

Chapter 4: Promotion and Distribution

Meaning of Promotion

In marketing promotion refers to any type of marketing communication used to inform target audiences of relative merits of a product, service, and brand or issue most of the time persuasive in nature. The aim of promotion is to increase awareness create interest, generate sales or create brand loyalty.

Promotion is one of the four variables in the marketing mix. Basically it is communicating information between producer/ seller and buyer or prospective buyer to change attitude and behavior of consumers. The promotion has become necessary today as selling has become more complex today because product are more technical and customers are more sophisticated and the competition has become more intense. These all valuables make it necessary for the product producer or seller to make prosper flow of communication to the buyers or prospective buyers about the characteristics of his products.

When a company develops a new product makes changes in old one or simple wants to increase sale of its existing products without making any change, it must transmit selling message to potential customer it is promotion.

Definitions

According to **Philip Kotler**, “Promotion compasses all the tools in the marketing mix whose major role in persuasive communication”.

According to **Mason and Rath**, “Promotion consists of those attributes that are designed to bring a company’s goods and services to the favorable attention of the customers”.

According to **Stanton**, “Promotion includes, advertising, personal selling, sales promotion and other selling tools”.

Nature of Promotion

Promotion offers the communication of the benefits to consumers who buy a bundle of expectations to satisfy their economics, psycho- social wants and desires. Promotion is persuasive communication and also is a tool of competition. It is a form of non-price competition.

1. Customers are informed about the product or services of the company, either at the time of information of a new product into the market or when any changes is made in the existing product.
2. Customers are reminded of the products and services of the company.
3. Customers are requested or persuaded to purchase the products and services of the company.
4. Promotion includes advertising, personal selling and other sales promotion.
5. Promotion activities are performed by the manufacturer. It is the responsibility of the producer to get information about the consumers and prospective consumers so that the necessary product may be served to meet their demand.

Importance / Significance of Promotion

1. The activity of promotion has become important because of the widening of the market. The physical distance between producer and consumer and also the increase in the number of

Principles of Marketing

prospective buyers, promotion has gained importance. The producer has now inform all the consumers so as to capture a major share of the market.

2. In modern times there is a cut throat competition in every field. New and new products and producers are entering the market and every producer wants to sell his products first. In order to meet the competition, the producer has to make the customer/ prospective consumer aware of his products and their outstanding features along with a comparative view of the competitors' products. This helps the consumers to select the right type of product.
3. There are number of channels of distribution. The producer should not only inform the consumers but he should also inform the middlemen about the products as they would also be acting as a means to advertise the manufacturer's products to the consumers. These middlemen must be well versed in the characteristics of the goods.
4. Promotion expenses are the highest of all the marketing expenses. They should be properly and strictly controlled and should be paid due attention.

Communication process

Marketing communication involves sharing of meaning, information and concepts by the source and the receiver about the products and services and also about the firm selling through the devices of promotion via, advertising, publicity, salesmanship and sales promotion.

Marketer deliver a message to a receiver who is the target of market segment. Message is received and integrated by consumers and if their predisposition becomes favorable, they decide to purchase.

Marketing communication may be distorted particularly when a message passes through a number of channels. Noise can arise due to faulty transmission, faulty reception, competitive communication constitutes the most serious noise.

1. **Selling Process:** It involves different steps, one so as to persuade the consumer to buy his product that will give him satisfaction. These steps are known as stages of selling process.
2. **Sales Planning:** It is the process of determining the number of sales persons or sales force required, the sales targets to be achieved the expenditure to be incurred and everything required for an effective sales organization in the firm.
3. **Sales Territory:** According to Still Cundiff and Govoni, "Operationally a sales territory is a particular grouping of customers and prospects assigned to an individual sales person". According to Maynard and Davis, "Sales territory is a basic unit of sales planning and sales control".

Types of Promotion

1. **Advertising:** Advertising refers to the activity of attracting public attention to a product or business, as by paid announcements in the print, broadcast or electronic media. Advertising is powerful communication tool directed towards specific target customers in order to carry the messages regarding a particular product, service or ideas, meaningfully and persuasively with a view to achieve certain specific objectives such as to establish brand loyalty expansion of the existing markets increased sales volume etc.

It helps to outspread a word or awareness, promote any newly launched service, goods or an organization. The company uses advertising as a promotional tool as it reaches a mass of people in

Principles of Marketing

a few seconds. An advertisement is communicated through many traditional media such as radio, television, outdoor advertising, newspaper or social media. Other contemporary media that supports advertisement are social media, blogs, text messages, and websites.

