

Module: 4

Promotion and Distribution

Promotion: *Nature and importance of promotion; Promotion mix -advertising, personal selling, public relations & sales promotion, and their distinctive characteristics; factors affecting promotion mix decisions.*

Distribution Channels: *Meaning and types of Channels of Factors affecting choice of distribution channel.*

PROMOTION:

Meaning of Promotion:

Promotion means to promote the good of the manufacturer. It refers to all the techniques and tools which are used by a manufacturer to make the customer buy the product. The several techniques of promotion are personal selling, advertising, sales promotion etc.

Definition of Promotion:

According to American Marketing Association, “Promotion means media and non-media marketing, pressure applied for a pre-determined limited period of time in order to stimulate trial, increase consumer demand or improve product quality”.

Objectives/ Importance of Promotion:

1. To provide information

Promotional activities provide substantial information about the product to customers. This information will in turn convert into interest and thereby make the people buy the product.

2. To create product and brand awareness

Several Sales promotional technique are used to expose customers to products and brands for the first time and can serve as key promotional components in the early stages of new product and brand introduction.

3. To create interest

In the market on appealing sales promotion can significantly create customer interest.

4. To stimulate Demand

The effective promotional activities can stimulate demand for the product by convincing the customers to buy the product.

5. To help the firm to remain competitive

Companies undertake sales promotion in order to remain competitive in the market. Therefore in the modern competitive world number of firms can escape sales promotional activities.

6. To retain existing customers and induce them to buy more

A sales promotion can be effective towards keeping existing customers especially if a new competitor is likely to enter the market. It also helps in inducing them to buy more and more on occasions.

Promotion Mix

A promotion mix is a set of different marketing approaches that marketers develop to optimize promotional efforts and reach a broader audience. The marketer's task is to find the right promotion mix for a particular brand.

Components of Promotion Mix:

1. Advertising. This is a non-personal promotion of products and services. Marketers use advertising as a vital tool for increasing brand awareness. Advertisers show promotions to masses of people using email, webpages, banner ads, television, radio, etc.

Features:

a) Tool for Market Promotion:

There are various tools used for market communication, such as advertising, sales promotion, personal selling, and publicity. Advertising is a powerful, expensive, and popular element of promotion mix.

b) Non-personal:

Advertising is a type of non-personal or mass communication with the target audience. A large number of people are addressed at time. It is called as non-personal salesmanship.

c) Paid Form:

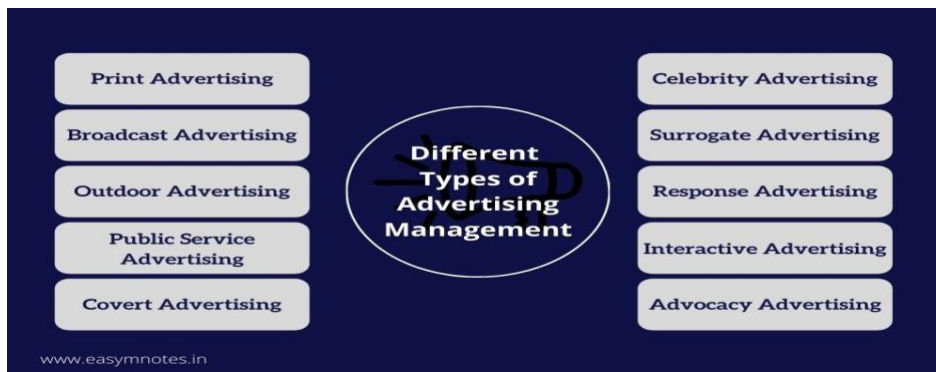
Advertising is not free of costs. Advertiser, called as sponsor, has to spend money for preparing message, buying media, and monitoring advertising efforts. It is the costliest option of market promotion. Company has to prepare its advertising budget to appropriate advertising costs.

d) Wide Applicability:

Advertising is a popular and widely used means for communicating with the target market. It is not used only for business and profession, but is widely used by museums, charitable trusts, government agencies, educational institutions, and others to inform and attract various target publics.

E) Varied Objectives: Advertising is aimed at achieving various objectives. It is targeted to increase sales, create and improve brand image, face competition, build relations with publics, or to educate people.

