customer service lends that considers necessary to achieve the firm's marketing objectives, (90 to 100%), the service level and system design that yield the highest contribution of sales minus physical distribution costs must be identified.

The principle problem in doing this is the difficulty of measuring customer service and estimating and sales response service level.

The choice of an appropriate measure or measures is situation specific and is based on the service factor for most closely linked to customer satisfaction. The pre-transaction elements use measures that designate service capability before it is provided. A target delivery date indicates the planned time of delivery.

The transaction elements gauge service performance for various components of buyer seller transactions. The post transaction elements measure customer service based on results or outcomes. An important factor in customer's service is establishing communications between buyers and sellers.

2. Examining Cost Trade Offs:

The cost tradeoffs for physical distribution components must be evaluated to determine how and to what extent each component will be utilised in the P.D.S.

The interrelationships of various PDS component are shown as below:

The arrows indicate the tradeoffs between activities that must be evaluated in:

(i) Estimating customer service levels.

(ii) Developing purchasing policies.

(iii) Selecting transportation policies.

(iv) Making warehousing decisions.

(v) Setting inventory levels.

Analysing the costs of alternative combinations of PDS components is essential to guide the design of the system.

3. Identify and Select Design Alternatives:

A key issue in designing the PPS is how to incorporate the customer service objective into the design process. Management judgement and experience will often dictate a range of customer satisfaction levels that are acceptable to the firm.

In many cases, these levels may be expressed not as percentage, but rather in terms of lost orders, delays, stock outs, and other proxy measures.

To illustrate alternative ways of handling the customer service objectives, we consider three possible approaches in designing the P.D.S.

(i) Estimates Sales Response to Customer Service:

This approach requires information such as that shown below:

Logistics system design costs as function of various customer service levels.

a. Minimum Cost design to produce the stated customer service level.

b. Percentage of customers receiving goods within one day.

If it is possible to determining the relationship between sales and customers service, then a minimum cost PDS can be designed for the service level that fields the highest profit contribution. The difficult part of this approach is estimating the relationship sales response to service level. What change in sales will occur if customer satisfaction is increased from 94% to 97%? Possible methods for estimating the relationship include management judgement and experience, analysis of historical sales and service data, customer research and testing under controlled conditions.

Due to the difficulty of obtaining response information or the costs involved in estimating the response relationship, this approach may be unfeasible for many firms. The approach would be particularly difficult to apply in situations where customer patronage depends on several aspects of service.

Developing a composite sales response function incorporating the effects of product substitutions, delivery delays, and inventory availability on sales response would be demanding analytic task. However, the data available on customer service and buyer response should make the approach applicable to catalog mail order distribution.

The system designs must determine a minimum cost design for each customer service level analysed. In the six alternatives considered, the service level (e.g. the sales increase that would be obtained by moving from alternative 3 to alternative 4) and then select the alternative that offers the greatest contribution over costs.

(ii) Minimise Total PDS Costs:

With the second PDS design approach, management must estimate the total cost of customer service. This approach requires estimating costs of lost sales instead of sales response to customer service. Management might specify a 95% service level that would mean 5% customer dissatisfaction. The cost of lost sales is estimated and included with other distribution costs.

Minimise Total PDS costs = Transportation costs + Inventory costs + Warehousing costs + Order processing cost + Cost of lost sales.

The objective is to minimise the total cost of physical distribution.

(iii) Reduce PDS Costs:

The third approach to the design task involves analyzing the tradeoffs between PDS components with the objective of improving physical distribution over the present level. This may mean increasing the customer service level at no additional costs or reducing total distribution costs with no loss of customer service.

This approach is often the most feasible of the three, due to the inherent difficulty of estimating the relationships of sales response or cost to level of service. Although not an optional solution, it represents a potential starting point for most firms.

Physical Distribution – Importance

Planned and integrated management of all physical distribution activities (particularly transport, storage, inventory control and order processing) has assumed unique importance in the process of marketing since 1960. It can offer a feasible solution striking an optimum balance between physical distribution costs (costs of transport, storage, inventory and order processing) and the customer service level that will be satisfactory to the buyer and also profitable to the seller.

Marketers now feel that physical distribution costs can be minimised without adversely affecting the level of customer service and satisfaction. The marketing functions of warehousing, inventory control, transportation, physical handling, order processing, etc. are now managed as an integrated whole. All these activities are coordinated properly and an effective physical distribution package is evolved to give customers the service they expect and insist and at the same time to assure the marketer profitable sales.

Marketers have realised that there is a definite connection between merchandising programme and physical distribution services e.g., delivery service and order processing service. Customers often give more importance to physical distribution rather than price and promotion services. They consider physical distribution second in importance to product quality as a reason for buying from a certain firm. Better physical distribution services give higher overall customer satisfaction.

The main objective of physical distribution is better customer services—an important selling point. For instance, promises such as – "Third morning rail or truck delivery anywhere in the state of Karnataka/Tamil Nadu," "Prompt availability of installation, repair services and parts from the supplier," and so on can generate accelerated sales and profits. In short, effective physical distribution services give customers the service they expect, i.e., putting the products within an arm's length of customer demand or desire.

Physical Distribution – Factors Affecting

Every producer has to find a way to distribute his products to their final users. To distribute, various channels are available in today's economy. How does a producer select one or more channels of distribution to ensure smooth functioning and minimized cost?

This is understood by studying the factors that influence the choice of distribution channels, which are described below:

1. Product Factors/Considerations:

The first and most important factor that influences on the choice of the channel of distribution is the nature of goods. Perishable goods like cakes and breads that are required to be sold quickly, are sold directly by the manufacturers to the consumers through retail outlets. Goods that last longer can be handled by more intermediaries to insure a larger market.

i. Physical and Technical Nature:

Products which are of low unit value and have common use amongst consumers are generally sold through middle men; whereas, the sale of expensive and elite consumer goods and industrial products is conducted directly by the producer himself.

Products that are perishable, i.e., products which are subjected to frequent changes in fashion or style or trend, as well as those products which are heavy and bulky, go through relatively shorter routes and, are often distributed directly in order to minimize costs and damage.

Industrial products that need demonstration, installation and after sale-services are often sold directly to the consumers; while, retailers generally sell consumer products which are of technical nature.

Certain technical or complex products need installation and advice of product use including demonstration, service visits, etc. For this, having exclusive trained personnel is essential. Some companies prefer exclusive dealership in such cases.

In case of an entrepreneur who produces a large number of products, he may find it economical to set up his own retail outlets and sell his products directly to the consumers. At the same time, companies which have a narrow range of products may make their sale through wholesalers and retailers.

A new product needs greater promotional effort in the initial stages and, hence, few middlemen or intermediaries may be required.

ii. The Market Position:

Here, the focus is on the reputation of the manufacturer. A product promoted by an established and reputed manufacturer has a higher degree of market acceptance and, therefore, can be sold through various channels with little effort. A new product, thus, has quick sales based on the producer's reputation. This may, however, have long-term risks.

2. Market Factors/Considerations:

i. The Existing Market Structure and Size:

Producers may have to study the existing market structure. It can be geographically concentrated or wide spread. For example, industrial markets are usually concentrated in a few large cities involving only large customers. Producers or channel commanders can have difficulty in changing that.

However, consumer goods market has a different structure, as; it is directly related to, the masses. Consumer preferences dictate channel selection. For example, baby food manufacturers changed their channel of distribution to supermarkets, as; research revealed that mothers preferred super markets over drug stores.

ii. Consumer Behavior and Nature of the Purchase Deliberation:

Purchase decisions are made differently for different products. Consumers spend more time and effort on durables such as washing machine and mobile phone than on a pack of biscuits or toothpaste. The frequency of purchase influences purchase deliberations. Products, which are purchased frequently by consumers, have more buyer-seller contacts and middlemen are suggested.

iii. Availability of the Channel:

Availability of a channel refers to the willingness of channel members to accept a brand. For this, the channel commander or the producer has the task of winning over the cooperation of the channel members.

The producer may adopt push or pull strategy. In push strategy, the producer resorts to regular activities of convincing the existing channel members to accept the product and passes it through various points to reach the retailer and then the final consumer.

In the pull strategy, the producer resorts to aggressive promotional activities on the final consumer, relying on the fact that strong consumer demand will force middlemen to accept the product in order to cater to the consumer satisfaction.

iv. Competitor's Channels:

A new firm always studies the existing distribution pattern and this, necessarily, includes identifying the distribution channels employed by competitors. Every business has certain established norms and practices and this may, even, apply to channels of distribution. If the existing pattern has given success to the competitors, a new firm may adopt the same channel as long as it is suitable and logical. As a matter of fact, finding new avenues may prove to be costlier and cumbersome.

3. Institutional Factors/Considerations:

The channel members also influence the choice of the channel to be selected.

They are briefly discussed as follows:

i. Financial Ability of Channel Members:

In the process of sending the goods through the channels of distribution, it is found that manufacturers need to aid the retail dealers financially, either through, interest free loans, or other credit terms. Credit terms being competitive the willingness to extend credit is a determinant in channel acceptance. Retailers also sometimes finance their suppliers either directly or by investing in the company. Usually, government agencies are restricted from making advance payments.

ii. The Promotional Strengths of Channel Members:

Every producer, i.e., the channel commander, wants his product to be promoted. For national brands, producers themselves take up the responsibility. However, for others, distributors promote jointly with the producer. In case of certain private brands, the job is taken up by wholesalers or retailers who establish the brand name.

iii. The Post-Sale Service Ability:

Many products carry a warranty and this is used by the consumer post purchase. The responsibility of serving the warranty has to be well established. It can be the manufacturer himself or a channel member.

Since the retailer-distributor is the closest in touch with the consumer, the consumer may expect this service from them itself. In certain cases, the product may be returned to the manufacturer for servicing or services may be performed by an independent service outlet established for this purpose.

4. Unit or Firm Specific Factors/Considerations:

Every firm has its own strengths and weaknesses, which influence channel decisions.

Among them, important ones are discussed below:

i. The Company's Financial Position:

Huge companies, which have the financial and human resource capability may not only produce the goods but also may have the ability to set up their own retail outlets thereby creating a lot of visibility for themselves. On the other hand, smaller companies which do not have either the financial capability or manpower resources might just concentrate on production and leave the marketing of goods to others.

ii. The Extent of Market Control Desired:

Market control refers to the ability of a firm to influence the behavior of channel members according to the will of the management.

Here, the entire distribution network is served by factors such as resale price maintenance, territorial restrictions, quotas and the like. The channel commander, i.e., the producer or the manufacturer, may desire to exercise such command from time to time. The extent to which they want the control is the question to be answered, as, higher the control, higher will be the channel directness.

iii. The Company's Reputation:

Popular companies, known for their products or services, have little or no problem in settling with a particular channel. This is because reputed companies do not go in search of intermediaries. Instead, the intermediaries come in search of them.

Reputation is reflected through higher sales, timely and quick replenishment of stocks, low levels of inventory, easy settlement of claims, competitive margins granted etc. The selected channel turns out to be cheaper and dependable due to the willingness and cooperation extended by channel members.

iv. The Company's Marketing Policies:

A company's marketing strategy lays down the method of distribution. Important factors such as advertising, sales promotion, pricing, delivery and after sale services influence the channel selection the most.

For instance, a company that invests heavily in advertising and sales promotion makes the selected channel direct, as, little effort is required to push the product through the chosen line. Alternatively, a company adopting a price penetration policy, [comes with a low margin], chooses a longer channel.

5. Environmental Factors/Considerations:

i. Economic and Legal Factors:

Due to the economic disparity prevalent in the economy, the government promotes public distribution system through fair price shops to reach out to the economically weak sector. This constitutes the public distribution system, which primarily focuses on the distribution of necessities.

