MARKETING MANAGEMENT
UNIT (I-IV)

Product Definition-1

- A product can be defined as a collection of physical, service and symbolic attributes which gives satisfaction or benefits to a user or a buyer.
- A product is a combination of physical attributes say, size & shape and subjective attributes say, image or quality. A customer purchases on both dimensions.
- A product involve several decisions for its formation as well as distribution to end consumer.

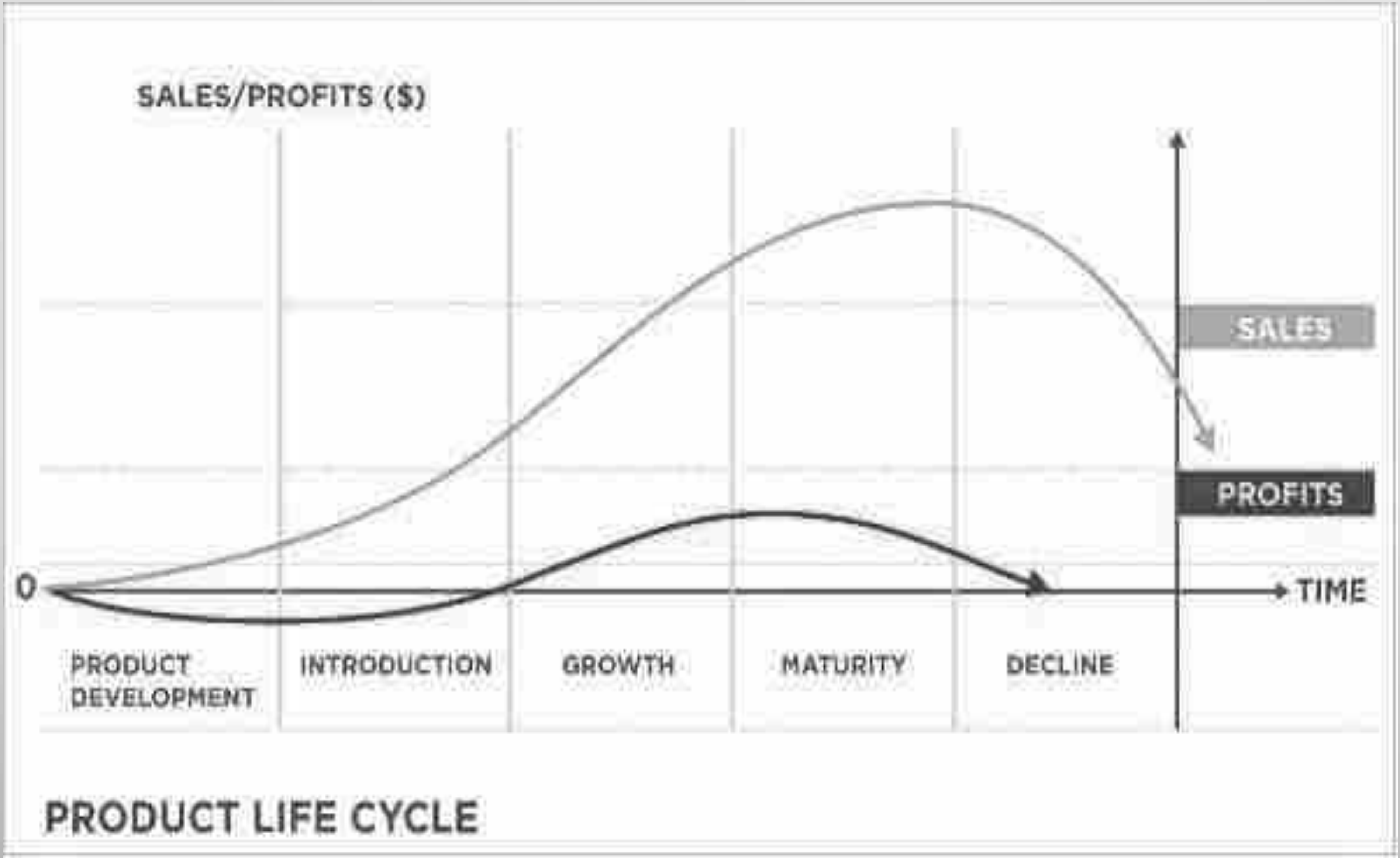
Product Definition-2

According to W. Alderson, a product is a set of tangible and intangible attributes, including packaging, color, price, manufacture’s and retailer’s services, which the buyer may accept as offering satisfaction of wants or needs.

New Product Development Process

and

Product Life Cycle


SALES/PROFITS ($)
SALES
PROFITS
0
TIME
PRODUCT
DEVELOPMENT
INTRODUCTION
GROWTH
MATURITY
DECLINE
PRODUCT LIFE CYCLE

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

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.**

The next stage of the product is the 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.

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:-

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

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
- Stage 6 – Development of product
- Stage 7 – Testing product in market
- Stage 8 – Commercialization of the product

Stage 1 – Generation of new product ideas

Ideas can come from everywhere, can be of any form and can be numerous. This stage involves creating a large number of ideas from various sources, which include:-

1. **Internal Sources – Many companies give incentives to their employees to come up with workable ideas.**

2. **SWOT analysis – Company may review its strength, weakness, opportunities and threats and come up with a good feasible idea.**

3. **Market Research – Companies constantly review the changing needs, wants and trend in the market.**

4. **Customers – Sometimes reviews and feedback from the customers or even their ideas can help companies generate new product ideas.**

5. **Competition – Competitors SWOT analysis can help the company generate ideas.**

Stage 2 – Screening and evaluation of ideas

The screening step is the critical part of the new product development process. Product ideas that do not meet the organization's objectives should be rejected. Two problems that may arise during screening stage are the acceptance of a poor product idea and the rejection of the viable product idea. In the former case, money and effort are wasted in subsequent stages until the product idea is abandoned. In the later case, a potential winner never sees the market.

Stage 3 – Development and testing of concept

Concept testing is the process of using qualitative and quantitative methods to evaluate consumers response to a product idea prior to the introduction of a product to the market. It is the vital part of the idea screening stage of new product development. It can also be used to generate communication designed to alter consumer attitude towards existing products. These methods involve the evaluation of consumers product concepts having certain national benefits, such as " the detergent that removes stains but is gentle on fabrics."

Concept testing is often performed using field surveys, personal interviews and focus groups in combination with various quantitative methods.

Stage 4 – Development of advertisement and promotion strategies

The marketing strategy statement has three parts:-

1. **A description of the target market, planned value proposition and sales, market share and profit goals for the first few years.**
2. **An outline of the product's planned price, distribution and marketing budget for the first year.**
3. **The planned long term-sales, profit goals and the marketing mix strategy.**

Stage 5 – Analysis of business.

The primary focus of the business analysis stage is to determine weather the product idea will ultimately be profitable or not. However this being the primary consideration, is not the only consideration.

Stage 6 – Development of product

Once a potential product has passed the screening and business analysis stages, it goes onto the technical and marketing development stage. This stage includes identifying the target market and the decision maker in the purchasing process, determining what features must be incorporated into the product and the most cost-effective way to produce it.

Stage 7 – Testing product in market

- **Test marketing is the final stage before commercialization and is where all the elements of the marketing plan are tested**
- **The objective of this marketing phase is to test all the variables in the marketing plan including different elements and characteristics of the product.**
- **In the end the test market should include an estimate of sales, market share and financial performance over the life of the product.**

Stage 8 – Commercialization of the product

- The process of launching a new product is commercialization. It may involve heavy promotion and filling the distribution networks with the product.
- At last the product is ready to go. It has survived the development process and it is now on the way to commercial success.
- So commercialization is the process or cycle of introducing a new product or production method into the market. In this stage the product is launched, advertisement and promotion activities begin and increases heavily and finally the distribution pipeline is filled with the product.

Branding of a Product:-

Branding can be the name, logo, concept, etc., which differentiate the product or service from the other competitors in the market.

Reasons for Branding:-

Branding is aimed at promoting your own product. Let us now see why branding a product is essential.

- **It makes the promotion process easy.**
- **It increases the rate of success in advertising.**
- **It creates an image of the product in customers' minds, which he/she can relate to.**
- **Brand signifies the organization.**

Cont..

- **Brand creates product loyalty and stabilizes sales.**
- **It differentiates the product from other competitors in market.**
- **It makes the introduction of a new product easier.**
- **Branding creates a difference from other products, which helps to tackle price competition.**

Branding of a product has many upsides i.e. by creating a brand, the product can be stabilized in the market for a longer duration.

Branding Strategies:-

Branding strategy can be divided into the following two types –

- **Producer strategy**
- **Middleman strategy**

Producer Strategy:-

The following need to be considered for producer strategies –

- Marketing under producer's brand
- Developing a market preference for branded parts or materials
- Marketing the product under a renowned middleman brand
- This strategy is used by the companies or manufacturers to build a brand.