Types of Advertising:



1. Print Advertising: Industries across the globe have been using newspapers and magazines for over years now. With **print media**, companies can endorse their brand or products through fliers and brochures through newspapers and magazines.

2. Broadcast Advertising: This form of advertising is widespread all around the world. Broadcasting includes radio, television, and Internet advertising. With this form of advertising, companies can cover up large number of audiences, even in real-time.

3. Outdoor Advertising: This type of advertising makes use of various tools to get customer's attention like the billboards, kiosks, and tradeshow and events which are an effective way to convey the message of any organization. Organizing events, on the other hand, such as exhibitions and trade fairs for promoting the product or service helps in effective endorsement of the product

4. Public Service Advertising: This type of advertisement is done for public causes to make people aware about such public issues. Social, national and environmental matters such as political integrity, AIDS, Cancer, energy conservation, population, illiteracy, poverty and many more which need more awareness are spread through these advertising.

5. Covert Advertising: This is an entirely different way of advertisement. In this form, the product is subtly included in a serial or movie. There's no actual advertisement. It includes just mentioning the product in the movie or TV serial. For instance, Katty Perry using Apple phone in her new album. Seeing a product being used by a celebrity creates an impact on the audience which boosts their interest in buying that product.

6. Celebrity Advertising: In this type of advertising, business owners bank upon celebrities for advertising their products or services. Advertisers sign up popular celebrities for various advertising campaigns and use their popularity to reach and attract customers. Celebrity advertising comprise all kinds of advertising including, television ads, social media or even print advertisements.

7. Surrogate Advertising: This type of advertising is used when a particular product or services is banned by the law. For instance, advertising products like alcohol and cigarettes which are harmful for the health of consumers are prohibited by law in many nations. In order to continue their sale, such companies have to come up with other products with the

same name. This technique helps them remind their consumers of cigarettes and hard drinks of the same brand. Kingfisher is a great example of this type of advertising.

8. Response Advertising: Personalized messages are sent to the consumers in the form of offers based on their personal interests. The main objective is to develop a 'relationship' with the customer. This form of advertising encourages a response from the customer based on which brands build commercial relation with them.

9. Interactive Advertising: It involves promotions through interactive mediums like internet, TV, SMS, and Mobiles. Advertisers, through these interactive mediums influence the buying decisions of the customers. With this type, advertisers can interact with their consumers directly or in a personal way. This can affect the buying decision of a potential customer, especially in an e-commerce space.

10. Advocacy Advertising: Such advertising is used in an attempt to change public opinion in areas of controversies. For example, ads run by the coal industry to encourage the use of coal by power plants. However, this advertising type is not very prevalent.

2.Direct Selling/ Personnel Selling: This is a one-to-one communication between a sales representative and a potential customer. Direct selling influences people to decide to buy certain products or services. It is one of the most effective ways of promoting your brand because the sales rep can tailor the promotion precisely to those who are most likely to make a purchase. On the other hand, this is the most expensive form of sales because companies need to pay for one person's time.

Features:

- a) **Promising business model.** According to the World Direct Sales Association, direct selling has been experiencing sustainable growth during the last couple of years.
- b) **Opportunity to adjust a product to customers' needs.** Direct selling companies control the whole cycle, from manufacturing to a final sale, in-house. With this approach, a brand swiftly receives feedback from customers and can tailor its products or services to meet clients' needs and market demand on the whole.
- c) **Better personalization.** By interacting with customers directly, sellers know their buyer persona better and can provide their customers with highly relevant and personalized offers. It affects revenue – 91% of consumers are more likely to shop with brands that make relevant offers and recommendations.
- d) **Better control at every stage of customer interaction.** By not having middlemen, a company has full control over its product's price and can adjust it to customers' needs. Companies can strictly regulate customer experience during the purchasing process and have lower reputational risks.
- e) **Strong customer relationships.** The foundation of direct sales is personal contact with customers. It allows representatives to use an individual approach to every client

and build long-lasting relationships with them. It has a major impact on business – a 5% increase in customer retention enlarges profits by over 25%.