The private distribution system also needs a certain amount of regulation. Much legislation has been passed from time to time to regulate the functioning of the various channels of distribution. One such important legislation is the MRTP Act of 1969.

The provisions of this Act aim at preventing exclusive dealership, regulating territorial restrictions, reselling price maintenance, full line forcing, etc. The Companies Act, 1956, forbids sole selling agency arrangements in industries like paper, cement, vanaspati, etc. Such provisions keep away cut throat competition; prevent creation of monopoly and the like which are objectionable to public interests.

ii. Fiscal Factors:

Sales tax rates vary from state to state as it is a state fiscal matter. Although such sales tax is part of the retail price set for a product, it is actually borne by the final consumer; it has its role to play in channel arrangements.

For example, let us say, sales tax rate in Karnataka is higher when compared to Kerala, a producer may, therefore, take advantage of this benefit, prefer to open his office in Kerala and pass on the reduced tax benefit in the form of reduced price. This can also become a competitive advantage to the product.

Physical Distribution – Components

The process of physical distribution involves co-ordination and integration of five components:

1. Order processing,

2. Inventory Control,

3. Warehousing,

4. Material Handling and

5. Transport.

Most important components are warehousing, inventory and transport.

1. Order Processing:

We should have standard procedure for handling and execution of orders. Order processing time must be reasonable. Any delay in order execution creates ill-will and may lead to loss of business. Customer demands assured delivery within a fixed period always. The speed in order execution reflects the degree of customer service. Even a slight increase in customer service can increase your business to the extent of 20 per cent. Order serving time can act as a selling point in our marketing programme.

2. Inventory Control:

In fact the entire physical distribution management, size, location, handling and transporting of inventories assume unique role in physical distribution. Inventories are reservoirs of goods held in anticipation of sales. The inventory inter-connects production activity (purchase activity) and the customers' orders (sales activity). Inventory cost increases at an accelerated rate as the customer service level approaches 100 per cent. We must reconcile and balance the inventory cost and the customer service level.

We must have a balanced assortment of merchandise for sale to meet the expected customer demand. Too small inventory will mean stock outs and lost sales. Too large inventory means huge capital investment, lower turnover and higher inventory operating cost. The main objective of inventory control is to secure minimum capital investment and fluctuations in inventories as well as prompt order execution as per customer demand.

3. Warehousing:

Storage is the process of holding and preserving goods. It can equalise supply time-wise. The selection and proper location of warehouses is of special importance in the process of marketing. The distribution centres are now located around the markets rather than around transport facilities.

Distribution centre (a special kind of warehouse facility, strongly market related) enables order processing and delivery of goods directly to customers under one roof. We can have better and quicker customer service at lower cost of distribution under distribution centres.

We can also have a few warehouses and normal inventory stock. The new system of distribution reduces delivery time and also storage time. Emphasis is given on selling and not on storing. Many companies are shifting from storage warehouses to distribution centres. One distribution centre is set up in one region around the market and not around transport facilities merely.

Distribution centres use the latest equipment for data processing, material handling and inventory control. The range of services a distribution centre offers can be matched with those offered by a wholesaler. However, a wholesaler is the merchant middleman, whereas a distribution centre is an agent middleman.

4. Material Handling System:

Instead of manhandling, we have automated material handling equipment in modern warehouses. New concepts of packaging, containerisation, and palletization have brought about remarkable reduction in the cost of physical distribution. We have now conveyor system and forklift trucks. Material handling is now almost mechanised in the Western countries.

Standard size containers to pack and transport goods can be stored on pallets or small platforms which can then be moved by mechanical transport. Modern mechanised handling of goods and protective packaging have improved customer service, lowered distribution cost, and have also speeded up order execution.

5. Transport:

Physical distribution is nothing but a network of activities consisting of storage at many locations interconnected by a series of transport links in the process of distribution. Transport is called the Gordian Knot, if not the snake pit, of physical distribution management. The costs of transport are ever — rising since 1970.

Let us now describe the various means of transport, their relative advantages and disadvantages and the criteria for choice of mode of transport.

Physical Distribution – Key Functions

Physical distribution is part of a larger process called “distribution,” which includes wholesale and retail marketing, as well the physical movement of products. The physical distribution functions include transportation and storage of goods. Until the goods have been sold out they should be kept safe and after selling they should be transported from one place to another.

The key functions of the physical distribution system can be categorized into following two areas namely the primary functions and other functions –

1. Primary Functions:

i. Warehousing

ii. Inventory control

iii. Transportation and logistics

iv. Order processing

v. Packaging and materials handling

i. Warehousing:

Produced goods should be safely kept in warehouse until demanded by market, the same is called warehousing. A firm needs warehouses as storage facilities for finished goods. One objective of physical distribution is to decide how many warehouse locations the firm needs, and where to locate them.

If the warehouses are too far away from the consumer, it might mean a slower time to deliver the product to the customer. On the other hand, if it is close to the customer location, the cost of the warehouse might increase the total cost of distribution.

The sub functions of warehousing are –

a. Storage

b. Transportation

c. Balancing demand and supply

ii. Inventory Control:

There is a trade-off between having too much inventory on hand, with its incurred additional costs, and not having enough inventories on hand to satisfy shifting customer demand. Another objective for physical distribution is to put in suitable inventory policies so as to bring down the total cost of the physical distribution function.

Goods should be kept collected in stock to supply them at right time and place to the customers when demanded. This task is called inventory management. Both short stock and large stock are dangerous for any company. So, considering both aspects, goods should be kept in balance.

The following methods should be studied and analyzed for inventory management:

a. Economic order quantity (EOQ) – Giving order for supply of goods in the quantity that minimizes total expense is called economic order quantity.

b. Re-order point – Repeated orders should be given for keeping stock of goods/inventory. Decision should be taken to give timely re-order for the supply of goods so that there is neither lack of stock nor unnecessarily huge quantity of inventor.

c. Safety stock – Sufficient stocks of goods should always be kept in warehouse. If there is no such stock, goods cannot be distributed according to the demands. Safety stock should be kept so that there is no shortage of goods at any time.

d. ABC (Activity Based Costing) analysis – Under analysis, stock/inventory goods are classified in A.B.C. groups according to their cost. A class includes costly goods, in B average priced goods and in C cheap priced goods.

e. Just in time [JIT] – Receiving just in time method of inventory control has become very popular. According to this concept, very small amounts of goods are purchased. They reach at the right time of production or right time of sale. In some countries, inventory manager can give such direction to high level management.

iii. Transportation and Logistics:

One factor that influences the decision is the cost of transportation. The company has to make decisions relating to what mode of transportation to use for its physical distribution. For instance, it could truck the products, ship them, send them by train, or fly them. Sending a product by air is faster for international delivery, but it is also likely to be more expensive. Other decisions related to transportation include how often to transport goods, or the frequency of transportation, and the transportation route.

The physical distribution manager should take decision on the following matters in order to systematize the transportation –

a. Types of carrier

b. Mode of transportation

c. Cost

d. Speed

e. Consistency

f. Safety

g. Availability

iv. Order Processing:

In processing the order of the customer, the company might have to move it through a number of channels. It could go from the manufacturer to the wholesaler to the retailer, and finally reach the consumer. Some companies have found ways to cut down on the multiple middlemen involved in this classic distribution system.

It 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.

The sub functions of order processing are –

a. Billing

b. Granting credit

c. Invoicing

d. Dues collection

v. Packing and Material Handling:

After the order has been received from customers; the order should be kept recorded and sent to store and account sections. This task is called order handling. If the quantity of goods is not sufficient in the store to meet the demand, information is given to factory for production. If the goods as demanded are stock in store, they should be packed properly and then only they should be dispatched to the customer.

For handling the materials in such way, appropriate equipment also should be selected. Efficient and proper equipment cuts down material handling cost and save from breaks and damages. Nature of goods, package size, and packing method etc., also determine the sorts of handling equipment.

Material handling can be done in two ways:

a. Mechanical handling – Different types of equipment and machines are used to move goods from places to places. Lorry, truck, crane, fork-lift conveyer belt, etc.

b. Non-mechanical handling – Under this non-mechanical handling, human labour is used instead of machines. Porters can be employed to transfer carton or boxes.

The sub functions of materials handling are –

a. Proper equipment

b. Maintenance

c. Minimising breakage

d. Security against spoilage and theft

2. Other Functions / Facilitating Functions:

Distribution channels offer a variety of services that ease and enhance selling and buying goods. They offer credit to customers and accept returned merchandise. They also advertise and promote products through special displays, sales prices etc. Depending on the product, distribution channels service the products they sell. This includes maintenance and repair services, and they often are trained and supported by the manufacturer. Distribution channels may even add value to products before distributing the customers.

i. Information and customer education

ii. Selling

iii. Financing

iv. Promoting

v. Negotiating

vi. Marketing intelligence

vii. Servicing

viii. Bulk breaking

ix. Consolidation and distribution

x. Customer relationships

i. Information and customer education – It is an important function of physical distribution to provide every information required by the customer with respect to product or the company and educating the customer about the features and utility of the product.

ii. Selling – In case of sale through intermediaries, the selling function is effected by the physical distribution system only.

iii. Financing – Many dealers design and offer variety of financing services to the buyer for products which are expensive. Either finance is organized for the consumers or the dealer lets the consumer pay in instalments.

iv. Promoting – For increasing sale in the outlets the dealers come up with several promotional schemes that boost the sales.

v. Negotiating – The intermediaries also resort to negotiations in behalf of the consumer with the company so that the customer gets the best deal.

vi. Marketing intelligence – The distribution system effectively gauges the pulse of the market and helps the company in taking timely decisions.

vii. Servicing – The customer service function is a strategically designed standard for consumer satisfaction that the business intends to provide to its customers.

viii. Bulk breaking – In the pursuit of efficiency, manufacturers often produce large quantities at a time, but consumers usually buy only a few or even one product. Distribution channels, such as retail store chains, can sell smaller quantities, so, wholesalers act as agents between manufacturers and retailers.

ix. Consolidation and distribution – Consumers often prefer to buy a wide variety of consumer goods at one time and place. Retail stores enable consumers to do just that because they stock and display a great number of different products. Up the distribution channel chain, wholesalers can accumulate large amounts of many different products from different manufacturers and efficiently deliver many products to many retailers. This lowers carrying and transportation costs.

x. Customer relationships – Consumers often trust distribution channels more than they do manufacturers. They expect these channels to provide objective information about products and originating companies. Distribution channels communicate with customers and perform transaction functions. They are closer to customers and end users; they can provide manufacturers with a wealth of information on customer preferences. This helps in building customer relationships.

Physical Distribution – Subsystems

i. Order Processing Subsystem:

The manufacturer is concerned with order processing— a physical distribution function— because it directly affects the ability to meet the customer service standards defined by the owner. It is the method chosen by the organization to receive orders from the customer. It could be by mail, telephone, through salespeople, or via computer or the Internet.

Once received, orders must be processed quickly and accurately then shipped to the customer. If the order processing system is efficient, the owner can avoid the costs of premium transportation or high inventory levels.

Order processing varies by industry, but often consists of four major activities – a credit check; recording of the sale, such as – crediting a sales representative’s commission account; making the appropriate accounting entries; and locating the item, shipping, and adjusting inventory records.

ii. Warehousing Subsystem:

It is the storing of products while they wait to be sold. This storage function is necessary because production and consumption cycles rarely match. Organizations use either storage warehouses or distribution centers to process their products. A distribution center is a large, highly automated warehouse designed to receive goods from various plants and suppliers.