Middleman Strategy:-

In this strategy, the manufacturer uses a known distributor brand to advertise the product.

- **It is the middlemen or distributor brand policy.**
- **It is used by companies without adequate finance for advertisement and promotion.**
- **This can be an advantage to the producer in market.**

Positioning a Brand

Positioning a brand means occupying a unique place in the minds of the consumers.

The following are the various ways for positioning a brand

- Taking benefit from a trending situation
- Connecting various uses
- Positioning according to consumer lifestyle
- Advertising the benefits
- Acquiring a competitive position
- Benefits offered by the product

Positioning a brand creates an image in the customers' minds and increases the sales of the product.

Brand Equity

Brand equity can be described as the commercial value of a well-established brand name. A product of a popular brand can generate more revenue as compared to an unknown brand. Consumers have a perspective that a product from well know brand will be better in terms of quality than others. This gives an advantage to a branded product over an unknown product.

Elements of Brand Equity:-

Brand equity valuation is difficult and doesn’t have any basic criteria. Some of the elements associated to it include

- Consumer loyalty
- Awareness of brand
- Quality of product
- Association with brand
- Assets owned by the brand

Elements of brand equity add a value to the brand; a successful brand has all the elements of brand equity.

Brand Benefits:-

A brand has various advantages compared to unknown products. Some of the benefits are as follows –

- It increases customer confidence in purchasing decision
- It increases efficiency and effectiveness of advertisement and promotion
- Brand loyalty is increased
- Products can be priced higher for bigger margin and higher Return On Investment (ROI)
- Extension of brand
- Leverage in trade
- Unique position of brand

Packaging
&
Labelling
Decisions


organic
creamy
SWEET KERNEL
MADE WITH WHOLE GRAINS
THOMAS'

Packaging is a method used to protect the product from external factors during transportation or storage. Depending upon the nature of product, the packaging can differ. At the same time, packaging creates a first impression on the consumer so it should be designed accordingly.

Characteristics of Packaging:-

The characteristics or different features of packaging can be listed as follows –

- Attractive packaging
- Identity of product
- Development
- Sustainability of product
- Looks genuine
- Reveals image of brand

Packaging gives an overview of the product so these characteristics should be considered during the design of packaging.

AIDAS Formula:

AIDAS theory is a very popular marketing technique. It states that a consumer goes through the following five stages before showing satisfaction for a product.

- **A – Attention**
- **I – Interest**
- **D – Desire**
- **A – Action**
- **S – Satisfaction**

These stages are to be evaluated and kept in perspective during the packaging design of the product.

Packaging Strategies:-

The design of packaging can provide an advantage in the market over similar category product. The following are the different strategies for effective packaging –

- Packaging of product line
- Multiple packaging
- Changing the package

Proper execution of packaging strategies can increase the attractiveness and durability of the product.

Labeling:-

Labeling is the process of marking an identity on the product. The information used for labeling contains the following details –

- **Name and address of the manufacturer**
- **Name and address of the distributer**
- **Maximum Retail Price (MRP) of the product**
- **Manufacturing date of the product**
- **The method used to manufacture**
- **Ingredients used**
- **Precaution details**
- **Quantity**
- **Expiry date**

The information provided in labeling is important because of various reasons like tracing the origin of the product, genuineness of product, etc.

Product Mix:

Product mix refers to all the products offered by a particular company. As an example, Reliance Industries has products like cellular service, power, entertainment, etc. Hence, a strategy should be planned such that the uniqueness of the product can be established.

Positioning the Product:

It includes positioning in relation to competition, positioning with attributes, and positioning in relation to price and quality of other products in the segment. The product has to be positioned as per these factors in their respective sectors.

Pricing Decisions

Pricing is a process to determine what manufactures receive in exchange of the product. Pricing depends on various factors like raw material cost, manufacturing cost, profit margin etc.


PRICE
QUALITY

Importance:

Price is important to marketers because it represents the assessment of the value, customers see in the product or service and are willing to pay for a product or service. ... While product, place and promotion effect costs, price is the only element that effects revenues, and thus, a business profits.

The Importance of Price

To the seller…
Price is revenue

To the consumer…
Price is the cost of something

Price allocates resources in a free-market economy

LO1

The Importance of Price to Marketing Managers

Revenue	The price charged to customers multiplied by the number of units sold.
Profit	Revenue minus expenses.

LO1

The Importance of Pricing Decisions

Price X Sales Unit = Revenue

Revenue – Costs = Profit

Profit drives growth, salary increases, and corporate investment

LO

Objectives of Pricing:

The main objectives of pricing can be learnt from the following points –

- **Maximization of profit in short run**
- **Optimization of profit in the long run**
- **Maximum return on investment**
- **Increasing sales turnover**
- **Fulfill sales target value**
- **Obtain target market share**
- **Penetration in market**

Objectives Cont…..

- Introduction in new markets
- Obtain profit in whole product line irrespective of individual product profit targets
- Tackle competition
- Recover investments faster
- Stable product price
- Affordable pricing to target larger consumer group
- Pricing product or services that simulate economic development

Pricing objective is to price the product such that maximum profit can be extracted from it.

Factors Influencing Pricing:

Pricing of a product is influenced by various factors as price involves many variables. Factors can be categorized into two, depending on the variables influencing the price.

Internal Factors:

The following are the factors that influence the increase and decrease in the price of a product internally –

- Marketing objectives of company
- Consumer's expectation from company by past pricing
- Product features
- Position of product in product cycle
- Rate of product using pattern of demand
- Production and advertisement cost
- Uniqueness of the product
- Production line composition of the company
- Price elasticity as per sales of product

Internal factors that influence pricing depend on the cost of manufacturing of the product, which includes fixed cost like labor charges, rent price, etc., and variable costs like overhead, electric charges, etc.

External Factors:

The following are the external factors that have an impact on the increase and decrease in the price of a product –

- Open or closed market
- Consumer behavior for given product
- Major customer negotiation
- Market opponent product pricing
- Consideration of social condition
- Price restricted as per any governing authority

External factors that influence price depend on elements like competition in market, consumer flexibility to purchase, government rules and regulation, etc.

Pricing Methods/Techniques:

Let us now discuss the various pricing methods –

Cost plus Pricing

Cost plus pricing can be defined as the cost of production per unit of product plus profit margin decided by the management.

- **Step 1 – (Calculation of average variable cost)**
- **Step 2 – (Calculation of average fixed cost)**
- **Step 3 – (Determination of the desired profit margin)**

Selling Price = Unit total cost + Desired unit profit

i.e. Selling Price = AVC + AFC + Mark up

Break Even Analysis:

It is a point when the investment and revenue of an enterprise is equal; after this point an enterprise gains profit.

Prices Based on Marginal analysis:

In this method, additional cost of that activity is compared to additional profit and the price is calculated according to margin cost. Thus, the cost and price is evaluated and as per the result, the price is decided so as to maximize the profit.

Pricing Strategies

Skimming Pricing:

In this method, a new product is introduced in the market with high price, concentrating on upper segment of the market who are not price sensitive, and the result is skimmed.

Penetration Pricing:

In penetration pricing, a product is introduced in the market with a low initial price. The price is kept low to increase target consumer. Using this strategy, more consumers can be penetrated or reached.

Discounts and Allowances:

Discounts are provided in order to increase the demand of product in the market. The main points to be considered to offer discounts are as follows –

- **Discount in quantity**
- **Discount in trade**
- **Discount in cash**
- **Other discounts like seasonal, promotional, etc.**

Geographic Pricing Strategies:

Geographic pricing strategy is used to price product as per its geographical location. As the distance increases from the point of production, the cost of the product increases.

The main points to be considered under this are as follows –

- Point of production pricing strategy
- Uniform delivery pricing strategy
- Zone delivery pricing strategy
- Freight absorption pricing strategy

Special Pricing Strategies:

Special pricing strategy is mostly used for the promotion of the product. In this strategy, pricing is changed for a short interval of time. These strategies can be lined up as follows –

- One price strategy
- Flexible price strategy
- Flat rate pricing strategy
- Single price strategy
- Odd pricing
- Leader pricing
- High low pricing
- Resale price maintenance
- Everyday low pricing
- Price lining

UNIT-IV

Product Promotion

What is Promotion?

It refers to the use of communication with the twin objectives of informing potential customers about a product and persuading them to buy it

Promotion involves disseminating information about the product, product line, brand, or company. It is one of the four keys aspects of the marketing mix.
(the other three elements are product marketing, pricing and distribution.)

To generate sales and profits, the benefits of product have to be communicated to customers. In marketing this is commonly known as "promotions".