- f) **Higher margins.** Another benefit of having no intermediaries is that all revenue goes back to the company. There is no need to divide it between the business and third-party vendor

Types of Personal Selling:

1. Tender Selling: The buyer may invite open tenders through newspapers and a company is required to submit their offers with price, terms of payment and delivery period, etc.

2. Selling through discussions: In large companies, orders are finalized following discussions, at the purchaser's place. The order is generally issued after verifying seller's performance, reliability and after-sales service.

3. Door-to-door selling: In this method, company's salesman visits prospective buyers to explore the possibilities of selling. This method is generally used for household products and for new product introduction. This method of selling is highly useful in rural, semi-urban and even in cities. In India, consumer products like soaps, shampoo and sarees are sold regularly through door-to-door selling.

4. Over the Counter selling (OTC selling): In this method, in all retail outlets, the salesmen sell a company's products exclusively and this method is used for all consumer goods. In India and in many Asian countries, this method employs highest number of salespersons.

Types of Personal Selling

- **Telemarketing:** the use of the telephone or fax to sell directly to consumers and business customers.
- **Order taker:** a salesperson whose primary function is to facilitate transactions that the customer initiates.
- **Technical specialist:** sales support personnel with a high level of technical expertise who assist in product demonstrations.
- **Missionary salesperson:** a salesperson who promotes the firm and tries to stimulate demand for a product but does not actually complete a sale.
- **Order getter:** a salesperson who works creatively to develop relationships with customers or to generate new sales.



3.Sales promotion. This is a set of short-term activities that are designed to encourage immediate purchase. Sales promotions are a campaign that uses time-sensitive offers — sales, discounts, coupons, etc., to engage existing consumers and bring in a larger audience. Many companies make this a core component of their marketing efforts, though sometimes it's the most annoying type of communication for people.

Features:

- a) It is a **part of market promotion**. It involves all the promotional efforts other than advertising, personal selling, and publicity.
- b) The primary purpose is to **induce customer for immediate buying** or dealer effectiveness or both.
- c) It is **optional**. Many companies do not practice it.
- d) It is directed for **multiple objectives**, like to maintain sales during off season, to increase sales, to face competition, to clear stocks, to improve image, to promote new products, etc.
- e) It consists of offering, **wide variety of tools/incentives**.
- f) Sales promotion efforts **consist of special selling efforts** for the specific time period in forms of short-term incentives and schemes undertaken at consumer level, dealer level or at salesmen level
- g) It **involves the non-recurrent selling efforts**. They are not a part of daily activities. They are not undertaken repeatedly.

Types of Sales Promotion:



4.Public relations. This type of promotional method determines the way people treat the brand. Companies using PR try to build a firm and attractive brand image by planting interesting news stories about their activities in the media. Public relations are not fully controlled by the company, though, as some reviews and webpages may negatively highlight the brand. If a company adequately solves these issues, people will reward them with positive word-of-mouth consideration

Features:

a) **Securing Cooperation of Public:** Public relation is an activity to get support from public. Every organisation wants to run successfully. For this public (i.e., all related protagonists like consumers, employees, shareholders and society) support is essential or needed. And the support of public can be earned through Public Relation

b)**Successful relation with Public:**Sometimes Public develops negative attitude towards any company. This attitude could be changed by establishing public relations which helps in developing better relations with public.

c)**Satisfying different Groups:**Public relation is an effort to satisfy different groups (like-consumers, employees, shareholders and society). For example, with the help of Public relation, the expectation of any particular group is acknowledged. The group is tried to satisfy by most possibly meeting their expectations.

d)**Engaging in Dialogue:**Every organisation wishes to enjoy goodwill among all related protagonists. For establishing good reputation it is essential to engage in dialogue (i.e., exchange of ideas). During dialogue organisation provides information and this is possible only through Public Relations.

e)**Ongoing Activity:**This is an effort which has to be repeated again and again. For example, to keep the employees satisfied, meetings must be arranged with them from time to time.