The Web has erased many of the distribution barriers between producers and their potential customers. Many electric commerce sites do not have warehouses because they do not carry inventory. E-commerce distributors dispense with warehouses whenever possible.

However, a warehouse enables merchants to exercise more control over service. Amazon(dot)com Inc. sells books online and believes that the warehouse model better serves customers.

iii. Inventory Management Subsystem:

It involves knowing both when to order and how much to order. During the past decade, many companies have greatly reduced their inventories and related costs through just-in-time logistics systems. For example, FedEx offers order processing and fulfillment services, streamlined distribution by guaranteeing 48-hour delivery globally, and just-in-time delivery for manufacturers.

It's a suite of services that forms the backbone for Web-based companies like Dell. "Inventory velocity has become a passion for us," writes Chairman and Chief Executive Officer Michael Dell in his new book "Direct from Dell" (Harper Business).

"In 1993, we had $2.9 billion in sales and $220 million in inventory. Four years later, we posted $12.3 billion in sales and had inventory of $233 million. We're now down to less than eight days of inventory [on hand] and we're starting to measure it in hours instead of days."

iv. Material Handling Subsystem:

Another important component of a small business physical distribution system is material handling. This comprises all of the activities associated with moving products within a production facility, warehouse, and transportation terminals.

One important innovation is known as unitizing— combining as many packages as possible into one load, preferably on a pallet. Unitizing is accomplished with steel bands or shrinks wrapping to hold the unit in place. Advantages of this material handling methodology include reduced labor, rapid movement, and minimized damage and pilferage.

A second innovation is containerization—the combining of several unitized loads into one box. Containers that are presented in this manner are often unloaded in fewer than 24 hours, whereas the task could otherwise take days or weeks. This speed allows small export businesses adequate delivery schedules in competitive international markets. In-transit damage is also reduced because individual packages are not handled en route to the purchaser.

v. Transportation Subsystem:

It involves the choice of transportation carriers. This affects the pricing of products, delivery performance, and condition of the goods when they arrive—all of which affect customer satisfaction. The major forms of transportation available are rail, truck, water, pipeline, and air.

Each shipping method has its advantages, disadvantages and costs. Manufacturers need to balance the total costs of a shipping method with its disadvantages in terms of possible service level. Rail transportation is the most efficient way to move bulk shipments over long distances. Rail is relatively dependable and cost-effective, but it is not always flexible.

Trucking offers a fast way to ship and consistent service for both large and small shippers. Trucks are dependent on highway infrastructures, which may not be available in some countries. Trucking is very flexible because trucks can haul goods wherever there are roads.

Air carriers are the fastest way to move shipments but air transport is more expensive than other transportation modes. Water transportation, although slow, is one of the least expensive modes of transportation. It lends itself mainly to hauling bulk commodities that are easily containerized.

Containerization involves putting goods in containers (boxes) that can be transferred from one transportation mode to another. (Train to truck is called piggyback and water to truck is called fishy back.) Pipelines form an extremely efficient transportation network for liquid products like natural gas and petroleum. The investment needed to establish the pipeline at first is significant.

Many shippers use a combination of transportation methods called intermodal transportation to move a shipment. This approach allows shippers to gain the service and cost advantages of various transportation modes.

For example, FedEx handles 59 million pounds of airfreight a month and has 624 airplanes, 42,500 vehicles, 145,000 employees and millions of square feet in its sorting centers. It sends 58 million electronic transmissions every day. The company relies on its information network as much as its air force and its ground troops.

Organizations can contract all of their logistics functions to third party logistics providers such as – UPS Worldwide Logistics and Emory Global Logistics. These specialized companies are able to offer smaller companies significant economies of scale as they invest the capital needed to build advanced distribution systems for all their customers.

An organization can instantly set up a worldwide distribution system without incurring the costs and facing the problems of setting up its own system.

Physical Distribution – Organisational Responsibilities

High level co-ordination and integration is a condition precedent for implementation of physical distribution activities effectively. The responsibility relating to physical distribution in majority of commercial institution is decentralised / scattered so badly that optimum the objectives of consumer service and minimum distribution cost cannot be achieved.

The responsibility of physical distribution of commodities oftenly rests on the top management but this liability is discharged by one out of following organisational where the size of a company / firm / institution is very large.

1. Committee of Physical Distribution Committee:

A committee for organising the functions of physical distribution is set up. The sales manager inventory control manager, transportation / traffic manager etc. are included as member to the committee. Any chief/top executive is appointed / nominated chairman to such committee. This committee discharges the responsibility to increase in efficiency reduction in distribution costs and establishing a co-ordination in the functions discharged by all these executives.

2. Physical Distribution Department:

A number of institutions have now started a separate dept. with them in order to establish a co-ordination among all functions of physical distribution. All physical distribution functions under this dept. are carried on by a chairman. This department is fully independent from other department.

A problem arises under this system is that for what executive the physical distribution officer should be made responsible. Gradually, the executive of physical distribution dept. is being made responsible for the chairman or marketing manager.

3. Marketing Director:

A number of institutions neither constitute any committee not any department separately for discharge of the responsibility of physical distribution. The chief executive of marketing department is assigned with the burden of marketing director.

Physical Distribution – Advantages

i. Provide Better Customer Services

ii. Increase Sales by –

a. Making goods always available

b. Contingency plans for quick order processing of item

iii. Reduce Costs through –

a. Proper location of warehouses

b. Improve materials handling

c. Correcting inefficient procedures

iv. Gain Advantage over Rivals through –

a. Effective customer services e.g., Rapid deliveries, avoiding delivery of damaged goods

v. Develop Communication System for Salesmen sending orders to producers within shortest possible time.

vi. Establish Appropriate Supply Chain of distribution

vii. Inventory Control to ensure economic order quantity of inventory

viii. Maintain Equilibrium in Demand and Supply

ix. Demand Supply Coordination in case of seasonal goods like sugar / wheat to ensure round the year supply

x. Price Stabilization –

a. Maintain buffer stock

b. Excess production to be stored

c. Extra supplies to be released in case of demand upsurge

xi. Smooth Distribution of Products

xii. Provide Right Quantity at right time and at reasonable cost.

UNIT-V Promotion mix: Personal selling - meaning – process – Advertising – objectives – types – Sales promotion – objectives – sales promotion methods – publicity and public relation – meaning Promotion Mix

Definition: The **Promotion Mix** refers to the blend of several promotional tools used by the business to create, maintain and increase the demand for goods and services.

The fourth element of the 4 P's of Marketing Mix is the promotion; that focuses on creating the awareness and persuading the customers to initiate the purchase. The several tools that facilitate the promotion objective of a firm are collectively known as the Promotion Mix.

The Promotion Mix is the integration of Advertising, Personal Selling, Sales Promotion, Public Relations and Direct Marketing. The marketers need to view the following questions in order to have a balanced blend of these promotional tools.

- What is the most effective way to inform the customers?
- Which marketing methods to be used?
- To whom the promotion efforts be directed?
- What is the marketing budget? How is it to be allocated to the promotional tools?

Elements of Promotion Mix

1. **Advertising:** The advertising is any paid form of non-personal presentation and promotion of goods and services by the identified sponsor in the exchange of a fee. Through advertising, the marketer tries to build a pull strategy; wherein the customer is instigated to try the product at least

once.The complete information along with the attractive graphics of the product or service can be shown to the customers that grab their attention and influences the purchase decision.

2. **Personal Selling:** This is one of the traditional forms of promotional tool wherein the salesman interacts with the customer directly by visiting them. It is a face to face interaction between the company representative and the customer with the objective to influence the customer to purchase the product or services.

3. **Sales Promotion:** The sales promotion is the short term incentives given to the customers to have an increased sale for a given period.Generally, the sales promotion schemes are floated in the market at the time of festivals or the end of the season. Discounts, Coupons, Payback offers, Freebies, etc. are some of the sales promotion schemes.With the sales promotion, the company focuses on the increased short-term profits, by attracting both the existing and the new customers.

4. **Public Relations:** The marketers try to build a favourable image in the market by creating relations with the general public. The companies carry out several public relations campaigns with the objective to have a support of all the people associated with it either directly or indirectly.The public comprises of the customers, employees, suppliers, distributors, shareholders, government and the society as a whole. The publicity is one of the form of public relations that the company may use with the intention to bring newsworthy information to the public.

E.g. Large Corporates such as Dabur, L&T, Tata Consultancy, Bharti Enterprises, Services, Unitech and PSU's such as Indian Oil, GAIL, and NTPC have joined hands with Government to clean up their surroundings, build toilets and support the swachh Bharat Mission.

5. **Direct Marketing:** With the intent of technology, companies reach customers directly without any intermediaries or any paid medium.The e-mails, text messages, Fax, are some of the tools of direct marketing. The companies can send emails and messages to the customers if they need to be informed about the new offerings or the sales promotion schemes.

E.g. The Shopperstop send SMS to its members informing about the season end sales and extra benefits to the golden card holders.

Meaning of Personal Selling:

Personal selling is an act of convincing the prospects to buy a given product or service. It is the most effective and costly promotional method. It is effective because there is face to face conversation between the buyer and seller and seller can change its promotional techniques according to the needs of situation. It is basically the science and art of understanding human desires and showing the ways through which these desires could be fulfilled.

According to American Marketing Association, “Personal selling is the oral presentation in a conversation with one or more prospective purchasers for the purpose of making sale; it is the ability to persuade the people to buy goods and services at a profit to the seller and benefit to the buyer”.

In the word of Professor William J. Stanton, "Personal selling consists in individual; personal communication, in contrast to mass relatively impersonal communication of advertising; sales promotion and other promotional tools".

Personal selling is a different form of promotion, involving two way face-to-face communications between the salesmen and the prospect. The result of such interaction depends upon how deep each has gone into one another and reached the height of the common understanding. Basically the essence of personal selling is the interpretation of products and services benefits and features to the buyer and persuading the buyer to buy these products and services.

Features of Personal Selling:

The main features of personal selling are:

i. It is a face to face communication between buyer and seller.

ii. It is a two way communication.

iii. It is an oral communication.

iv. It persuades the customers instead of pressurizing him.

v. It provides immediate feedback.

vi. It develops a deep personal relationship apart from the selling relationship with the buyers and customers.

Personal Selling Process:

The process of personal selling includes prospecting and evaluating, preparing, approach and presentation, overcoming objections, closing the sale and a follow up service.

1. Prospecting and evaluating:

The effort to develop a list of potential customers is known as prospecting. Sales people can find potential buyers, names in company records, customer information requests from advertisements, telephone and trade association directories, current and previous customers, friends, and newspapers. Prospective buyers predetermined, by evaluating (1) their potential interest in the sales person's products and (2) their purchase power.

2. Preparing:

Before approaching the potential buyer, the sales person should know as much as possible about the person or company.

3. Approach and presentation:

During the approach, which constitutes the actual beginning of the communication process, the sales person explains to the potential customer the reason for the sales, possibly mentions how the potential buyer’s name was obtained, and gives a preliminary explanation of what he or she is offering. The sales presentation is a detailed effort to bring the buyer’s needs together with the product or service the sales person represents.

4. Overcoming objections:

The primary value of personal selling lies in the sales person’s ability to receive and deal with potential customers’ objections to purchasing the product. In a sales presentation many objections can be dealt with immediately. These may take more time, but still may be overcome.

5. Closing the sale:

Many sales people lose sales simply because they never asked the buyer to buy. At several times in a presentation the sales person may to gauge how near the buyer is to closing.

6. Follow up:

To maintain customer satisfaction, the sales person should follow up after a sale to be certain that the product is delivered properly and the customer is satisfied with the result.