OBJECTIVES OF PROMOTION

- ✓ BUILD AWARENESS
- ✓ CREATE INTEREST
- ✓ PROVIDE INFORMATION
- ✓ STIMULATE DEMAND
- ✓ REINFORCE THE BRAND

Promotion techniques

Promoting your business can take many different forms. We can promote it online and offline. Promotion is a very important part of every business imaginable. If we don't promote it, how are the customers supposed to know about it? Here are some very effective ways to promote your product or service.

- BUSINESS CARD
- PRESS RELEASE
- ORGANIZATIONS
- NEWS LETTERS
- FREE STUFF
- WEBSITE

PROMOTION MIX

Specific combination of promotional methods such as print or broadcast advertising, direct marketing, personal selling, point of sale display, merchandising, etc, used for one product or a family of products.

Promotion Mix-Introduction

Promotion mix is a combination of various marketing techniques, oriented to acquire a common target. It provides a structure for budget allocation for different elements of the promotional mix.

Some Elements/Tools/Techniques/guiding factors of promotion-mix are as follows –

- Advertising
- Sales promotion
- Personal selling
- publicity
- Direct marketing
- Public relations
- Nature/Type of product market
- Overall marketing strategy
- Buyer readiness stage
- Product life cycle stage

TOOLS/TECHNIQUES FOR PROMOTION MIX

- ADVERTISING
- SALES PROMOTION
- PERSONAL SELLING
- PUBLICITY
- DIRECT MARKETING
- PUBLIC RELATIONS

The factors that guide a marketer's decision in selecting a promotion mix are :-

- ✓Nature of the product market.
- ✓Overall marketing strategy.
- ✓Buyer readiness stage.
- ✓Product life cycle stage.

ADVERTISING

This means of providing the most persuasive possible selling message to the right prospects at the lowest possible cost.

Kotler and Armstrong provide an alternative definition :-

Advertising is any paid form of non-personal presentation and promotion of ideas, goods and services through mass media such as Newspapers, Magazines, Television or Radio identified sponsor.

It is impersonal form of promotion – In advertising there is no personal connection between the firm and the public who reads or sees the advertisement.

It is the most visible form of promotional tools – The advertising of a particular product can be done through putting up posters, banners, television ads, radio or so on the internet.

Medium used are radio, T.V, internet, newspaper for advertising – The most effective method of advertising is through media. It can be done through television ads, internet links, radio and newspaper.

Identifies sponsor – It is undertaken by some identified individuals or company who makes the advertising efforts and also bears the cost of it.


2 little letters for
instant perfect skin
BB
GARNIER
Colgate
Sensitive
For Hypersensitive Teeth & Gums
IDEA INTERNET - NO ULLU BANAWING
India ullu nahi bana
#UlluMatBano
iPhone 6
Bigger than bigger
REFRESH
YOURSELF
WITH A DELICIOUS
Coca-Cola
Original
THE ORIGINAL
COKE
FLAVOR
Coca-Cola

SALES PROMOTION

It refers to the short term incentives, which are designed to encourage the buyers to make immediate purchase of a product or service.

It may include an advertising campaign, increased PR activity, a free sample campaign, offering free gifts or trading stamps, arranging demonstrations or exhibitions, setting up competitions with attractive prizes, temporary price reductions, door-to-door calling, telemarketing, personal letters on other methods.

Short term incentives offered to encourage sales – Giving the customer to try or test your product (especially if it's a consumable product). The customer will use the product and if liked by them, would go to buy that particular product.

Gains intentions and has immediate effects.

Example: Rebate, refunds, discounts, gifts, product quantity, lucky draws stc.


adidas
$10 OFF
Purchase of
$100 or more
COUPON CODE
"10off100"
mid-season
sale
up to
60% off
selected items
MARKS &
SPENCER
FOOD & ELECTRONICS BAZAAR 2013
Enjoy
FREE
VEGAN SA

PERSONAL SELLING

It involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales.

Personal selling is one of the oldest forms of promotion. It involves the use of a sale force to support a push strategy (encouraging intermediaries to buy the product) or a pull strategy (where the role of the sales force may be limited to supporting retailers and providing after-sale service).

- Oral face to face presentation of message with prospective customer- Here, the firm appoints sale s persons to go from door to door and advertise their products. This helps give a personal touch as the sales person explains to the customer.

- It is flexible and has immediate effect – if a customer wants to inquire in detail about a particular product they can do so. They can clear all quires regarding the product and be satisfied.

- Development of relationship – direct contact helps develop personal relationship with the prospective customers which may important in making sales.

- Example: Door to door demonstrations, explanation and display by salesman.


PERSONAL
selling

PUBLICITY

It is non personal and non paid form of a communication. It includes promoting the product through media.

It usually comes in the form of news story, editorial, or announcements about an organization and/or its product and services.

Techniques used to gain publicity include news releases, press conferences, feature articles, photographs, films and videotapes.

It is unpaid – Does not involve any direct expenditure by the marketing firm.

No identified sponsor – As the message goes as news item, the sponsor is not identified.

Done through press conference, speeches, annual reports, events, publications, donations and sponsorship.

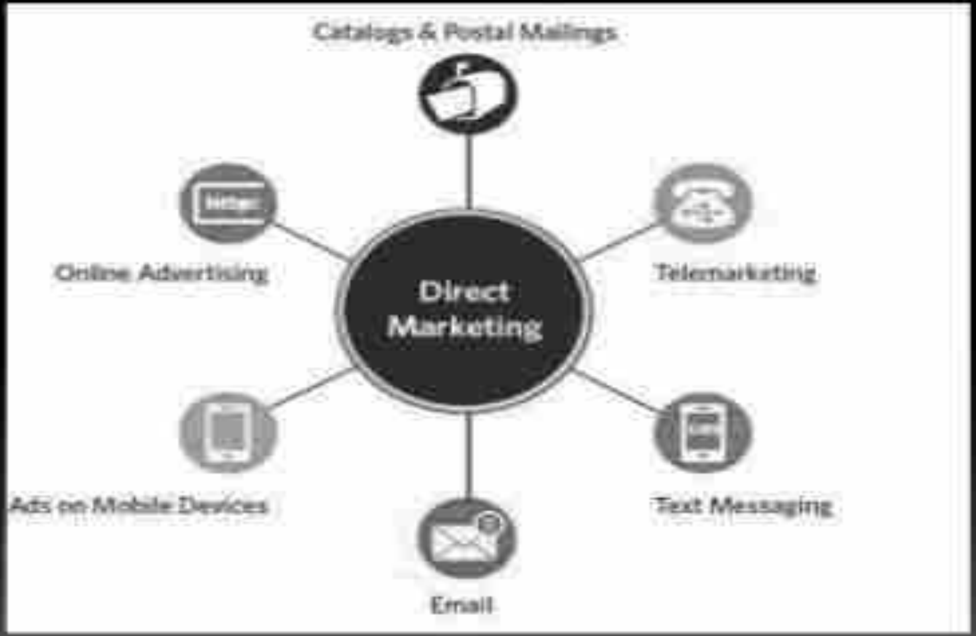

REUTERS
facebook

DIRECT MARKETING

It is concerned with establishing an individual relationship between the business offering a product or service and the final customer.

Direct marketing has been defined by the institute of direct marketing as:
"the planned recording, analysis and tracking of customer behavior to develop a relational marketing strategies."

The process of direct marketing covers a wide range of promotional activities, these include:




Newsweek
News Alert:
Super Discount Deal.

PUBLIC RELATIONS

Building good relationship with the company's various publics (stakeholders) building up a good corporate image.

The major tools are press releases, sponsorships, special events, web pages. To enhance the positive aspects and minimize negative factors related to products and organizations.


INDIANS
PEPSI
IPL


UCB
Meet The Press
happy banking
UCB


LIFEBUOY FRIENDSHIP HOSPITAL

Importance of Promotion Mix

The promotion mix is the blend of different methods and tools of communication you use in presenting your company, products or services to target customers. Effective promotion is a key component of the marketing mix, as it is the element that helps you attract customers, persuade them to buy, and generate loyalty.

Advantages and Disadvantages

Of

various components of Promotion Mix

Mix Element	Advantages	Disadvantages
Advertising	Good for building awareness Effective at reaching a wide audience Repetition of main brand and product positioning helps build customer trust	Impersonal - cannot answer all customer's questions Not good at getting customers to make a final purchasing decision
Personal Selling	Highly interactive - lots of communication between the buyer and seller Excellent for communicating complex / detailed product information and features. Relationships can be built up - important if closing the sale make take a long time	Costly - employing a sales force has many hidden costs in addition to wages. Not suitable if there are thousands of important buyers.
Sales Promotion	Can stimulate quick increase in sales by targeting promotional incentives on particular products. Good short term tactical tool.	If used over the long-term, customers may get used to the effect. Too much promotion may damage the brand image.
Public Relations	Often seen as more "credible" - since the message seems to be coming from a third party (e.g. magazine, newspaper). Cheap way of reaching many customers - if the publicity is achieved through the right media.	Risk of losing control - cannot always control what other people write or say about your product.