Types of Public Relations:

Types of Public Relations

- Media Relations : relationship with the people of media industry
- Corporate Public Relations: Managing the public profile and reputation of a company and includes Issue Management, Corporate Advertising, Cause Related Marketing, Advocacy Advertising
- Crisis Management : Cadbury's, Maggi, Coke
- Marketing Public Relations : To support Marketing Objectives
- Employee Relations:
- Financial Relations: Annual Budget books for stakeholders & investors
- Community Relations: Corporate Social Responsibility
- Government Relations: lobbying with the government officials.

Factors affecting promotional mix



1. **Nature of Product:** The **different type of product** requires different promotional tools. Such as, for the industrial products Viz. Machinery, equipment or land personal selling is more appropriate as a great deal of pre-sale and after-sale services is required to sell and install such products. On the other hand, advertising and publicity are more suitable for the consumer goods, especially the convenience goods.
2. **Nature of Market:** The **number and location of customers** greatly influence the promotion mix. In case the group of potential customers is small and are concentrated in a particular locality, then personal selling is more likely to be effective. Whereas, if the customer base is large and widespread, then the blend of advertising, personal selling, and the sales promotion is required to sell the product.

Also, the type of customers influences the managerial decisions of the promotion mix. The type of promotion for the urban, educated and institutional customers would be different as compared to the rural, illiterate and household customers.

3. **Stage of Product's Life:** The **promotion mix changes as the product moves along its life cycle**. During the introduction stage, the principal objective of the promotion is to create the primary demand by emphasizing the product's features, utility, etc. therefore, the blend of advertising and publicity is required. As the product reaches its maturity stage the advertising and personal selling is required to maintain the demand of the customers.

And finally, during the decline stage the expenses on other promotional activities are cut, and more emphasis is laid on sales promotion with the intent to push up the declining sales.

4. **Availability of Funds:** The **marketing budget** also decides the promotion mix. If the funds available for the promotion are large, then the blend of promotional tools can be used, whereas in the case the funds are limited then the management must choose the promotional tool wisely.
5. **Nature of Technique:** **Each element of the promotional mix has unique features** that significantly influences the purpose of promotion. Such as, the advertising is an impersonal mode of communication that reaches a large group of customers. Its expression can be amplified with the use of colors and sound that helps in developing the long lasting brand image in the minds of the customer.

The Personal selling involves face to face interaction that helps in developing cordial and personal relations with the customers. Likewise, the sales promotion is short-term incentives given to the customers with the intent to boost sales for a shorter period of time.










6. **Promotional Strategy:** The promotion mix **largely depends on the company's promotional strategy**, i.e. whether it accepts the **Push Strategy** or a **Pull Strategy**. In a Push strategy, the manufacturer forces the dealers to carry the product and promote it to the customer, i.e. convince the potential buyers to buy it. Here, personal selling and trade promotion are likely to be more effective.

In the case of a Pull Strategy, the consumers ask the dealers to carry the product, i.e. customers themselves purchase the product. Here, advertising and consumer promotion are more appropriate.

7. **Readiness of Buyer:** Different promotional tools are required at **different stages of buyer readiness**. Such as, at the comprehension stage, the blend of advertising and personal selling plays a vital role. Whereas at the conviction stage, personal selling is more effective. At the time of sales closure, the blend of sales promotion and personal selling is likely to be more effective.

ADVERTISING VS SALES PROMOTION

Enter your sub headline here

	 Advertising	 Sales Promotion
 Time	Long-Term	Short-Term
 Definition	One-way communication of a persuasive message by an identified sponsor, whose purpose is the non-personal promotion of products/ services to potential customers.	A promotion usually involves an immediate incentive for a buyer(Immediate distributors or end consumers). It can also involve disseminating information about a product, product line, brand, or company.
 Price	Expensive	Not very expensive
 Suitable for	Medium to large companies	Small to large companies
 Sales	Assumption that it will lead to sales	Directly related to sales
 Example	Giving an advertisement in the newspaper about the major products of a company	Giving free products, coupons, etc.
 Purpose	Increase sales, brand building	Increase sales
 Result	Slowly	Very soon