Objectives of Personal Selling:

The major objectives of salesmanship are as follows:

(i) Attracting the Prospective Customers:

The first and foremost objective of a salesperson is to attract the attention of people who might be interested to buy the product he is selling.

(ii) Educating the Prospective Customers:

The salesman provides information about the features, price and uses of the product to the people. He handles their queries and removes their doubts about the product. He educates them as to how their needs could be satisfied by using the product.

(iii) Creating Desire to Buy:

The salesman creates a desire among the prospective customers to buy the product to satisfy specific needs.

(iv) Concluding Sales:

The ultimate objective of personal selling is to win the confidence of customers and make them buy the product. Creation of customers is the index of effectiveness of any salesperson.

(v) Getting Repeat Orders:

A good salesperson aims to create permanent customers by helping them satisfy their needs and providing them product support services, if required. He tries for repeat orders from the customers.

Role and Importance of Personal Selling:

Personal selling consists of individual and personal communication with the customers in contrast to the mass and impersonal communication through advertising. Because of this characteristic, personal selling has the advantage of being more flexible in operation.

A salesperson can tailor his sales presentation to fit the needs, motives, and behaviour of individual customers. He can observe the customer's reaction to a particular sales approach and then make necessary adjustment on the spot. Thus, personal selling involves a minimum of wasteful efforts. The salesperson can select and concentrate on the prospective customers.

Personal selling helps in sales promotion. It is very important to manufacturers and traders because it helps them to sell their products. It also helps them in knowing the tastes, habits, attitudes and reactions of the people.

The manufacturer can concentrate on producing those goods which are required by the customers. This will further promote the sales. Moreover, a good salesman is able to establish personal support with customers. This way, the business gains permanent customers.

Functions of Personal Selling:

The important functions of a salesperson are as follows:

1. Personal selling is an important method of demonstrating the product to the prospective customers and giving them full information about the product. It is easier to persuade a person to buy a product through face-to-face explanation.

2. In most of the situations, there is a need of explaining the quality, uses and price of the product to the buyer to help him purchase the want satisfying product. Thus, salesmanship is also very important from the point of the buyers.

3. A good salesperson educates and guides the customers about the features and utility of the product.

4. If a product cannot fully satisfy the needs of the customers, the information is transmitted to the manufacturer who will take appropriate steps.

5. Salespersons can also handle the objections of the customers. Creative salesman are always ready to help the customers to arrive at correct decisions while buying certain products.

6. There is direct fact-to-face interaction between the seller and the buyer. The salesperson can receive feedback directly from the customer on a continuous basis. This would help him in modifying his presentation and taking other steps to sell satisfaction to the buyer.

Requisites of Effective Personal Selling:

It is not possible to describe exactly the kind of person who will make a good salesperson. Sales skill has no clear correlation to any combination of appearance, education, technical expertise, or even persuasiveness. There have been successful salesmen who knew little about the technical qualities of the product.

On the other hand, there are many examples of technical champs who could not sell. However, in the modern era of severe competition in the market, it is not easy to become an effective salesman. A business enterprise can develop effective salesman to promote its sales.

In order to achieve effective personal selling, the following requirements must be fulfilled:

1. Personal Qualities:

An effective salesman must possess certain physical, mental, social and vocational qualities.

2. Training and Motivation:

In order to achieve effective personal selling, it is essential to train and motivate the sales persons. The training programme for the sales persons should be designed keeping in view the requirements of the business. The training programme should also aim at imparting knowledge of various selling programme should also aim at imparting knowledge of various selling techniques among the trainees.

For instance, a salesman must be trained how to understand the nature of a customer, how to arouse his interest in the product, and how to close the sales. It is also essential that the person selected for selling has aptitude for this vocation. He has the inner motivation of developing himself into a good salesman. The employer can also motivate him by providing financial and non-financial incentives.

3. Wide Knowledge:

A salesman should have wide knowledge about the following:

(a) Self:

The salesman must know himself in order to make use of his personality in selling the products. He should try to know his strong arid week points and remove his weak points through training and experience. He should continuously undertake his self- assessment to know what he requires in order to be an effective salesman.

(b) Employer:

The salesman is a representative of his employer. He should have a thorough knowledge of the origin and growth of the employer's business. He must know objects, policies and organisational structure of the employer's firm. This will enable the salesman to make use of the plus points of the firm selling the product.

(c) Product:

The salesman must have full knowledge about the product he sells. He must know what the product is and what are its special features and uses. He should also know the whole process of production so that he may be able to answer the customer's queries and objections satisfactorily. Mostly, the customers are ignorant about the features, technical details, and benefits of the product and they expect the salesman to give them sufficient information about it.

(d) Competitors' Products:

The salesman must have complete knowledge about the competitive products because buyers often compare several products before purchasing one of them. The salesman should know the positive and negative features of the various substitutes so that he is in a position to prove the superiority of his product.

(e) Customers:

Before selling something, a salesman must have sufficient knowledge about the customers to whom he is going to sell. He must try to understand the nature of customers, their habits and their buying motives if he is to win permanent customers. There are a number of considerations which make the prospect to buy a particular product.

These considerations may be grouped under two categories of motives, namely (i) product motives and (ii) patronage motives. Product motives explain why customers buy certain products and patronage motives determine why customers buy from specific dealers. A salesman can understand the motives of the customers by his intelligence and experience.

He should deal with the customer according to his nature. He can mix with a customer who is extrovert and remain reserved with a customer who is introvert. He should also try to know whether a customer intends to purchase for personal use or for business use.

Advantages of Personal Selling:

1. The key advantage personal selling has over other promotional methods is that it is a two-way form of communication. In selling situations the message sender (e.g., salesperson) can adjust the message as they gain feedback from message receivers (e.g., customer).

So if a customer does not understand the initial message (e.g., doesn't fully understand how the product works) the salesperson can make adjustments to address questions or concerns.

Many non- personal forms of promotion, such as a radio advertisement, are inflexible, at least in the short-term, and cannot be easily adjusted to address audience questions.

2. The interactive nature of personal selling also makes it the most effective promotional method for building relationships with customers, particularly in the business-to-business market.

This is especially important for companies that either sell expensive products or sell lower cost but high volume products (i.e., buyer must purchase in large quantities) that rely heavily on customers making repeat purchases.

Because such purchases may take a considerable amount of time to complete and may involve the input of many people at the purchasing company (i.e., buying center), sales success often requires the marketer develop and maintain strong relationships with members of the purchasing company.

3. Finally, personal selling is the most practical promotional option for reaching customers who are not easily reached through other methods. The best example is in selling to the business market where, compared to the consumer market, advertising, public relations and sales promotions are often not well received.

Disadvantages of Personal Selling:

1. Possibly the biggest disadvantage of selling is the degree to which this promotional method is misunderstood. Most people have had some bad experiences with salespeople who they perceived were overly aggressive or even downright annoying.

While there are certainly many salespeople who fall into this category, the truth is salespeople are most successful when they focus their efforts on satisfying customers over the long term and not focusing own their own selfish interests.

2. A second disadvantage of personal selling is the high cost in maintaining this type of promotional effort.

Costs incurred in personal selling include:

(i) High Cost-Per-Action (CPA):

CPA can be an important measure of the success of promotion spending. Since personal selling involves person-to-person contact, the money spent to support a sales staff (i.e., sales force) can be steep. For instance, in some industries it costs well over (US) $300 each time a salesperson contacts a potential customer.

This cost is incurred whether a sale is made or not! These costs include compensation (e.g., salary, commission, and bonus), providing sales support materials, allowances for entertainment spending, office supplies, telecommunication and much more. With such high cost for maintaining a sales force, selling is often not a practical option for selling products that do not generate a large amount of revenue.

(ii) Training Costs:

Most forms of personal selling require the sales staff be extensively trained on product knowledge, industry information and selling skills. For companies that require their salespeople attend formal training programs, the cost of training can be quite high and include such expenses as travel, hotel, meals, and training equipment while also paying the trainees' salaries while they attend.

3. A third disadvantage is that personal selling is not for everyone. Job turnover in sales is often much higher than other marketing positions. For companies that assign salespeople to handle certain customer groups (e.g., geographic territory), turnover may leave a company without representation in a customer group for an extended period of time while the company recruits and trains a replacement.

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.

Definition of Advertising:

Every day we come across hundreds of advertising messages, which tell us about various products such as soaps, detergent powder, soft drinks and services such as hotels, insurances policies etc. Advertising is perhaps the most commonly used tool of promotion by an organization. It is commonly understood as to communicate about a product or service. But it is not correct and complete to understand it as so.

Actually, advertising includes all the activities performed by the enterprise to present the goods and services to the consumer and to motivate them to buy these goods and services. It is non-personal form of communication, which is paid for by the marketer (sponsor) to promote his goods and services. The term "advertising" has been defined by many eminent authors as –

ADVERTISEMENTS:

According to William J. Stanton, "Advertising consists of all the activities involved in presenting to a group, a non-personal, oral or visual, openly sponsored message regarding a product or service or idea, this message is called advertisement, is disseminated through one or more media and is paid for, by the identified sponsor".

According to Wheeler, "Advertising is any form of paid non-personal presentation of ideas, goods and/or services for the purpose of inducing people to buy".

According to American Marketing Association, "Any paid form of non-personal presentation and promotion of ideas, goods and services, by an identified sponsor. The medium used are print broadcast, and direct".

Thus, advertising can be defined as a paid form of non-personal presentation of product or service or idea. In developing advertising programme, one must start with the identification of the needs and wants of the market and must take five major decisions regarding Mission, Money, Message, Media and Measurement of the advertisement programme as stated by Philip Kotler 'as 5 M's of advertising' in his book Marketing Management.

Basic Features of Advertising:

From the above explanation and definition of the authors, we can say that advertising has following distinguishing features:

i. Paid Form – It is a paid form of communication i.e. the sponsor has to bear the cost of communication with the respondents.

ii. Non-Personal – There is no direct face-to-face contact between the prospect and the advertiser. That is why it is referred as non-personal method of promotion.

iii. Identified Sponsor – Advertising is always undertaken by some identified individual or company, who makes advertising efforts and also bears the cost of undertaking such effort.

Elements of Advertising:

The elements of advertising are as follows:

i. Preparation or Homework:

Refers to the act of imagining and compiling all the possible advertisements by numerous mediums, which are as follows:

a. Taking references from the advertisements of competitors

b. Reading books on advertising to collect ideas

ii. Unique Selling Proposition (USP):

It refers to the singular benefits and advantages of a product that creates a favorable impression in the mind of customers. The advertisements should focus on USP of the product.

iii. Maintaining a Unique Image:

It indicates that an organization should stick to its own image and personality. The organization should not try to imitate its competitors rather should focus on the betterment of its own product or service.

iv. Teamwork:

It refers to the collective efforts of advertising specialists of an organization. These specialists work together towards the success of an advertisement. The collective efforts of specialists ensure that the product and its important aspects are well explained to customers through the advertisement.

v. Selecting an Efficient Advertising Medium:

It refers to the decisions taken to select the appropriate medium for advertising a product. The choice of a medium depends on the advertising budget of the organization, type of product, and targeted market. Few products do not require much explanation, thus, they can be advertised through a medium, such as radio. In this case, the target market comprises radio listeners who belong to lower-middle class families.

Few other products may require demonstrations or visual aids, for example, vacuum cleaners and water purification machines. Such products targets middle-class and high-class families and can be advertised through television.

vi. Retaining the Customers:

It indicates that an organization should not overlook its existing customers while trying to make new customers. It is important for the organization to keep producing numerous reminder advertisements to keep its existing customers updated about the existence of the product.

Objectives of Advertising:

The objective of advertising is nothing but to sale the product or idea or a service. The real objective of advertising is to increase awareness among the consumer about the sellers product. According to Huigy and Mitchell, “The purpose of advertising is to sell goods, services or ideas to a large group of prospective purchasers.”