Factors Affecting Promotion Mix

1. Type of Product:

Type of product plays an important role in deciding on promotion mix. Product can be categorized in terms of branded products, non-branded products, necessity products, luxury products, new products, etc. All these types of products need different promotional tools. For example, advertising is suitable for the branded and popular products. Personal selling may be fit for non-branded products. Advertising, personal selling, sales promotion and publicity – all four tools – are used for a newly launched product to get a rapid consumer acceptance.

2.Use of Product:

Product may be industrial product, consumable and necessity product, or may be luxurious product that affects selection of promotion tools and media. For example, advertising and sales promotion techniques are widely used for consumer goods while personal selling is used for industrial goods.

3.Complexity of Product:

Product complexity affects selection of promotional tools. Personal selling is more effective for complex, technical, risky, and newly developed products as they need personal explanation and observation. On the other end, advertising is more suitable for simple and easy-handled products.

4. Purchase Quantity and Frequency:

Company should also consider purchase frequency and purchase quantity while deciding on promotion mix. Generally, for frequently purchase product, advertising is used, and for infrequently purchase product, personal selling and sales promotion are preferred. Personal selling and advertising are used for heavy users and light users respectively.

5. Fund Available for Market Promotion:

Financial capacity of company is a vital factor affecting promotion mix. Advertising through television, radio, newspapers and magazines is too costly to bear by financially poor companies while personal selling and sales promotion are comparatively cheaper tools. Even, the company may opt for publicity by highlighting certain commercially significant events.

6. Type of Market:

Type of market or consumer characteristics determine the form of promotion mix. Education, location, income, personality characteristics, knowledge, bargaining capacity, profession, age, sex, etc., are the important factors that affect company's promotion strategy.

7. Size of Market:

Naturally, in case of a limited market, personal selling is more effective. When market is wide with a large number of buyers, advertising is preferable. Place is also an important issue. Type of message, language of message, type of sales promotion tools, etc., depend on geographical areas.

8. Stage of Product Life Cycle:

Product passes through four stages of its life cycle. Each stage poses different threats and opportunities. Each stage needs separate marketing strategies. Each of the promotional tools has got different degree of suitability with stages of product life cycle.

9. Level of Competition:

Promotional efforts are designed according to type and intensity of competition. All promotional tools are aimed at protecting company's interest against competition. Level of promotional efforts and selection of promotional tools depend on level of competition.

10. Promotional Objectives:

It is the prime factor affecting promotional mix. Different objectives can be achieved by using different tools of promotional mix. If company's objective is to inform a large number of buyers, advertising is advisable. If company wants to convince limited consumers, it may go for personal selling. Even, when company wants to influence buyers during specific season or occasion, the sales promotion can be used. Some companies use publicity to create or improve brand image and goodwill in the market.

11. Other Factors:

These factors may include:

i. Price of Product

ii. Type of Marketing Channel

iii. Degree of Product Differentiation

iv. Desire for Market Penetration, etc.

Distribution Channel:-

A distribution channel is the route through which goods or services move from the company to the customer or the transfer of payment happens from the customer to the company.

Distribution channels can mean selling of products directly or selling through wholesalers, retailers etc. The same applies for payment transfer from customers to company, it can move through a path or can be sent directly to the company.

Various types of distribution channels:-

Different experts have discussed different types of channels of distribution-

- **Manufacturer/Producer → Ultimate Consumer/Customer**
- **Manufacturer → Retailer → Customer**
- **Manufacturer → Wholesaler → Retailer → Customer**
- **Manufacturer → Agent → Wholesaler → Retailer → Customer**
- **Manufacturer → Wholesaler → Customer**
- **Manufacturer → Agent → Retailer → Customer**
- **Manufacturer → Agent → Wholesaler → Customer**

Profit distribution decreases as the channel length increases.

1) Producer —> Ultimate Consumer

1. This is the oldest, simplest and shortest type of channel of distribution.
2. Under this method, the producer or the manufacturer directly sells goods to the ultimate consumer without any middlemen.
3. There are 3 alternatives in making direct sales to ultimate consumer -

- Sale through advertising and direct methods, such as mail order selling,
- Sale through traveling sales force, such as house to house canvassing,
- Sale through retail or multiple shops of producer or manufacturer, such as Delhi Cloth Mill shops, Bata Shoe shops, Bombay Dyeing shops etc.

CONT:-

❖ This method is suitable in the following situations :

1. When there are few potential buyers such as industrial buyers.

2. When market for the product is concentrated in a particular geographical area only.

3. When goods produced are in small quantity.

4. When the product requires demonstration, tests, lengthy negotiations before sale and there is need to provide after sale service, such as machinery, automobiles etc.

CONT:-

5. When the channel costs are higher than that of direct selling system.

6. When the middlemen are not prepared to undertake the sale of a new market and introduce the new product in the market.

7. When the producer or the manufacturer decides to eliminate middlemen.

8. When the product is of perishable nature, such as vegetables, eggs, etc.

2) Producer -> Retailer ->Ultimate Consumers

- This is also a simple, easy, old and most popular type of channel of distribution.
- Under this method, producers sell their goods to retailers and retailers sell them in turn to ultimate consumers.
- Here the producer allows the retailer to have direct access to him.
- The wholesalers or agents are totally eliminated.
- This channel option is preferable when buyers are large retailers, such as departmental stores, chain stores, super bazaars, discount houses, big mail order houses or cooperative stores.

CONT:-

- It is also suitable when the products are of perishable nature, such as vegetables, fruits, eggs, and thus speed in distribution is essential.
- Home appliances, ready-made garments, automobiles, shoes etc. are directly sold by the manufacturers to the retailers.
- This type of channel of distribution maybe suitable in the following situations :

1. When the product is perishable either physically or due to changes in fashion and thus requiring speedy distribution.
2. When the wholesalers are unwilling to undertake promotional efforts needed by the producer.

Cont:-

3. When the retailers are financially sound to finance the producer towards the supplies made to them.

4. When the retailers are large enough to carry on the distribution work independently and efficiently.

5. When the producers may desire to have closer contacts so as to understand buyers' preferences and for product planning.

6. When the demand for the product is constant.

3) Producer -> Wholesaler -> Retailer -> Ultimate Consumer

- It is a normal, regular, traditional and also popular channel of distribution.
- Under this method, the producer sells goods in large quantities to wholesalers.
- The wholesaler distributes the goods to retailers as per their requirements in small quantities.
- The retailer finally sells the same to the ultimate consumers.
- In this way the distribution channel is quite long.
- This channel of distribution is desirable for groceries, drugs and other types of medicines, hardware, food-items etc.

4) Producer –> Agent ->Wholesaler -> Retailer -> Ultimate Consumer

- This is the longest channel of distribution.
- In this channel the producer uses the services of an agent who has greater outlets and contacts.
- The agent in turn may distribute the goods to wholesalers, who in turn sell to retailers.
- The retailer sells the goods to the ultimate consumers.
- The agents have a wide distribution system on national level.

CONT:-

- The agent acts as a sole selling agent of the producer, such as Voltas.
- In this case the producer is not required to undertake marketing task as the entire supply is purchased by the agent.
- This type of channel of distribution is suitable for marketing agricultural and large scale manufactured products, such as cotton textiles, cement etc.

CONT:-

This type of channel of distribution is suitable in the following situations :

1. When the producer has a narrow product range.
2. When the wholesalers are specialized and can provide strong promotional support.
3. When the products are durable and are not subject to physical deterioration or quick fashion changes.
4. When the retail outlets are more and widely spread.
5. The financial resources of producers are limited.

5) Producer -> Wholesaler -> Ultimate Consumer

- In this type of channel of distribution, producer sells the goods to wholesalers and the wholesalers sell them directly to ultimate consumers.
- The wholesaler may bypass retailer only when there are large institutional buyers, such as industrial buyers, government and educational institutions, hospitals, consumer cooperative stores and large business houses etc.