Basis of Difference	Advertising	Personal Selling
Personal v/s Impersonal	It is an impersonal form of communication where the seller communicates with customers through various medium such as television, newspapers, etc.	It is a personal form of communication where the seller directly interacts with the potential customers.
Reach	Advertising has a broader reach as the advertisement reaches a large number of people simultaneously.	It has a narrower reach as only a few people can be contacted directly.
Flexibility	It is inflexible as advertisements are standardised and cannot be adjusted as per the requirements of different customers.	It is flexible as the seller can adjust the message as per the requirements of different customers.
Target Group	It is more suitable where marketing is to be done to a large number of consumers. For example, advertising is suitable if marketing is to be done for ultimate customers.	It is more suitable when marketing is to be done for a few selected consumers. For example, if marketing is to be done for intermediaries and retailers, personal selling is more useful.
Cost Involved	As advertising reaches the masses simultaneously, the cost per person is low.	Personal selling is relatively costly.
Time Involved	Advertising reaches a large number of people simultaneously. Thus, it can cover the entire market in a short period of time.	As through personal selling only a few people can be contacted, it takes a lot of time and effort to cover the entire market.
Customer Feedback	Through advertising, feedbacks and reactions of the customers cannot be judged.	As the seller directly contacts the customers, he gets feedback from the customers and judges their reactions.
Medium of Communication	It involves communication through mass media such as television, newspapers, radio, etc.	It is personal communication through sales persons.
Objective	The basic objective of advertising is to create interest of the customers towards the product.	The basic objective of personal selling is to create awareness about the product and induce decision making.

DISTRIBUTION CHANNELS/ Channels of Distribution: (CoD)

Meaning: Channels of Distribution (also called a marketing channel) is the path or route decided by the company to deliver its good or service to the customers. The route can be as short as a direct interaction between the company and the customer or can include several interconnected intermediaries like wholesalers, distributors, retailers, etc. Hence, Channels of Distribution can also be referred to as a set of interdependent intermediaries that help make a product available to the end customer.

Importance of CoD:

In order to understand the importance of distribution channels, businesses need to understand that it doesn't just bridge the gap between the producer of a product and its user.

1. Distribution channels provide time, place, and ownership utility. They make the product available when, where, and in which quantities the customer wants. But other than these **transactional functions**, marketing channels are also responsible to carry out the following functions:
2. **Logistics and Physical Distribution:** Marketing channels are responsible for assembly, storage, sorting, and transportation of goods from manufacturers to customers.

3. **Facilitation:** Channels of distribution even provide pre-sale and post-purchase services like financing, maintenance, information dissemination and channel coordination.
4. **Creating Efficiencies:** This is done in two ways: *bulk breaking* and *creating assortments*. Wholesalers and retailers purchase large quantities of goods from manufacturers but break the bulk by selling few at a time to many other channels or customers. They also offer different types of products at a single place which is a huge benefit to customers as they don't have to visit different retailers for different products.
5. **Sharing Risks:** Since most of the channels buy the products beforehand, they also share the risk with the manufacturers and do everything possible to sell it.
6. **Marketing:** Distribution channels are also called marketing channels because they are among the core touch points where many marketing strategies are executed. They are in direct contact with the end customers and help the manufacturers in propagating the brand message and product benefits and other benefits to the customers.

Types of Channels of Distribution

1. Manufacturer to Consumer (*Zero Level*)
2. Manufacturer to Retailer to Consumer (*One level Channel*)
3. Manufacturer to Wholesaler to Retailer to Consumer (*Two Level Channel*)
4. Manufacturer to Agent to Wholesaler to Retailer to Consumer (*Three level Channel*)



Direct Channel or Zero Level Channels:

When the manufacturer instead of selling the goods to the intermediary sells it directly to the consumer then this is known as Zero Level Channel. Retail outlets, mail order selling, internet selling and selling

One Level Channel:

In this method an intermediary is used. Here a manufacturer sells the goods directly to the retailer instead of selling it to agents or wholesalers. This method is used for expensive watches and other like products. This method is also useful for selling FMCG (Fast Moving Consumer Goods).

Two Level Channel:

In this method a manufacturer sells the material to a wholesaler, the wholesaler to the retailer and then the retailer to the consumer. Here, the wholesaler after purchasing the material in large quantity from the manufacturer sells it in small quantity to the retailer. Then the retailers make the products available to the consumers. This medium is mainly used to sell soap, tea, salt, cigarette, sugar, ghee etc.