R.S. Davar stated the advertising objective as, “Advertising aims at commencing the procedure, educating the consumer, supplementing the salesman, connecting the dealer to eliminate the competitor but above all, it is a link between the producer and the consumer”.

In simple words the following are the main objectives of advertising:

1. Preparing Ground for Sale of New Products:

Whenever a new product is introduced in the market, advertising becomes necessary for informing potential consumers about the product. In this way, advertising can be used for preparing ground for sale of new product.

For achieving this objective, various mass media like radio, television and cinema are used by the advertisers.

2. Increasing Demand for the Product:

Another objective of the advertising is to increase the demand for the product. Advertising helps in creating a favourable atmosphere for maintain or improving sales of the product. By means of the advertising prospective customers may be induced to buy a particular product by informing them about comparative quality price and other attributes of the product. Thus, changing the habits of the consumers so as to shift from a rival product.

3. Educating the Consumers:

One of the basic objectives of every advertising is to educate the consumer and the users about the uses and utilities of the product. This helps the consumers and users in making good choice.

4. Building up Brand Image:

Another objective of advertising is to build up brand image and brand loyalty towards the product. This objective is achieved through constant and repeated advertising about the brand.

5. Facing the Competition:

One of the basic objectives of advertising is to help the marketer to face the existing competition effectively and efficiently. The marketers inform the consumer about the price, quality and availability of product through advertising.

6. Supplementing the Salesman:

The objective of advertising is also to assist the salesman's efforts in increasing the sales of the product. By means of educating customers about the product, advertising reduces the work load of the salesman for selling the product.

Mathew's, Buzzell and Frank had given the following objectives of the advertising:

(a) To make an immediate sales.

(b) To build primary market.

(c) To introduce a price deal.

(d) To inform about a product.

(e) To build brand recognition or brand insistence.

(f) To help salesmen by building an awareness of a product among retailers.

(g) To create a reputation for services, reliability or research strength.

ADVERTISEMENTS:

(h) To increase market share.

(i) To modify existing product appeals and buying motives.

(j) To inform about the availability of new products or features or price.

(k) To increase the frequency of use of a product,

(l) To increase the number or quality of retail outlets,

(m) To build overall company image,

ADVERTISEMENTS:

(n) To effect immediate buying action.

(o) To reach new areas or new segments of population within existing areas, and

(p) To develop overseas.

Types of Advertising:

Broadly speaking, advertising can be classified into two broad categories viz. product advertising and institutional advertising.

Product Advertising:

Product advertising is that advertising whose main purpose is to inform and stimulate the market about the advertiser's product or services. This advertising usually promote specific branded products in such a manner as to make it more desirable in the eyes of prospects than competitor's brand.

Product advertising on the basis of action can be further classified as Direct Action Advertising and Indirect Action Advertising —

(a) Direct-Action Advertising – Direct-action advertising are those advertisements which makes buyer to take action immediately. For example- Reduction in price during clearance sales.

(b) Indirect-Action Advertising – Indirect-action advertising is done to stimulate demand over a period of time and increase buyer's respect towards manufacturer's brand. Such advertising is a form of long-range promotion and is designed to create desires in the buyer's mind.

Product advertising on the basis of demand may be sub-divided into pioneer demand advertising and selective demand advertising.

(a) Pioneer Demand Advertising is used when a product is first introduced in the market. The main aim of such advertising is to inform about what the product is, what it does, how it is used and from where it can be purchased. For example – advertising of motor cars, electronic items etc., for first time.

(b) Selective advertising is made to meet the selective demand for a particular brand or type of product such as Ambassador Car. It is also known as competitive advertising as it point out features and advantages that a consumer get by using it and that may not be available in competing brand.

Product advertising can be also divided on the basis of product life cycle stage. It can be informative, persuasive and reminder advertising.

(a) Informative advertising is that advertising which is done for the promotion of the products. It seeks to develop initial demand for a product. These advertising ads are such that they appeals to the consumer's emotions as well as their rational motives. These are used at the introduction stage of the product life cycle.

{b) Persuasive product advertising is done at growth and maturity stage in the product life cycle. These advertisements aim at providing competitive advantage over the rivals' product.

(c) Reminder product advertising aims at reminding the prospects about the features and benefits of the products. It is generally used at the maturity as well as in decline phase of the product life cycle. It is also known as retentive advertising.

Functions of Advertising:

For many firms advertising is the dominant element of their promotion mix. It is particularly true in the case of producers producing convenience goods like – detergent, toilet soaps; soft drinks etc. However, in recent times the use of advertising is continuously increasing in case of shopping and speciality goods too, as we see in case of automobiles; home appliances etc. Huge advertising is done by the marketers to introduce a new product and show its features to the target audience.

Advertising can also be used to convince the potential buyers that firm's goods or services are superior to that of the competitor's goods or services in terms of quality, quantity or price. It also creates a brand image in the mind of the customer and make them loyal towards the firms goods or services.

Advertising generally performs the following functions:

i. Promotion of firm's goods and services and thereby increasing sales of the firm.

ii. Creating awareness in the potential buyer about the new product.

iii. Creating a favourable public image and thereby brand image in the market.

iv. Mass production facilities and thereby optimum utilization of resource of the firm.

v. Providing supportive roles to other promotional measures.

Media of Advertising:

1. Mural Advertising:

Mural or outdoor advertising has long life. It has a general and wide appeal. It can attract attention of a large section of population. An advertiser has ample scope to use skill and art in advertising.

2. Press Advertising:

Newspapers have a general and wide appeal. Repeat advertising is possible. Periodical change in size and contents is also easy. Newspapers offer promotional assistance. They are the best source of market information.

However, newspapers have short span of life. We cannot have coloured and attractive advertisements. Waste in advertising is considerable. Illiteracy affects its utility.

3. Film Advertising:

It has a wide appeal. It can overcome language barriers. Audio visual technique has maximum impact on audience. Sound and sight both are employed for communicating the message.

4. Radio Advertisement:

Radio has the shortest closing times. Radio uses only an audio signal. Announcement can be made very quickly. It can secure dealer support, has a very wide appeal and suitable even for illiterate people. Repeat message is quite common.

5. Television Advertisement:

Television uses both video and audio signals. Television has all the advantages of radio, namely, sound and explanation, plus the additional advantage of sight. It can appeal through ear as well as eye.

Products can be demonstrated with explanation. Television reaches the audience almost like personal face to face contact. To that extent it is just like personal salesmanship.

6. Transit Advertising:

It consists of car-card advertising, which is located within buses, subways, railways and outside displays which appear on the front sides and backs of buses or other public transport and at transportation terminals. It is the lowest-cost media.

7. Direct Mail:

Direct mail is any advertising sent by mail, including sales letters, folders, pamphlets, booklets, catalogues and the like. Direct mail is the most personal and selective media. It reaches only the desired prospects. It has minimum waste in circulation.

Benefits of Advertising:

Advertising helps in spreading information about the advertising firm, its products, qualities and place of availability of its products, and so on. It helps to create a non-personal link between the advertiser and the receiver of the message.

The significance of advertising has increased in the modern era of large scale production and tough competition in the market. Advertising is needed not only by the manufacturers and traders but also for the customers and the society.

1. Benefits to Manufacturers and Traders:

It pays to advertise.

Advertising has become indispensable for the manufacturers and distributors because of the following advantages:

(i) Advertising helps in introducing new products. A business enterprise can introduce itself and its products to the public through advertising.

(ii) It can create new taste among the public and stimulate them to purchase the new product through effective advertisement.

(iii) Advertising assists to increase the sale of existing products by entering into new markets and attracting new customers.

(iv) Advertising helps to create steady demand of the products. For instance, a drink may be advertised during summer as a product necessary to fight tiredness caused by heat and during winter as an essential thing to resist cold.

(v) Advertising help in meeting the forces of competition in the marketplace. If a product is not advertised continuously, the competitors may snatch its market through increased advertisements. Therefore, in certain cases, advertising is a necessity to remain in the market and remind the customer as done by soft drink companies.

(vi) Advertising is used to increase the goodwill of a firm by promising improved quality to the customers.

(vii) Advertisements increase the morale of the employees of the firm. The salesmen feel happier because their task becomes easier if the product is advertised and known to the public.

(viii) Advertising facilitates mass production of goods which enables the manufacturer to achieve lower cost per unit of product. Distribution costs are also lowered when the manufacturer sells the product directly to the customers. Advertising facilitates direct distribution of the product through the retailers. Retailers are encouraged to purchase and sell the advertised products.

2. Benefits to Customers:

Advertising offers the following advantages to customers:

(i) Advertising helps the customers to know about the existence of various products and their prices. They can choose from the various brands to satisfy their wants. Thus, they cannot be exploited by the sellers.

(ii) Advertising educates the people about new products and their diverse uses.

(iii) Advertising increased the utility of existing products for many people adds to the amount of satisfaction which they are already enjoying.

(iv) Advertising induces the manufacturers to improve the quality of their products through research and development. This ensures supply of the products of better quality to the consumers.

3. Benefits to Society:

The society at large is also benefited because of advertisement:

(i) Advertising provides employment to persons engaged in writing, designing and issuing advertisements. Increases employment brings additional income with the people which stimulates more demand. Employment is further generated to meet the increased demand.

(ii) Advertising promotes the standard of living of the people by increasing the variety and quality in consumption as a result of sustained research and development activities by the manufacturers.

(iii) Advertising educates the people about the various uses of different products and this increases their knowledge. Advertising also helps in find customers in the international market which is essential for earning foreign exchange.

(iv) Advertising sustains the press, and other media. It provides an important source of income to the press, radio and television network. The customers are also benefited because they get newspapers and magazines at cheaper rates. The publishers of newspapers and magazines are benefited because of increased circulation of their publications. Lastly, advertising also encourages commercial art.

SALES PROMOTION

Contents:

9. Benefits of Sales Promotion
10. Limitations of Sales Promotion

1. Concept and Nature of Sales Promotion:

Sales promotion is an important tool of promotion which supplements personal selling and advertising efforts. According to American Marketing Association, "Sales promotion includes those marketing activities, other than personal selling, advertising, and publicity, that stimulate consumer purchasing and dealer effectiveness, such as displays, shows and expositions, demonstration, and various non-recurrent selling efforts not in the ordinary routine."

Sales promotion includes techniques like free samples, premium on sale, sales and dealer incentives, contests, fairs and exhibitions, public relations activities, etc. Sales promotions are those activities, other than advertising and personal selling that stimulate market demand for products. The basic purpose is to stimulate on the spot buying by prospective customers through short-term incentives. These incentives are essentially temporary and non-recurring in nature.

Sales promotion is different from personal selling which is persuasion of customers by the sales persons to buy certain products. It is also different from advertising. Except for advertising through direct mail, advertising deals with media owned and controlled by the firm itself.

Usually, sales promotion deals with non-recurring and non-routine methods in contrast to personal selling or advertising. As a matter of fact, sales promotion activities aim at supplementing and co-ordinating personal selling and advertising.

Sales promotion includes activities of non-routine nature to promote sales, e.g., distribution of samples, discount coupons, contests, display of goods, fairs and exhibitions, etc. But it does not include advertisement, publicity and personal selling.

Interrelationship of Sales Promotion and Advertising:

Sales promotion includes all those activities which promote sales such as distribution of samples, discount coupons, contests, display of goods, fairs and exhibitions, etc. Advertising, on the other hand, is any paid form of non- personal presentation and promotion of ideas, goods and services. The objectives of both sales promotion and advertising are similar and they complement each other.