Factors Affecting Selection of Distribution Channel

Factors affecting Selection of Distribution Channel

- **Nature of the Product: Physical Character**

a) Perishability

b) Size and weight of the product

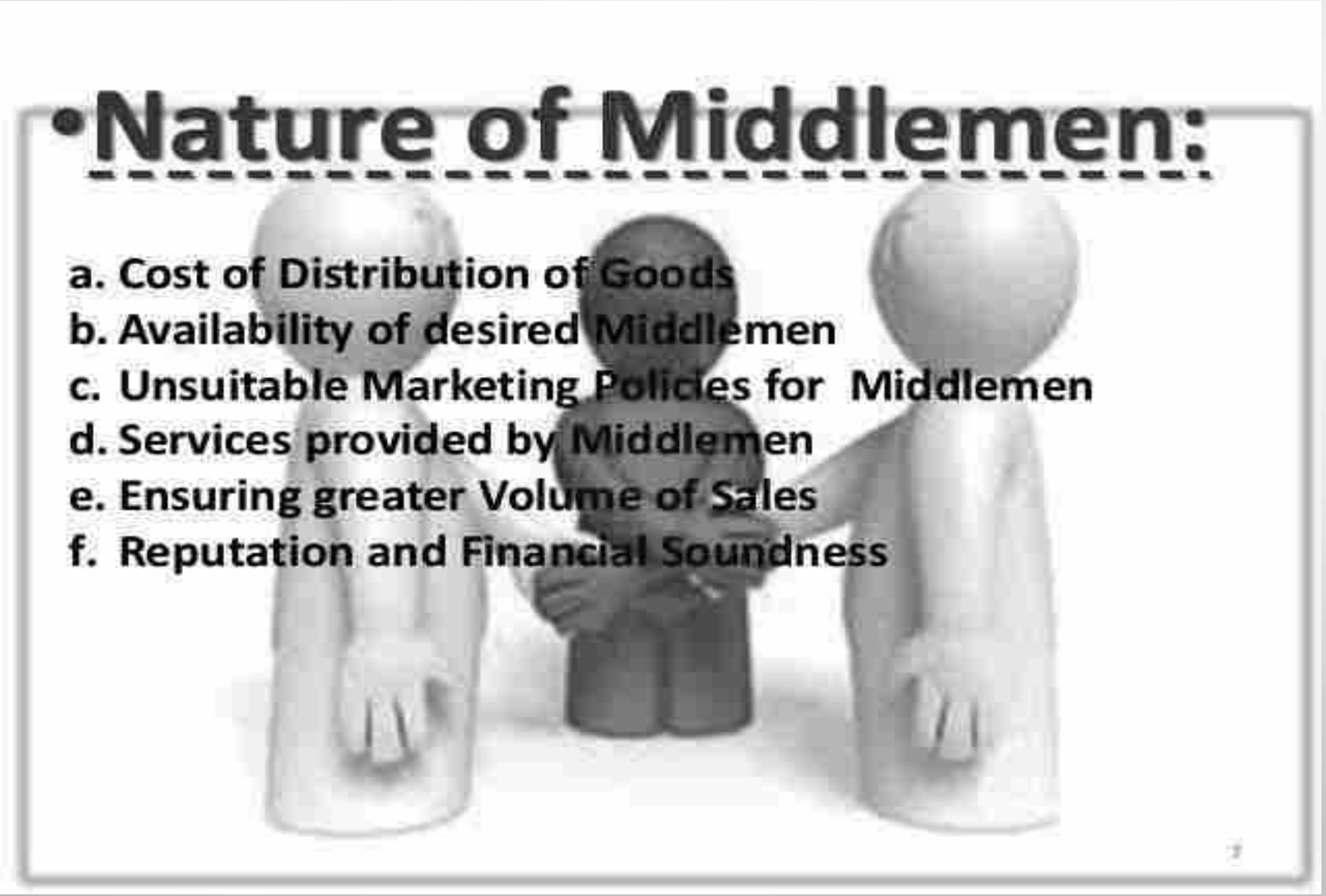
c) Unit value of a product

d) Standardization

e) Technical Nature of product

• **Nature of the Market:** **In the words of Lazo and Corbin "Marketing managements select channels on the basis of customer wants-how, where and under what circumstances."**

a) Consumer of Industrial Market
b) Number of prospective Buyers
c) Size of the Order
d) Geographical Distribution
e) Buying Habits of Customers



•Nature of Middlemen:
a. Cost of Distribution of Goods
b. Availability of desired Middlemen
c. Unsuitable Marketing Policies for Middlemen
d. Services provided by Middlemen
e. Ensuring greater Volume of Sales
f. Reputation and Financial Soundness

- **Nature of Manufacturing Unit:**

a. Manufacturer Reputation and Financial Stability
b. Ability and Experience of the Undertaking
c. Desire for Control of Channel
d. Industrial Conventions

- **Competition**

- **Government Regulations and Policies:** may impose certain restrictions on the wholesale trade of a particular product arid takeover the distribution of certain products.

Conclusion:

- Distribution Channel is vital in today's market, not only it benefits the consumer by getting goods on to your table but also benefits the producers and intermediaries.
- A distribution Channel can be as short as being direct from the vendor to the consumer or may include several Intermediaries.
- In today's world the distribution channel has become short due to the introduction of **Online Marketing**.

Designing and Managing Marketing Channel

Designing & Managing Marketing Channel

Marketing channels are sets of interdependent organizations involved in the process of making product or service available for use or consumption.

- Wholesalers and Retailers-Buy, take title to and resell the merchandise; they are called **Merchants.**

- Other-brokers, manufactures' representatives, sales agent-Search for customers and may negotiate on the producer's behalf but don't take title to the goods; they are called **Agents.**

- Still others-Transportation companies, ware houses, banks, advertising agencies assist in the distribution process but neither take title to goods nor negotiate purchases or sales; they are called **Facilitators.**

Push vs Pull Strategies

A Push strategies involves the manufacturer using sales force and trade promotion money to induce intermediaries to carry, promote and sell the product to end users.

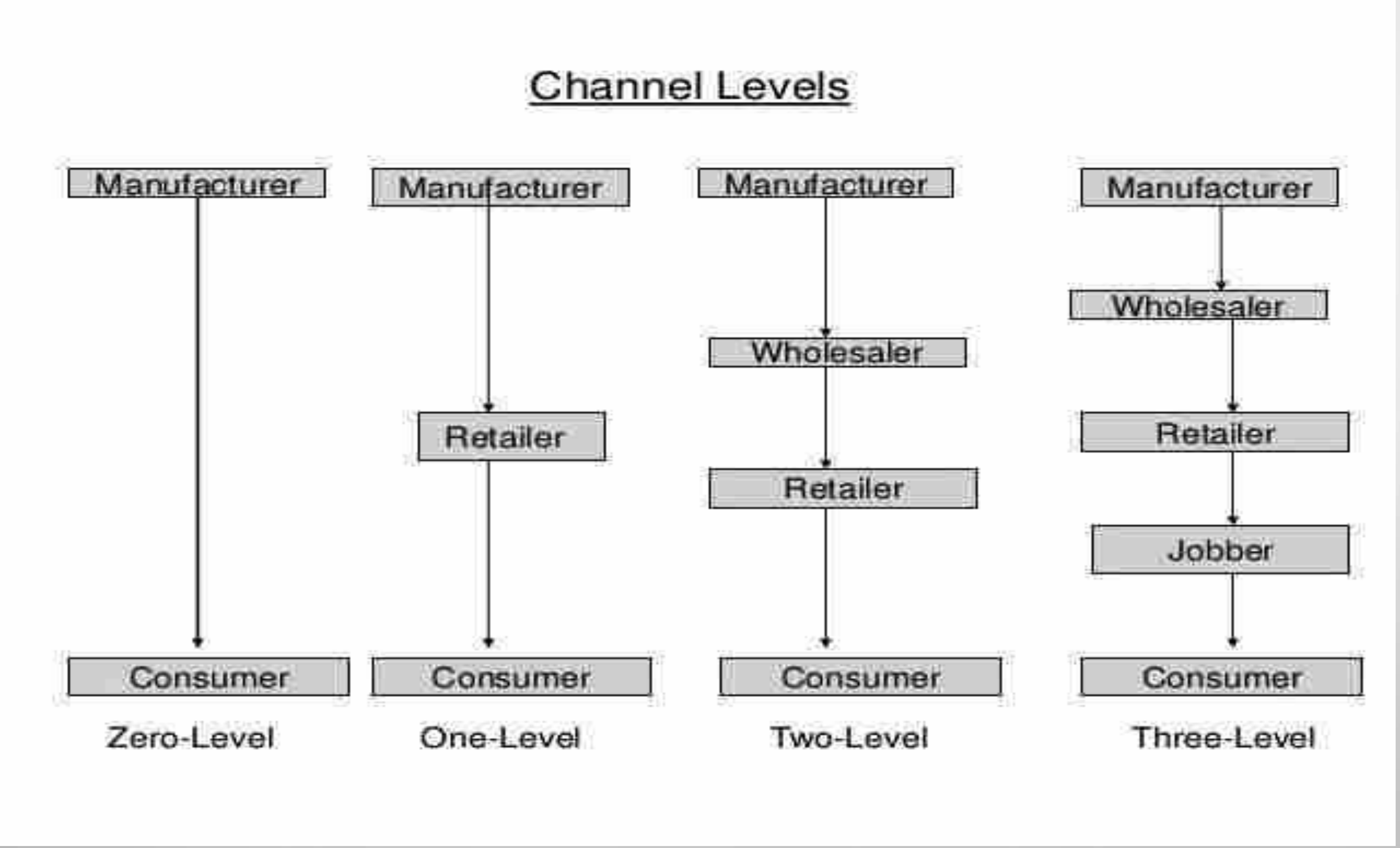
A Pull strategy involves the manufacturer using advertising and promotion to persuade consumers to ask intermediaries for the product, thus inducing the intermediaries to order it.