2. **Direct Promotion:** It is that kind of advertising where the company directly communicates with its customers. This communication is usually done through various new approaches like email marketing, text messaging, websites, fliers, online adverts, promotional letters, catalog distributors, etc.
3. **Personal Selling:** Personal selling has been defined by the American Marketing Association as, “oral presentation in conversation with one or more prospective purchaser for the purpose of making sales”.
4. **Public Relations:** Public relations are the management function which evaluates public attitudes, identifies the policies and procedures of an organization with the public interest and an organization with the public interest and executes a programme of action and communication to earn public cum understanding and acceptance. Popularly known as PR is exercised to broadcast the information or message between a company (NGO, Government agency, business), an individual or a public. A powerful PR campaign can be valuable to the company.
5. **Sales promotion:** Sales promotion is an exercise in information persuasion and influence. Sales promotion is a parts of promotional mix. Sales promotion refers to the activities which supplement and co-ordinate personal selling and advertising to attract customers to buy a product. This method include displays, demonstrations, expositions, exhibitions and other non-recurrent selling efforts which aim at impelling spot buying action by prospective customers.

This utilizes all sorts of a marketing tool to communicate with the customers and increase sales. However, it is for a limited time, used to expand customers demand, refresh market demand and enhance product availability
6. **Self-promotion:** It is a process where the enterprises send their agents directly to the customers to pitch for their product or service. Here, the response for the feedback of the customer is prompt and therefore, easy to build trust.
7. **Online Promotion:** This includes almost all the elements of the promotion mix. Starting from the online promotion with pay per click advertising. Direct marketing by sending newsletters or emails.

Key Points of Promotion

- It is a communication tool that incorporates all the elements used to spread awareness and convince customers to buy goods and services
- It is applicable only for short term sales
- It is one of the variables of the marketing mix
- The effect of promotion is short term
- The result or outcome of the promotion is immediate

Principles of Marketing

- It is an economic marketing tool as compared to advertising
- It can be used for all sorts of businesses irrespective of the size, brand of a company.

Characteristics

1. It is a part of market promotion. It involves all the promotional efforts other than advertising, Personal selling, and publicity.
2. The primary purpose is to induce customer for immediate buying or dealer effectiveness or both.
3. It is optional. Many companies do not practice it.
4. 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.
5. It consists of offering, wide variety of tools/incentives.
6. 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.
7. It involves the non-recurrent selling efforts. They are not a part of daily activities. They are not undertaken repeatedly.
8. Sales promotion incentives are imitative. Competitors can easily imitate them.
9. Sales promotion is expensive. It may affect adversely the profitability of company.
10. Excessive use of sale promotion may affect sales and reputation of company adversely.
11. It supports personal selling and advertising efforts. It is like a bridge between advertising and personal selling. It can increase effectiveness of other promotional efforts.
12. It includes impersonal incentives. They are offered openly to all.

Advertising

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

Advertising is a form of communication used to persuade an audience like viewers, readers or listeners to take some action with respect to products, ideas or services. Sales promotion is another way of advertising.

Meaning and Definition of Advertising

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

According to **John E Kennedy**, “Advertising is simple way of selling something in the most effective methods possible. Good advertising creates sales and not just attention”.

According to **R. H Colley**, “Advertising is mass period communication the ultimate purpose of which is to impart information, develop attitudes and induce action beneficial to the advertiser”.

Principles of Marketing

Importance of Advertising

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

Advantages of advertising

1. The advertisement informs the consumer about qualities and price of goods and this makes purchasing easy for the consumers.
2. As the prices are already advertised, the consumers cannot be over charged.
3. By regular advertisement the manufacturer can sell the goods directly to the consumers without depending on middlemen.
4. Helps in elimination of middlemen charges and profits.
5. It helps in improvement of the quality of the goods.
6. The consumers are attracted by the quality of the products that are advertised. If the consumers are convinced that the quality is the same that is advertised they continue buying.
7. It helps the consumers to save time. As the consumer has already been the consumer is not required to spend time in getting the products.
8. It raises the living standard of consumers.
9. It provides knowledge about the new designs of the commodities to consumers and thus consumers consume those commodities and increase their living standard.
10. The advertising industry creates a global culture.
11. It gives an opportunity to create niche expertise presentations: Advertising is moving toward a place where the value to the consumer is the priority instead of what the customer can do for the business. This benefit works for B2B and B2C firms because it shows people what can be done for them instead of telling them what can happen.
12. That's why this form of advertising is so effective. It builds loyalty by focusing on relationships instead of relying on logo recognition or a tagline to stay at the top of the mind of possible consumers.
13. Advertising helps a customer make positive choices.

Disadvantages of advertising

1. **Cost:** One of the major disadvantages of advertising is the cost involved in the entire process. It starts with spending money on design, printing and average costs. Some companies especially startups or newly created companies do not have enough funds to support this expensive form of advertising.