Three Level Channel:

An agent facilitates to reduce the distance between the manufacturer and the wholesaler. Some big companies who cannot directly contact the wholesaler, they take the help of agents. Such companies appoint their agents in every region and sell the material to them. Then the agents sell the material to the wholesalers, the wholesaler to the retailer and in the end the retailer sells the material to the consumer.

Meaning of Middlemen:

Middlemen specialize in performing activities that are directly involved in the purchase and sale of goods in the process of their flow from producers to the ultimate buyers. Their position is between the producers and ultimate buyers.

Functions of Middlemen:

In the modern business world, middlemen render the following services/ functions:

1. Middlemen are the furnishers of valuable information to the producers about consumer behavior, the changes in tastes and fashions, etc.
2. Middlemen allow the manufacturers to concentrate on production only and relieve them from the botheration of marketing.
3. Middlemen render financial help to manufacturers.
4. They make available the goods according to the consumers' needs, fashion, tastes, etc.
5. Middlemen are an important link between the producers and consumers.

Thus, we can very safely say that the middlemen play a very vital role in the business activities and to maintain the regular chain of supply of goods from the manufacturers to the ultimate consumers, the existence of the middlemen is very essential.

Factors effecting Choice of Channels of Distribution:

There are several channels available for the purpose and distribution of goods. Each channel has its own advantages and limitations and every company has to make unique choice about channel of distribution. The following are some of the factors that affect the choice of distribution:

1. Market Related Factors

These are several factors within the market which dictate the choice of channel of Distribution for the manufacturer.

a. Customer

The nature of customers should be considered while deciding the Channel of Distribution such as income level of customers, whether the customers are widely scattered or available in the particular place, the size of the customers i.e., either smaller or larger in number, etc.

b. Competition

The manufacturer has to consider the best Channel of Distribution which has a competitive edge in his market. A company can also try the same channel of distribution which his competitors is using.

2. Product Factors

The features of a product have to be analyzed while choosing a right channel of distribution. The following product factors have to be considered:

a. Perishability

If the products are highly perishable, the channel must be shorter or even direct marketing would be suitable and vice-versa.

b. Nature of the Product

Different products are different in nature and this nature of product requires different types of channels.

c. Variety Offered

If a manufacturer has a wide range of goods, he can opt for direct distribution since all the varieties are made available under one roof. If a manufacturer has very few products, he can choose two or three level channels.

3. Company Factors

A company has to analyze its strength, weakness, opportunities and threat (SWOT ANALYSIS). The following company factors have to be analyzed:

a. Company's Financial Strength

A financially Strong company can design its own channel of distribution and a company which is not financially strong has to settle down for existing channels.

b. The extent of control desired

The ability of the company to exercise the control over the Channels is also a factor to be considered is choosing the channel of distribution.

c. Past Experience

An established company will already have a well-established Channel of Distribution. A company can consider such past experience of Channel of Distribution in taking the decision. The other company factor includes reputation of company's Marketing Policies, etc.

4. Environmental Factors

It refers to the external and internal factors of the company which effects the choice of channel of distribution. The following are certain environmental factors which must be considered while deciding the Channel of Distribution.

a. Economic Situation

All economic activities are affected by the prevailing economic situation in the country.

b. Physical Structure

A Physical Structure refers to different policies laid down by central and the State government to levee certain taxes on products and services. Therefore, company has to decide the Channel of Distribution based on the above factor.

5. Channel Related Factors

Following factors of Channels must be considered by the company. The channels must be examined and then a proper choice must be made.

a. Ability of the Channel

Well established and strong channels have the ability to distribute goods effectively over a wide area. A company has to consider the ability of channel before deciding which channel has to be selected.

b. Financial Strength of the Channel

Financially Strong channel of Distribution can distribute well and also finance the manufacturers in a given period of time. They can lift the goods from the manufacturers by paying cash, either immediately or within the prescribed time which amounts to financial strength to the manufacturer. Therefore, the financial strength of channels also an important factor to be considered.

c. Ability to provide After Sales and Services

Some products require a long term after sales services. In such a case it should be decided by the manufacturer as to which retailer could be selected as one of their channels of Distribution.