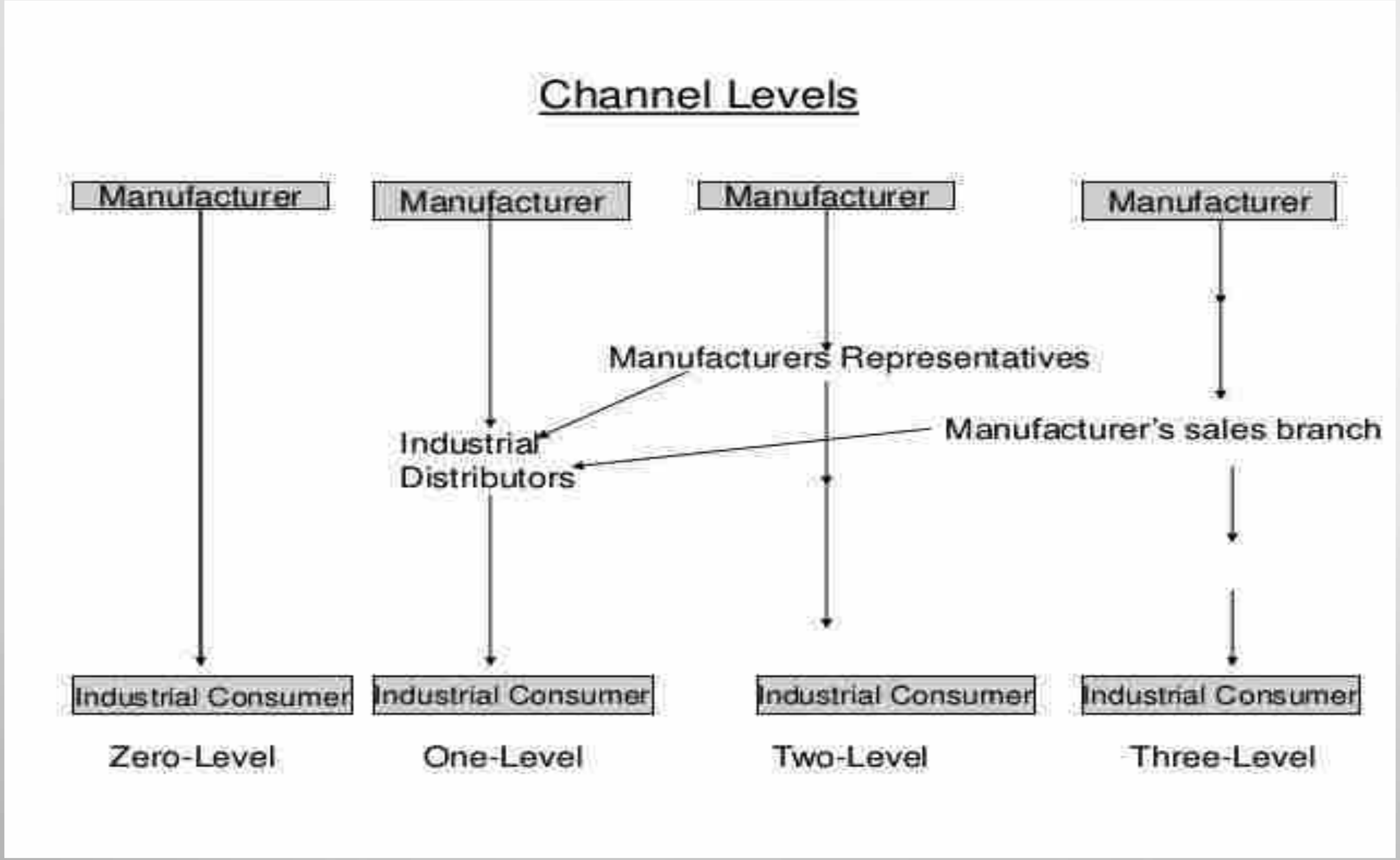
Role of Middlemen or Intermediaries

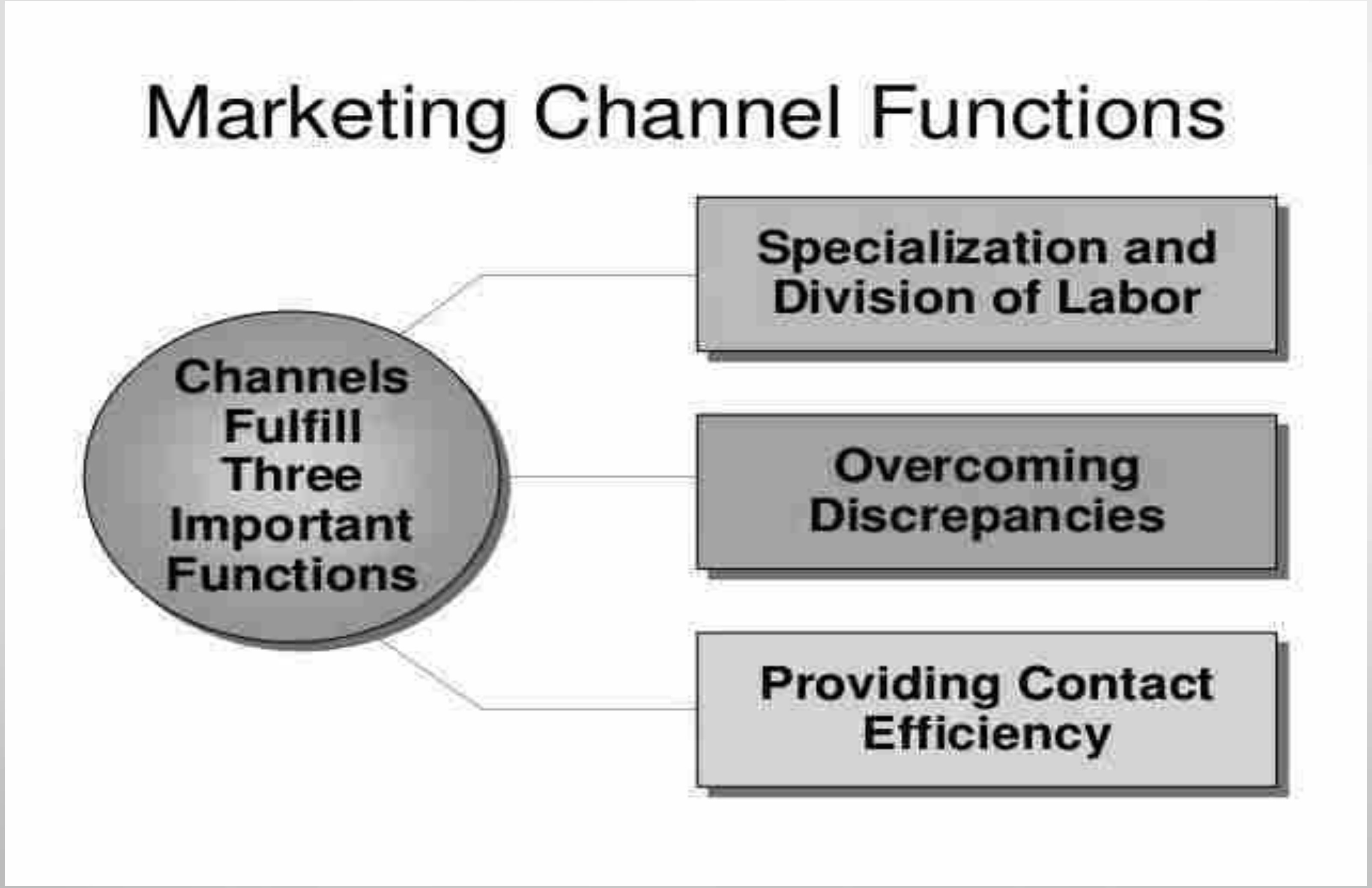
- ➢ Information
- ➢ Price Stability
- ➢ Promotion
- ➢ Financing
- ➢ Title

Factors determining length of the channel-

- ✓ Size of the market
- ✓ Order lot size
- ✓ Service requirement
- ✓ Product variety


Channel Levels
Manufacturer
Consumer
Zero-Level
Manufacturer
Retailer
Consumer
One-Level
Manufacturer
Wholesaler
Retailer
Consumer
Two-Level
Manufacturer
Wholesaler
Retailer
Jobber
Consumer
Three-Level