They are interrelated in the sense that they are integral parts of the 'promotion mix' of the business. Advertising supports sales promotion activities by informing the public about such efforts of the company. Similarly, sales promotion activities remind the people of the message advertised by the business firm.

2. Objectives of Sales Promotion:

The basic purpose of sales promotion is to increase the sales of a product by creating demand. Sales promotion has a capability to complement and supplement the advertising functions of the marketing. It helps marketers to realize a variety of objectives. These objectives are for both marketers and traders.

Following are the objectives of sales promotion:

i. It improves the performance of middlemen and acts as a supplement to advertising and personal selling.

ii. It motivates sales force to give desire emphasis on new accounts, latent accounts, new products and new territories.

iii. It increases sales and makes sales of slow moving products faster and stabilize fluctuating sales pattern.

iv. It attracts channel members to participate in manufacturer promotion effort.

v. Motivating the dealers to buy high volumes of products and push more of the brands that are on promotion.

vi. Supporting and supplementing the advertising and personal selling efforts.

vii. Making consumers to switch brands in favour of firm.

viii. To overcome the seasonal fluctuation of products.

ix. Inducing retailers to promote the brand by local advertising and POP display.

x. Sales promotions motivate the salesmen to sell more and to sell the full line of products.

xi. To reduce the perception of risk associated with the purchase of a product.

Sales promotions encourage the customers to try a new product. For example, companies distribute free samples of their new product. To attract new customers distribute free sachets to households. Some companies offer a free pack with purchase of a product like free soap with purchase of detergent. Henko detergent introduced scratch card scheme in which customers usually received discount coupons so that customers buy the same product (Henko detergent) again. These encourage the customers to use the product or service and make them brand loyal.

3. Components of Sales Promotion:

Sales promotion has two components consumer promotion and trade promotion :

1. Consumer Sales Promotion Methods:

Consumer promotion is for the common customer, this promotion is supported by advertisements, publicity, direct selling etc. This type of sales promotion is targeted at the end consumers. Customer sales promotion is a "pull strategy" and encourages the customers to make a purchase.

i. Price-Off Promotions:

It means offering product at lower than its normal price. Company offers either a discount on the normal selling price of the product or more of the product at the same price. This type of promotion must be used with care as the increase in sales is gained at the cost of a loss in the profit. It attracts non users and act as an effective tool to counter competition.

ii. Coupons:

It is a method of offering a discount offering. Coupons are the most widely used customer sales promotion technique. A coupon is a certificate that offers a price reduction for some specified items to the holder. Coupons are distributed with purchase of a product, magazines, newspapers, etc.

A few examples of coupon distribution can be coupon pasted on a package, or placed inside a package to encourage repeat purchase. Coupon books are sent out in newspapers, or offered with the purchase of an item in a given time frame.

iii. Premiums:

Marketers can offer an article of merchandise as an incentive in order to sell product or service these are known as premiums, as the customer gets something in addition to the main purchase. For example, if a customer buys toothpaste, he gets a toothbrush free. Premiums are of different types like packed premium, banded premium, personality premium and container premium.

iv. Free Samples:

Offering free gifts or samples is the most expensive form of sales promotion. Marketers use this technique to increase their sales volume in the early stages of the product life cycle. It means offering a small quantity of a product free in order to persuade customer to try the product.

v. Money Refund and Rebates:

In case of money refund, the customer receives a specific amount of money (refund) after he submits a proof of purchase to the manufacturer. Manufacturers devise the strategy such that the customer qualifies for a refund only when he makes multiple purchases. It is a kind of offer of a refund of money to customer for mailing in a proof of purchase of a particular product, it induce trial from primary users and motivate several product purchase.

vi. Frequent User Incentives:

Repeat purchases may be stimulated by frequent user incentives. Hence, firms offer incentive schemes to reward their loyal customers. The best example of this is the frequent flyer scheme offered by airlines.

vii. Consumer Contest:

In this method of sales promotion, customers take part in small competitions on the basis of their creative and analytical skills. Customers are invited to compete on the basis of creative skill, such contests create brand awareness and stimulate interest in the brand, and it acquaints consumers with brand usage and benefit.

viii. Trade Shows:

A group of retailers or manufacturers conduct exhibitions and trade shows to make the customer aware of the products offered by various firms. Industrial shows and annual industrial exhibition, exhibition of home appliances, consumer goods or gym equipment, etc. are examples of this type of sales promotion.

2. Trader's Sales Promotion Methods:

Trade promotion is not advertised and publicised it is for the channel members, company's offers are for dealer, distributors, retailers and agents only main purpose is to increase sales by offering incentives to them. It is a "push strategy" and encourages the channel members to stock the product. This form of promotion is usually not advertised, as it is an internal affair between the company and its distribution network partners.

a. Trade Buying Allowance:

In this method there is temporary price reduction and reimbursement of expenses incurred by the dealers in full or in part. Buying allowance is a temporary price reduction offered to the retailer for purchasing specific quantity/units of the product. Such an offer acts as an incentive to stimulate short-term profit of the retailer and promote new products for the company. It encourages trade cooperation and stimulates repurchase.

b. Buyback Allowance:

In this method, intermediaries are offered a monetary incentive for each additional unit purchased after the initial deal. This method aims at stimulating the channel members to purchase additional quantities of stock that is over and above the normal stock, as the monetary incentive they receive is proportional to the amount of additional stock they purchase.

c. Merchandise Allowance:

It is an allowance to trader for providing desired sales promotion and product display. Middlemen are usually required to show the proof of the advertisement carried out by them.

d. Free Merchandise Schemes:

In this sales promotion technique, an additional amount of the product is offered without any additional cost, as an incentive to purchase a minimum quantity.

e. Point-of-Purchase (POP) Displays:

POP displays include window displays, wall displays, display racks, danglers, balloons, outside signs, etc. These items attract the attention of a customer and inform him about the product.

f. Dealer Gift:

It is a reward or gift which is offer of useful articles and attractive gift to dealers for personal, family or office use. Retailers obtain gifts only when they buy specific quantities of goods or fulfill a given sales target. Marketers use this technique when they use new distributors or they want to push products to retailers. For example – a silver tray to display a product. When the event is over, the retailer is allowed to keep the silver tray.

g. Premiums:

When an additional compensation is offered to trader for pushing additional product in market, this method is used to push a specific product or product line.

4. Need and Importance of Sales Promotion:

Sales promotion acts as a bridge between advertising and personal selling. Due to the adversity of markets, the importance of sales promotion has increased tremendously. Sales promotion helps remove the consumer's dissatisfaction about a particular product, manufacturer, and create brand-image in the minds of the consumers and the users.

Sales promotional devices are the only promotional devices available at the point-of-purchase. An advertising medium reaches the prospects at their homes, offices, etc. and may soon be forgotten. The sales promotional devices at the point-of-purchase stimulate the customers to make purchase promptly on the spot.

Business firms use promotional tools to achieve the following benefits:

(i) Attracting Attention:

The first aim of sales promotion is to attract the attention of the prospective buyers and inform them about the availability, characteristics and uses of a particular product.

(ii) Highlighting Utility of Product:

Promotion helps in letting the people know about the utility of the new products. It also tells them how the concerned products will be helpful in satisfying their specific demands.

(iii) Stimulation of Demand of New Product:

Promotional activities are used to create interest in the new product and to persuade people to buy the same. This helps in launching the new product.

(iv) Product Differentiation:

Promotion helps in differentiating a particular product of the firm from the competing products of other firms. A firm can also use data revealing how its product compares with the other products.

(v) Synergy in Promotional Activities:

Sales promotion activities supplement personal selling and advertising efforts of the firm. They add to the overall effectiveness of the firm's promotional activities.

(vi) Stabilisation of Sales Volume:

In the modern age of competition, it is an important purpose of promotion to help in stabilising sales volume by reassuring the customers about the quality and price of the product. It is possible that a customer using a particular brand, may buy another because the other brand is promoted in an effective manner.

(vii) Performance Appraisal or Marketing Control:

The management of a company can keep an effective check on the results achieved through sales promotion schemes, because it is in a position to analyse the costs incurred and the benefits derived.

5. Planning Sales Promotion:

Proper planning is essential for the success of promotion plan as it involve high investment on promotion products and execution of promotion activities. With growing competition at the market place and the need to release full benefit of sales promotion, it requires an appropriate approach according to market conditions and nature of product.

The following steps are suggested for effective planning and management of the sales promotion function:

Step one is to assess and analysis of the present situation of the brand in terms of market share, major competitors and brand performance. This benchmark should then be related to the market size and the potential estimated in market. It will now pave the way for determining the roles of sales promotion in desired change in the market share of the brand. The outcome of this exercise will be the availability of desired information to set measurable an attempt and goals.

Second step deals with the identification of the alternative schemes, and the selection of the most appropriate sales promotional schemes, these schemes should match with the budget.

Third step relates is to incorporating creativity into the scheme to be offered. This is making the scheme attractive and challenging form the view point of this target group segment.

Fourth step is to ensure the legal validity of the sales promotions schemes to be offered for customers and traders. Promotional offers should not violate the land of law.

Fifth step is concerned with primary decision relating to timing and duration of the schemes to be offered locating, selection of dealers and convictions of the trade and sales force about the suitability of the scheme. It will be useful in determination of sales quota and sales targets for middlemen.

Sixth step cover the development and evolution criteria in relation to sales to be achieved cost effectiveness and turnover of promotion. It is a process of evaluation cost and output of sales promotion methods.

Seventh step relates to monitoring the offer, collection of the relevant data and for the future use as well as mid period corrections in promotion methods.

Eighth step involves evaluation of effectiveness of sales promotion in the context of the goals. Efforts must also be put into perfect the measurement, the methodology for evaluation and documentation of corporate experiences on sales promotion the errors in the existing system, corrections in procedures and the mishaps that occurred ultimately to help in improving the skills of managing the sales promotion function.

6. Types of Sales Promotion Programs:

Sales promotional activities may broadly be classified into the following:

(i) Consumers sales promotion program

(ii) Dealers sales promotion program

(i) Consumers Sales Promotion Program:

Sales promotion directed towards the consumers may be conducted either to increase the consumer's knowledge of the product regarding its use or it may be conducted to attract new customers. In some cases, this type of programme is also conducted to retaliate against a competitors' sales activities.

In some cases, this type of sales promotional programme becomes necessary in view of seasonal decline in sales. For example, woolens are put on discount at January-end each year, the end of the winter season.

In case of consumers sales promotion programme, an attempt is made to reach the consumer at his home or at a retail store. The techniques of promotion used are-free samples, contests, coupons, demonstrations, price reductions, counter- display cards, etc. Free samples are distributed among the prospects to arouse interest.

Sales contests are conducted to attract new customers or to introduce new products. For this purpose, an entry form is designed and the consumer is asked to forward the entry form along with the cash memo of the product or wrappers, foils, etc.

In the demonstration method, the technical experts or sale demonstrators are sent to various customers to induce them to buy the product. This technique is used by Real Value (fire-fighting equipments), Birla-Yamaha (petrol and diesel generators), etc. Sometimes, coupons are introduced either through press advertising or through the package of the product itself, which induce the consumer to buy the product at a concessional price.

(ii) Dealers Sales Promotion Program:

The products are often sold through retailers and wholesalers. In such cases, promotional activities are conducted to induce the dealers to keep a large stock with them. These activities might include extra cash or trade discount on the basis of orders placed. They are also known as Trade Promotion.

Role of Retail Stores:

Retailer takes many marketing decisions, tries to find new marketing strategies to attract and hold customers. This is achieved by providing special varieties of goods (Liberty showrooms at Connaught Place and other places in Delhi provide different varieties, shapes, styles, colours, etc.) by offering better customer service (take back goods, if not satisfied, free home delivery, order-on-phone, credit facilities, etc.) and by providing personalised services.