Channel Levels
Manufacturer
Manufacturer
Manufacturer
Manufacturer
Manufacturers Representatives
Industrial
Distributors
Manufacturer's sales branch
Industrial Consumer
Industrial Consumer
Industrial Consumer
Industrial Consumer
Zero-Level
One-Level
Two-Level
Three-Level


Marketing Channel Functions
Channels Fulfill Three Important Functions
Specialization and Division of Labor
Overcoming Discrepancies
Providing Contact Efficiency

Specialization and Division of Labor

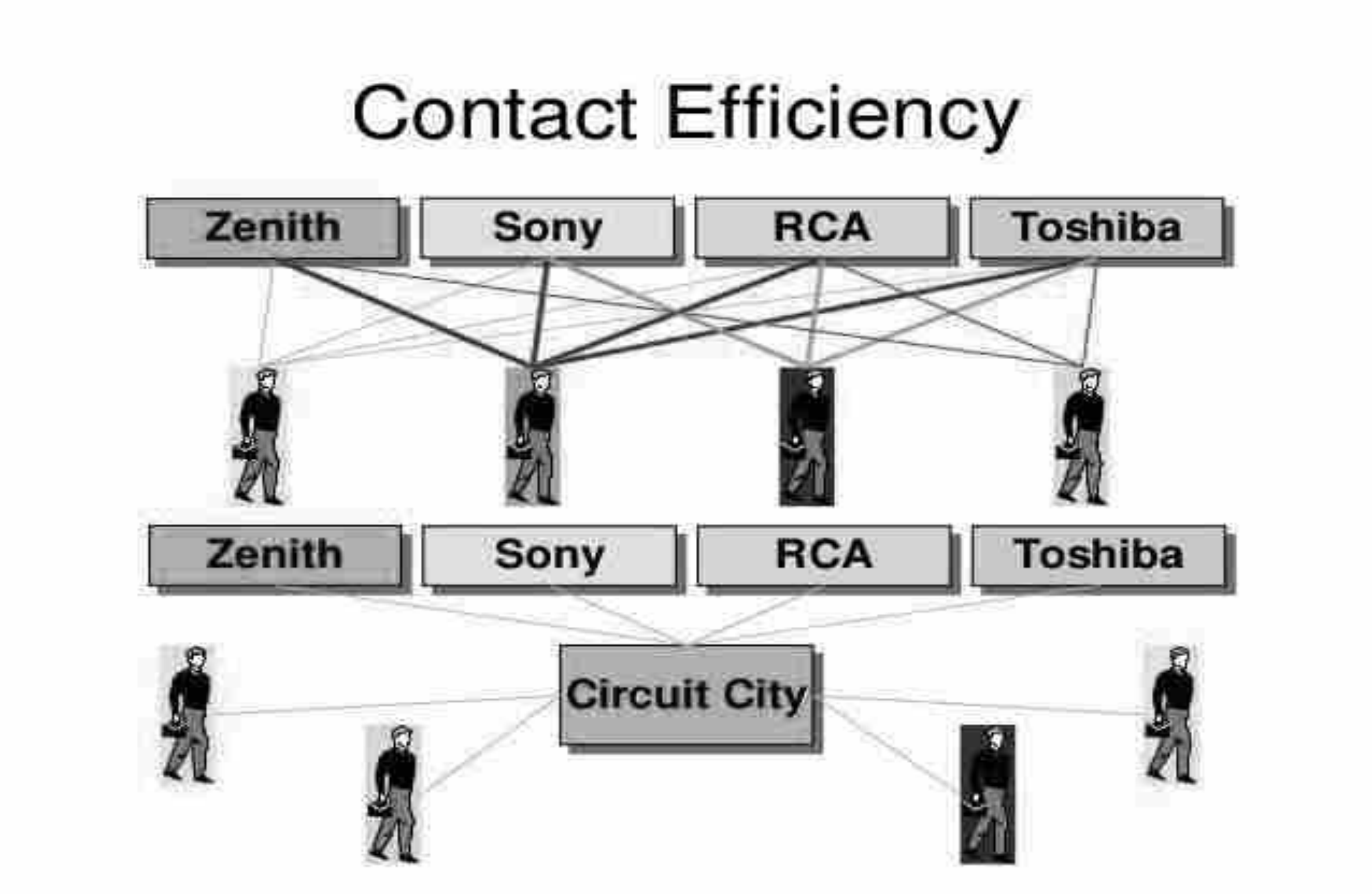
- Provides economies of scale
- Aids producers who lack resources to market directly
- Builds good relationships with customers

Overcoming Discrepancies

Discrepancy of Quantity	The difference between the amount of product produced and the amount an end user wants to buy.
Discrepancy of Assortment	The lack of all the items a customer needs to receive full satisfaction from a product or products.

Overcoming Discrepancies

Temporal Discrepancy	**A situation that occurs when a product is produced but a customer is not ready to buy it.**
Spatial Discrepancy	**The difference between the location of a producer and the location of widely scattered markets.**


Contact Efficiency
Zenith
Sony
RCA
Toshiba
Zenith
Sony
RCA
Toshiba
Circuit City

Channel Design Decision

- Analyzing customer needs
- Establishing channel objectives
- Identifying major channel alternatives
- Evaluating major channel alternatives

1.Analyzing customer needs

The marketer must understand the service output levels desired by the target customer.

Channel produce 5 service outputs:

1.Lot Size

2.Waiting & Delivery time

3.Spatial convenience

4.Product variety

5.Service backup

2. Establishing channel objectives

- Channel objective vary with the product characteristics.

3. Identifying major channel alternatives

a. the types of available business intermediaries

b. the no. of intermediaries needed- Exclusive distribution, Selective distribution, Intensive distribution

c. the terms & responsibility of each channel members- price policies, conditions of sale, territorial rights

4. Evaluating the major alternatives

a. Economic criteria

b. Control & adaptive criteria

Channel Management decisions

Selecting Channel Members:

- No. of years in business
- Other lines carried
- Growth & profit record
- Financial strength
- Cooperativeness
- Service reputation

Training Channel Members:

Companies need to plan & implement careful training programmes for their intermediaries.

Channel Conflict & Cooperation

- Channel conflict is generated when one channel member's action prevent the channel from achieving its goal.
- Channel coordination occurs when channel members are brought together to advance the goals of the channel as opposed to their individual goal.

Types of Channel conflict:

Vertical channel conflict:

Between diff. levels within the same channel.

Horizontal channel conflict:

Between members at the same level within the channel.

Multi-channel conflict:

It exists when the manufacturer established two or more channels that sell to the same market.

Managing Retailing

Retailing

- Retailing includes all the activities involved in selling goods or services directly to final customers for their personal, nonbusiness use. A retailer is any business enterprise whose sales volume comes primarily from retailing.

Types of Retailing

- Store Retailing: 8 categories

Specialty Store

Department Store

Supermarket

Convenience Store

Contd...

Discount Store

Off-Price Retailer

Superstore

Catalog Showroom

Level of service

1. Self-service
2. Self-selection
3. Limited service
4. Full service

Non-store Retailing

- Four major categories
  1. Direct Selling:
     - ✓ One-to-one selling
     - ✓ One-to-many
     - ✓ Multilevel
  2. Direct Marketing
  3. Automatic Vending
  4. Buying Service

Corporate Retailing

- Corporate Chain Stores
- Voluntary Chain
- Retailer Cooperative
- Consumer Cooperative
- Franchise Organization
- Merchandising Conglomerate

What is a Franchising System?

- A franchising system is a system of individual franchisees, a tightly knit group of enterprises whose systematic operations are planned, directed, and controlled by the operation's franchisor.

Characteristics of Franchises

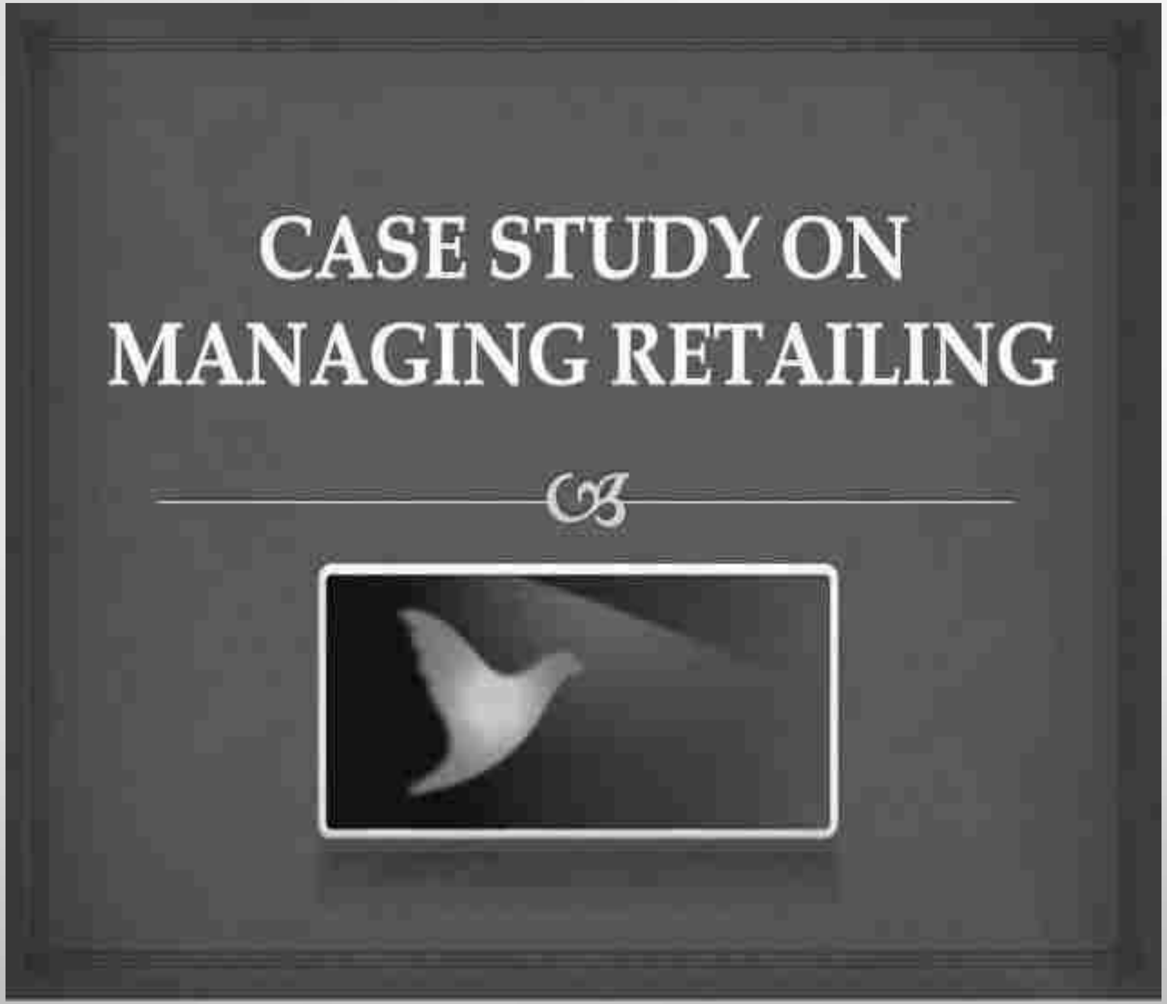
- The franchisor owns a trade or service mark and licenses it to franchisees in return for royalty payments.
- The franchisee pays for the right to be part of the system.
- The franchisor provides its franchisees with a system for doing business.

Marketing Decisions

- Target-market decision
- Product Assortment-&-procurement decision
- Services-&- store- atmosphere decision
- Price Decision
- Promotion Decision
- Place Decision

Trends in Retailing

1. New retail forms and combinations
2. Growth of intertype competition
3. Growth of giant retailers
4. Growing investment in technology
5. Global presence of major retailers
6. Selling an experience, not just goods
7. Competition between store-based and non-store-based retailing


CASE STUDY ON
MANAGING RETAILING


pantaloons
BIG BAZAAR
Making India Beautiful
FOOD BAZAAR
HomeTown
The Art Of Better Living
ezone
online.in
TOGETHER, FOREVER
CENTRAL
BRAND NEW
future group
Foodhall
futurebazaar.com
fbb
India's Fashion Hub
aLL
the plus size store

pantaloons

- Pantaloon Retail (India) Limited, is India's leading retailer that operates multiple retail formats in both the value and lifestyle segment of the Indian consumer market.
- Headquartered in Mumbai
- The company operates over 12 million square feet of retail space, has over 1000 stores across 73 cities in India and employs over 30,000 people.

Brands at Pantaloons

Pantaloons Brands

- Agile
- UMM
- Bare Denim
- Bare 7to14
- Chalk
- Rig
- Mix n match
- Honey

Non-Pantaloons Brands

- Biba
- 109 F
- Remanika
- Spykar
- Lilliput
- Lee Cooper
- Indus league

BIG BAZAAR
Making India Beautiful

- Big Bazzar was introduced in 2001 with its first store in Kolkata.
- Hypermarket chain in India
- Outlet- 140 outlets
- Tagline- Is se sasta aur accha kahin nahi

- Big Bazaar is not just another hypermarket; it caters to every need of a family. Where Big Bazaar scores over other stores is its value for money proposition for Indian customers.

FOOD BAZAAR

- Flagged off in April'02
- Food Bazaar invites you for a shopping experience in a unique ambience.
- It is a chain of large supermarkets with a difference where the best of Western and Indian values have been put together to ensure your satisfaction and comfort while shopping.
- Presently have 173 Food Bazaar stores

Foodhall

- Launched in May 2011 in Mumbai.
- Foodhall is a premium lifestyle food destination that targets the urban Indian consumers who love to experiment with global cuisine and promises to expose customers to the next level of food retailing.
- Currently Foodhall is present in Mumbai, Bengaluru, New Delhi, Pune and Gurgaon.

Contd...

- This store designed for "foodies" is a one – stop shop for food lovers and offers everything under one roof, right from daily essentials, exotic flavours, secret ingredients to premium kitchen accessories.
- Foodhall also caters to all the dining and cooking needs of customers with an array of kitchen accessories.

HomeTown
The Art Of Better Living

- HomeTown is a unique one-stop destination for complete home-making solutions, the first of its kind retail format in India.
- It provides consumers all that goes into building a house and everything to make it a 'Home', all under one roof.
- Has a specialized team of experts to set it all up for them at their homes.

Contd…

- **HomeTown's range of products includes**
  - Furniture
  - Bath and Sanitary Ware
  - Modular Kitchens
  - Paints and Wallpaper
  - Tiles and Wooden Flooring
  - Carpentry and Hardware
  - Electricals and Decor Lighting
  - Electronics
  - Furnishings and Accessories

Physical Distribution System

&

its Components

The planning, implementation, and controlling of the physical flow of material or product from one point to another to meet the customer requirements in the market is known as physical distribution.

Physical distribution includes all the activities associated with the supply of finished product at every step, from the production line to the consumers. Important physical distribution functions include customer service, order processing, inventory control, transportation and logistics, and packaging and materials.

Importance of Physical Distribution

The importance of physical distribution becomes significant when the manufacturers and market are geographically far from each other. The following points highlight the importance of physical distribution –

- **Execute physical flow of product from the manufacture to the customers.**
- **Grant time and place for the product**
- **Build customer for the product**
- **Cost reduction**
- **Fulfill the demand of the product in the market so that business takes place**

Steps in Designing a Physical Distribution System:-

To design a physical distribution system for a product, following steps need to be followed –

- **Step 1 – Defining distribution objective and services required for product distribution**
- **Step 2 – Articulating customer requirement**
- **Step 3 – Comparing the strategy with market competitors**
- **Step 4 – Managing the cost of distribution to decrease cost without compromising on the quality of service**
- **Step 5 – Building physical distribution system that is flexible for implementation of changes, if required**

It is necessary to consider all steps involved for smooth distribution of goods and services.

Components of a Physical Distribution System:-

Physical distribution can be controlled and monitored by its different components. Each component should be evaluated and managed in order to accomplish physical distribution without any problems.

The following are the different components of the physical distribution system

- Planning of physical distribution system
- Storage planning in plant
- Logistics
- Warehousing on field
- Receiving

Cont…

- Handling
- Sub distribution of product
- Management of inventory at various levels
- Execution of order
- Accounting transactions
- Communication at different levels

Digital Marketing

/

E-Marketing

- E-Marketing is involved in advertising a product using digital medium. In the recent years, digital devices have developed rapidly and are now commonly used, creating a new medium for advertising. At the same time, internet services have become affordable for mass consumers.
- E-Marketing has many benefits compared to traditional marketing, for example, a large number of potential consumers can be reached in a shorter span of time.

E-Marketing Vs Traditional Marketing

E-Marketing	Traditional Marketing
It is an economical and faster way of promoting a product.	It is comparatively expensive and time consuming.
Products can be advertised globally because of less time involved.	Coverage of promotion is limited because of the time involved.
The number of employees required is fewer.	It requires more employees than eMarketing, which results in higher costs of marketing.
E-marketing provides time flexibility for a customer, so one can make a transaction any time.	Flexibility is not commercially viable.
Costs involved are reasonable.	Costs involved are not reasonable.

Best digital marketing strategies for a Startups:

1. Email Marketing
2. Social media Marketing
3. Pay-Per-Click Marketing (PPC)
4. Search Engine Marketing/Optimization
5. Influencer Marketing
6. Content Marketing
7. Retargeting Ads
8. Viral Marketing
9. Affiliate Marketing