The retailer takes decisions concerning the target customer, services, ambience within outlet, and the decisions concerning price, place and promotion. Reputed retail stores, use timely sales promotion tactics like sales during off seasons two clearance or special prices and incentives (like buy two get one- free, credit cards accepted during sales), samples for introducing new products (to sell their own brand of tea), Gifts based on a number of visits, point of purchase displays, or visiting celebrities. Thus, retails stores try to focus customer attraction by carrying out sales promotion techniques.

7. Techniques of Sales Promotion:

The techniques of sales promotion used by business houses are discussed below:

1. Distribution of Samples:

Many big businessmen distribute free samples of their products to the selected people in order to popularise their products. Distribution of samples is popular in case of books, drugs, cosmetics, perfumes and other similar products. As the distribution of samples is very costly, this system is confined to those products of small value which have often repeated sales.

2. Rebate or Price-Off Offer:

In order to increase sale, many producers introduce price off offer to the customers. Under this, the product is offered at a price lower than the normal price. For example, during off season (winter), ceiling fans, coolers and refrigerators may be offered at 20 to 30% off price.

Rebate offer is given for a limited period only, for example, Coca cola offered 2 litre bottle at Rs. 35 only during winter 2009. Khadi Gram Udyog offers rebates on Khadi cloth and readymades to coincide with the month of Gandhi Jayanti every year.

3. Partial Refund:

A firm may use the strategy of refunding a part of the price paid by the customer on the production of some proof of purchase of its product. For instance, the buyer of two cakes of a branded soap may be refunded Rs. 5 on returning the empty packages to the dealer.

4. Discount Coupons:

A discount coupon is a certificate that entitles its holder to a specified saving on the purchase of a specified product. Coupons may be issued by the manufacturers either directly by mail through sales-force or through the dealers. The coupons are also issued through newspapers and magazines. The holders of coupons can go to the retailers and get the product at a cheaper price.

The retailers are reimbursed by the manufacturer for the value of coupon redeemed and also paid a small percentage to cover handling cost. But many retailers do not patronise this method because it involves financial and accounting problems for them.

5. Packaged Premium:

Under this, the seller offers premium to the buyer by way of supplying a gift along with the product or inside the product package. Premium on sales helps the salesman to make effective presentation, stimulate sale in a particular area, lead to enlistment of new customers and have the way for introducing new brands in the market. Premiums are generally given in the case of customer convenience goods such as packed tea leaves, blades, tooth-pastes and toilet soaps.

6. Container Premium:

Several firms use container premium to push the sale of their products. For instance, Taj Mahal tea leaves, Ariel detergent powder, Bournvita, Kissan jams, etc. are made available in special containers which could be reused in kitchens after the product has been consumed. The reusable containers for packaging often have special appeal to the consumers who don't have to pay anything extra for the product.

7. Contests:

There may be consumers' contests, salesman's contests and dealers' contests. Contests for salesman and dealers are intended for inducing them to devote greater efforts or for obtaining new sales idea in the task of sales promotion.

Contests for consumers may centre around writing a slogan on the product. Such slogan centres around the questions as to the liking of a customer for the product, or formulation of new advertising idea for the product. Such contests are held through radio, T.V., newspapers, magazines, etc.

8. Public Relations:

Public relations activities strive for creating a good image of the enterprise in the eyes of the customers and the society. These activities are not aimed at immediate demand creation. It is very common that big business enterprises convey their greetings and thanks to the people through newspapers and other media.

9. Free Gift:

The customer does not get any benefit at the time of purchase, rather he gets it through mail. For this he has to send the proof of purchase (e.g., cash memo and wrapper) to the manufacturer to claim the gift which might be a diary or book or any other item. The gift is sent by the manufacturer by mail or through courier.

10. Exchange Offer:

It means exchange of an old product with the new one after payment of the exchange price fixed by the manufacturer. Such offers are very common these days in case of electric irons, TVs, refrigerators, scooters, gas stoves, washing machines, etc.

11. Product Combination or Gift:

It refers to giving a free gift on purchase of a product. Generally, the free gift is related to the product but it is not necessary. For example, Mug free with Bournvita, Toothbrush free with Toothpaste, DVD free with TV, Vacuum cleaner free Fridge, etc.

12. Instant Draws and Assured Gifts:

Some sectors offer instant draws and assured gifts to their customers when they make purchases. The scheme may be like – "Scratch a card (or burst a cracker) and instantly win a car, A.C., fridge, T.V., computer or electric iron on the purchase of a T.V."

13. Full Finance @ 0%:

Manufacturers of durables like bikes, T.V., A.C., etc. offer easy financing schemes even at 0% rate of interest e.g., “Pay Rs. 10,000 in cash and Rs. 30,000 in 12 equal instalments of 2,500 each by post-dated cheques and get a bike on the spot.” This tool of promotion misleads the customers and so should be avoided by the marketers.

8. Sales Promotion Tools and Programmes:

Sales promotion techniques are known as promotion tools and the mode of their application is known as sales programme.

These tools and programmes are divided under two heads:

1. Tools and programmes for consumer sales promotion.

2. Tools and programmes for dealer/distributor sales promotion

1. Tools and Programmes for Consumer Sales Promotion:

i. Sample:

Also known as consumer sample or free samples and given to consumers to introduce a new product or to expand the market. The consumers are expected to be convinced to use the product.

ii. Demonstrations or Instructions:

These are instructions given to aware the consumers about using the product. This method may be used in products like washing machine.

iii. Coupon:

It is a certificate that reduces the price. When a buyer gives a coupon to the dealer or retailer he gets the product at lower price. It gives expected result.

iv. Money-Refund Orders:

The technique indicates refund of full purchase price if the buyer so wants. It is helpful in the introduction of a new product. Refund offer creates additional interest and increases sales considerably. It is a good device for creating new user and to strengthen the brand loyalty.

v. Premium (Gift) Offers:

These are temporary price reductions, which appeal to bargain instinct. Towels, dinner ware, hair-brushes, key-chains, artificial flowers, ball pens, toilet soaps, bathing soaps, blades, are given as in-pack premiums. BUY ONE GET ONE, BUY TWO GET ONE FREE are the usual offers made to the customers to appeal them.

vi. Price-Off:

The price off label is printed on the package that is a certain amount is reduced from the actual price to woo the customers. It gives a temporary discount to the consumers.

vii. Contests or Quizzes:

These are held to stimulate consumer's interest in the product. In these contests, participants compete for prizes on the basis of their skill or creative ideas. In this type of sales promotion, prizes are offered in kinds (especially the products of the company) and sometimes a payment is given to the participants.

viii. Trading Stamps:

Trading or Bonus stamps are issued by retailers to customers who buy goods from there. The number of stamp given to a buyer depends upon the amount of purchases made by him. Stamps are issued at predetermined percent rate of the purchase amount.

These stamps are given free of charge and the customers can redeem them to obtain products out of the specified list. This technique induces customer to buy their requirements from the retailers who offer such stamps. The purpose is to increase customer loyalty.

ix. Fairs and Exhibitions:

Trade shows, fashion shows or parades, fairs and exhibitions are important technique/tools of sales promotion. They provide a forum for the exhibitions or demonstration of products. Free literature can be distributed to introduce the firm and its products to the public.

Fairs and exhibitions are organized usually by big firms or trade associations. At these fairs and exhibitions, business firms are allotted stalls wherein they display their products and attract the customers through gifts, special concessions and free demonstrations of technical and specialty products.

x. Public Relations Activities:

These include greetings or thanks in newspapers, donating space for noble causes, offer of Privileged Citizen Card, etc. Their purpose is not to create immediate demand or to increase sales. They are designed to create a good image of the firm in the society.

xi. Exchange Scheme:

This technique offers to exchange the old product with new one in payment of a fixed amount which is less than the original price. For example, exchange of old Black & White Television for Colour Television by paying rupees 8000 only (original price is rupees 10000) was offered by a particular producer of colour TV sets.

2. Tools and Programmes for Dealers/Distributors Sales Promotion:

i. Free Display:

There is provision of free display of material either at the point of purchase (POP) or at the point of sale (POS), depending on one's view point. Display reaches consumers when they are buying and actually spending their money.

ii. Retail Demonstrations:

These are arranged by manufactures for preparing and distributing the products as a retail sample, for example, Nescafe Instant Coffee was served to consumers for trying the sample on the spot of demonstration regarding the method of using the product.

iii. Trade Deals:

These are offered to encourage retailers to give additional selling support to the product, e.g., tooth paste sold with 30% to 40% margin.

iv. Buying Allowance:

Sellers give buying allowance of a certain amount of money for a product bought.

v. Buy-Back Allowance:

It is offered to encourage repurchase of a product immediately after another trade deal. A buy back is a resale opportunity.

vi. Advertising and Display Allowance:

These are also offered to retailers to popularise the product and brand name of the manufacturer.

vii. Contests:

Sales contests are held for salesmen. These are usually aimed at increasing the performance of the sales persons.

viii. Dealer Loader:

A gift for an order is a premium given to the retailer for buying certain quantities of goods or for special display done by the retailer.

ix. Training for Salesmen:

Periodical training programmes are conducted by dealers and distributors for salesmen to give them a better knowledge of a product and its usage. Dealer sales promotion provides the selling devices. Sales promotion devices at the point of purchase inform, remind, and stimulate buyers to purchase products.

People who see these devices are in a buying mood and thus they can be easily persuaded to buy those products. Tell tags are informative labels affixed on the product, describing in detail the features of the product and its unique selling points. Counter, top racks, posters, mechanised signs are other point-of purchase displays.

9. Benefits of Sales Promotion:

(i) Creates differentiation – When you launch a new product or ask customers to engage with your business in a new way, this sets you apart from your competition. Promotion planning compels you to identify something new or different that offers value to your customers;

(ii) Creates new content and communication opportunities – One of the easiest way to create new content for your customers is to create news by using sales promotion.

(iii) Creates upsell and cross sell opportunities – When you package or bundle products around a theme or solution, you can often generate sales of multiple items rather than a single item.

(iv) Drives customer decision making – Limited availability offers can create a sense of scarcity in your customers that get them to act. If you can add sampling of your promotional item to the mix, you can create compelling reasons to buy.

(v) Creates word-of-mouth opportunities – Promotions can often get your regular customers a new reason to be surprised and delighted by your business which gets them to talk about your product to their friends;

(vi) Creates training opportunities for staff – Promotions give a chance to train, prepare and re-engage the sales staff in what's new in the business;

(vii) Creates testing opportunities – Promotion gives a limited time window to test new ideas and new products and to measure them. This will help to figure out whether they warrant additional investment of time and money to make them permanent products or services;

(viii) Grows revenue – Sales promotions are a great way to build year-over-year and month-over-month revenue growth.

10. Limitations of Sales Promotion:

Sales promotion activities are often criticised on the following grounds:

(i) No Real Incentives:

The incentives offered through sales promotion schemes are fictional, and not real. It is said that the manufacturer will realise the cost of these incentives by raising the price of goods.

(ii) Shoddy Products are Passed-off:

Only products which are lacking in quality, or are not likely to be favoured by consumers, require sales promotion efforts.

(iii) Short Term Perspective:

The sales promotion schemes are carried out during particular seasons and not on a permanent basis; the results achieved through them are generally short-lived. As soon as the incentives offered under such schemes are withdrawn, the benefit in terms of increased sales may also vanish.

(iv) Switching of Demand:

Sales promotion shifts demand from one brand to another. It does not create new demand.

(v) Reflection of Crisis:

Frequent use of sales promotion activities may lead consumers to think that the product is of inferior quality. They may not, therefore, prefer to buy such products.

PUBLICITY

Publicity is also a way of mass communication. It is not a paid form of mass communication that involves getting favourable response of buyers by placing commercially significant news in mass media. Publicity is not paid for by the organisation. Publicity comes from reporters, columnists, and journalists. It can be considered as a part of public relations.

Publicity involves giving public speeches, giving interviews, conducting seminars, offering charitable donations, inaugurating mega events by film actors, cricketers, politicians, or popular personalities, arranging stage show, etc., that attract mass media to publish the news about them.

Publicity is undertaken for a wide range of purposes like promoting new products, increasing sales of existing product, etc. It also aimed at highlighting employees' achievements, company's civic activities, pollution control steps, research and development successes, financial performance, its progress, any other missionary activities, or social contribution.

Definitions:

Publicity has been defined as:

1. William J. Stanton:

"Publicity is any promotional communication regarding an organisation and/or its products where the message is not paid for by the organisation benefiting from it."

2. Philip Kotler:

"Non-personal stimulation of demand for the product or service, or business unit by placing commercially significant news about it in public medium or obtaining favourable presentation of it upon radio, television, or stage that is not paid for by the sponsor."

Characteristics of Publicity:

Key characteristics of publicity have been briefly described in following part:

1. Meaning:

Publicity is not a paid form of mass communication that involves getting favourable response of buyers by placing commercially significant news in mass media. It involves obtaining favourable presentation upon radio, newspapers, television, or stage that is not paid for by the sponsor.

2. Non-paid Form:

Publicity is not a paid form of communication. It is not directly paid by producer. However, it involves various indirect costs. For example, a firm needs some amount for arranging function, calling press conference, inviting outstanding personalities, decorating of stage, other related costs, etc.

3. Various Media:

Mostly, publicity can be carried via newspapers, magazines, radio, or television. For example, in case a product is launched by popular personality in a grand function, the mass media like newspapers, television, radio, magazines, etc., will definitely publicize the event.

4. Objectives:

Sales promotion is undertaken for a wide variety of purposes. They may include promotion of new product, pollution control, special achievements of employees, publicizing new policies, or increase in sales. It is primarily concerns with publishing or highlighting company's activities and products. It is targeted to build company's image. In a long run, it can contribute to increase sales.

5. Control of Producer:

Company has no control over publicity in terms of message, time, frequency, information, and medium. It comes through mass media like radio, newspapers, television, etc. It is given independently by the third party. It is presented as a news rather than propaganda.

6. Credibility/Social Significance:

Publicity has high degree of credibility or reliability as it comes from mass media independently. It is given as news for social interest. It has more social significance compared to other means of market promotion.

7. Part of Public Relations:

Publicity is a part of broad public relations efforts and activities. Public relations includes improving, establishing, and maintaining direct relations with all publics. Publicity can help improve public relations.

8. Costs:

Publicity can be done at much lower cost than advertising. Company needs to spend a little amount to get the event or function publicized.

9. Effect:

Publicity message is more likely to be read, viewed, heard, and reacted by audience. It has a high degree of believability as it is given by the third party.

10. Repetition:

Frequency or repetition of publicity in mass media depends upon its social significance or the values for news. Mostly, it appears only once.

Importance of Publicity:

Like advertising and sales promotion, sales can be increased by publicity, too. Publicity carries more credibility compared to advertisement. Publicity is cost free; it doesn't involve direct cost. Publicity offers a lot of benefits to the producers and distributors.

Importance of publicity can be made clear from the below stated points:

1. Publicity is an effective medium to disseminate message to the mass with more credibility. People have more trust on news given by publicity.

2. The credibility level of publicity is much higher than advertising and other means of market promotion. People express more trust on what the third party independently says. It appears directly through newspapers, magazines, television, or radio by the third party. It is free from bias.

3. It provides more information as the valuable information is free from space and time constraints. Similarly, publicity takes place immediately. No need to wait for time or space in mass media. It enjoys priority.

4. The firm is not required to pay for publicity. The indirect costs related to publicity are much lower than other means of promotion.

5. It is a part of public relations. It is free from exaggeration; it carries more factual information about company. It is more trustable. It helps establish public relations.

6. Generally, publicity covers the varied information. It normally involves name of company, its goods and services, history, outstanding achievements, and other similar issues. The knowledge is more complete compared to advertisement.

7. Publicity directly helps middlemen and sale persons. Their tasks become easy. Publicity speaks a lot about products on behalf of middlemen and salesmen. Sellers are not required to provide more information to convince the buyers.

8. It is suitable to those companies which cannot effort the expensive ways to promote the product.

9. Publicity increases credit or fame of the company. Publicity on company's assistance in relief operations during flood, earthquake, draught, and other natural calamities highlights its name and social contribution in mass media. People hold high esteem to this company.

10. Publicity can be used by non-commercial organisations/institutes like universities, hospitals, associations of blinds or handicaps, and other social and missionary organisations. They can publicize their noble works by the medium of publicity.

Objectives of Publicity:

Publicity is aimed at a number of objectives.

The most common objectives of publicity have been discussed in brief as under:

1. Building Corporate Image:

Through publicity, a company can build or improve its corporate image. People trust more on what press reporters, columnists, or newsreaders say via mass media independently than what the company says. Publicity highlights the company's name and operations. It popularizes the name of the company.

2. Economy:

It is a cost saving medium. Here, a company is not required to pay for message preparation, buying space and time, etc. The cost involved is much lower than other means of market promotion. Financially poor companies may opt for publicity.

3. Assisting Middlemen and Salesmen:

Publicity can help middlemen and salesmen in performing the sales-related activities successfully. Information conveyed through publicity speaks a lot of things on behalf of sellers. Publicity makes selling tasks much easier.

4. Information with High Creditability:

Sometimes, publicity is targeted to disseminate information more reliably. Customers do not express doubts on what publicity appeals. Customers assign more value to information supplied by mass media via publicity than by the advertisement.

5. Removing Misunderstanding or Bad Image:

Company can defend the product that has encountered public problems. In many cases, publicity is aimed at removing misunderstanding or bad impression. Whatever a publicity conveys is more likely to be believed.

6. Building Interest on Product Categories:

Publicity attracts attention of buyers. Due to more trusted news, people build interest in various products and activities.

7. Newsworthiness Information:

Publicity publicizes the fact in an interesting ways. Publicity is eye-catching in nature. People do not skip the news presented by publicity that more likely happens in case of advertising. For example, when a new product is launched by the distinguished personalities like film star, eminent artist, or cricketer in a grand function, the product becomes popular within no time.

PUBLIC RELATIONS

Public relations consists number of programme to protect company's image and its particular product image.

Public relation is an important element in the promotion mix. In the era of globalization, the most of the multinational companies make concrete efforts to manage and maintain its relationships with its customers. Most of the multinational companies have its public relation department that makes all effort to monitor the attitude and perceptions of customers.

It is used to distribute and communicate all the necessary information to build up good reputation in the mind of the public. An efficient and good public relation department use to adopt positive programs for this purpose and always emphasize to eliminate negative publicity arises due to questionable practices.

It is used to perform following functions:

(1) Press relations – To put information about organization in a very positive way.

(2) Publicity of Product – It can be done by publicising the events to make publicity of Products.

(3) Effective Communication – It is necessary to create and promote understanding of the organisation. It can be obtained through internal and external communication.

(4) To Promote Lobbying – It necessary to deal with legislators or government as to encourage or discourage a particular legislation or regulation.

(5) Counseling – It is to advice the management about public issues, position of the company and image during the good and bad times.

Public relations are a broad set of communication activities used to create and maintain favourable relations between the organisation and its publics. Customers, employees, stockholders, government are officials and society.

Public relations started as publicity, but today its scope has enlarged to an extent that it is being defined as "helping an organisation and its public adapt mutually to each other". The focus in this management function is on mutual accommodation rather than a one sided imposition of a view point. Perhaps, it's only because of this reason the scope of the PR has become so broad and wide. Further, the use of variety of terms as substitutes or euphemisms – such as corporate communication, corporate affairs, public affairs, has caused confusions about what PR is and what is not.

Conventionally, Public Relations department was considered to be a small appendage to a large corporation with four major functional areas; Finance, Operations, Marketing and Personnel or Human Resource Management. In such corporations, all such activity, as not specifically falling under the jurisdictions of any functional department was given to the PR department. However, today there is increasing realisation on "Relations".

The PR department is in constant interaction with all other functional departments. For example, financial PR helps in resource mobilisation; labour relations for shop floor productivity; consumer relations for better understanding of customer needs; and employee relations for morale and team building. Not only this, today PR helps in strategy formulations and organisational policies as this is the department which work as the bridge between various publics of the organisations and the various functional departments.

Public relations (PR) refer to the variety of activities conducted by a company to promote and protect the image of the company, its products and policies in the eyes of the public. Thus it aims to manage public opinion of the organisation.

1. Most organisations either have a separate department or hire services of professional agencies to manage public relations of the organisation.

2. The public relation department manages PR to generate positive publicity and improve public image through news, speeches or messages from the top management, organises events like ‘Founder Day’, ‘Sports event’, ‘annual award programme’, charity functions etc. to.

3. They also advise top management to adopt such norms which adds to public image of the organisation.

4. The events held by PR department aims to strengthen relationships and build reputation amongst all stakeholders like customers, employees, shareholders, suppliers, investors etc.

5. Public relations involves tactics like offering information to independent media sources and a mix of promoting specific products, services and events to promote the overall brand of an organisation.

Few definitions of public relations:

“The art and social science of analysing trends, predicting their consequences, counselling organisational leaders and implementing planned programme of action which will serve both the organisation and the public interest.” -Public Association Relations

“A strategic management function that adds value to an organisation by helping it to manage its reputation.” -The Chartered Institute of Public Relations.

Public relations have now become an important marketing function. The total process of building goodwill towards a business enterprise and securing a bright public image of the company is called public relations. It creates a favourable atmosphere for conducting business.

According to Edward Barney, “Public relations are the attempt by information, persuasion, adjustment, to engineer public support for an activity, a cause, movement or an institution.”

Thus, in this sense, Public Relations are a mode of getting public support for an activity or a movement.

Mr. John E. Marston has developed Public Relations as a management function. According to him, “Public Relations are the management function which evaluates public attitudes, identifies the policies and procedures of an organisation with the public interest and executes a programme of action and communication to earn public understanding and acceptance.”

Thus, Public Relations is a form of communication. Public Relations, as with advertising is carried on with target groups.

Engel, Warshaw and Kinnear who are marketing communication experts have identified five significant targets for Public Relations efforts- 1. Customers 2. Employees 3. Suppliers 4. Stock Holders 5. Community.

Now Public Relations has developed as a profession in India and has contributed a lot for the development of industrial and social relations. Public Relations techniques are being used to solve various corporate problems.

The main responsibility of public relations is to communicate the policies, practices, problems and performances to the public and to feedback public opinions, and suggestions to the top management so that a mutual understanding may be established between the organisation and its public, i.e. shareholders, dealers, customers, general public, government employees and the press.

Major Objectives

Department of public relations aims to develop the positive image of the company, its products and policies.

It achieves following objectives for the organisation:

(i) It facilitates smooth functioning of business and achievement of organisational objectives.

(ii) It builds corporate image and creates a favourable impression and creditability of company's products.

(iii) It helps in launch of new products and maintain interest and confidence in the existing products.

(iv) It acts as a supplement to advertising in promoting existing and new products. Thus, it helps business and its associates to sell products easily.

(v) It lowers the promotional cost as it has to simply maintain staff to develop and circulate information with media or manage events.