Principles of Marketing

2. **False claims:** Some ads make false promises and keep customers in the dark. Once customers buy the product, they realize that the features promised by the products are not exactly the same as those advertised.
3. **Price impact:** When a company uses various advertising channels, it adds costs to the product. The cost of advertising is passed on to customers by adding the same to the price of the product. Finally, it makes products and services more expensive to buy.
4. **Creates a monopolistic situation:** Large companies can afford expensive advertising where small businesses cannot. This creates an imbalance in the industry and people become more aware of the products sold by major industries while watching their commercials. Small businesses have no chance and therefore lose the market.
5. **Impact on children:** Some ads target children directly which encourages them and their parents to buy products that are not useful to them. For example a new chocolate brand creates an advertising campaign and children being to bag the product.
6. **This makes it possible to sell less good products:** Even if the products are not of a high quality, attractiveness of the advertisements makes them attractive. Of course, customers have to do their research but due to lack of public information about products and services they end up paying a high amount for substandard products.
7. **Compromises on moral values:** Some ads are not suitable for all age groups and audience levels. However companies in order to sell the products and increase their profits use unfair moral practices while advertising products and services.
8. **Advertising requires interesting materials to be useful:** The best advertising efforts create memorable experiences for targeted consumers. This disadvantage means that every business must continuously invest in innovative marketing approaches to stay relevant. It's also the reason why you see brands trying to copy the success that others find in this arena. Example: coco-cola Company.

Personal Selling

Personal selling is a part of promotional- mix and it is an art of person-to-person communication for persuading prospects or consumers in the sales process. Personal selling is a broader concept and involves oral presentation in conversation with one or more prospective buyer for the purpose of making sales. The purpose of personal selling is to bring the right products into contact with the right customers, and to make certain that ownership transfers takes place. Personal selling is a direct method of selling the products to the salesmen.

Definition of Personal Selling

According to P. Kotler, "Personal selling is an ancient art. Effective sales persons have more than instinct; they are trained in a method of analysis and customer management. Selling today is a profession that involves mastering and applying a whole set of principles".

According to Richard Buckish, "Personal selling consists of contracting prospective buyers of a product personally".

Principles of Marketing

Importance of Personal Selling

1. Personal selling is oral communication with potential buyers of a product/service with the intention of making a sale deal.
2. Personal selling is an important tool for meeting promotional objectives.
3. Personal selling occurs when an individual sales person sells a product, service or solution to a client.
4. No activity is more vital to the company's health than personal selling.
5. Personal selling enables a person to confront new challenges almost every day.
6. For a sales person, every day is an adventure.
7. Working in selling profession one can go from the height of exhalation to the depths of discouragement within forty eight hours and climb back to the height again the next day. This is really exciting.
8. Importance to management- In this age of growing competition, sales person can effect large volume of sale and the margin of profit being small, the large sales volume will keep the firm profitable.
9. Importance to customer- Sales persons educate and guide customers, for product features and application which gives the customer more satisfaction.
10. Salesmanship is a creative approach and it can create needs and converts needs into wants.

Objectives of Personal Selling

1. **Building Product Awareness:** A common task of salespeople, especially when selling in business markets is to educate customers on new product offerings. In fact salespeople serve a major role at industry trade shows. It is one of the important in consumer markets.
2. **Creating Interest:** Personal selling involves person to person communication makes it a natural method for getting customers to experience a product for the first time. In fact creating interest goes hand in hand with building product awareness as sales professionals can often accomplish both objectives during the first encounter with a potential customer.
3. **Providing Information:** Marketing organizations provide their sales staff with large amounts of sales support including brochures, research reports, computer programs and many other forms of informational material.
4. **Stimulating Demand:** The most fundamental objective of personal selling is to convince customers to make a purchase. As we show in The Selling Process Tutorial, getting customers to buy is the prime function of a large segment of selling jobs
5. **Reinforcing the Brand:** Most personal selling is intended to build long-term relationships with customers. A strong relationship can only be built over time and requires regular communication with a customer. Meeting with customers on a regular basis allows salespeople to repeatedly discuss their company's products and by doing so helps strengthen customers' knowledge of what the company has to offer.

Features of Personal Selling

1. **Personal Form:** Under personal selling a personal contact is established between the buyers and the salesman. In other words, both the parties face each other
2. **Development of Relationship:** Personal selling results in the development of personal relationship between the sales person and the possible buyer. Such a relationship has an important place in sales.

Principles of Marketing

3. **Oral Conversation:** There is oral conversation between the sales person and the buyer regarding the features of the product, i.e., price, colour, shape, design, method of using, etc.
4. **Quick solution of Queries:** The prospective buyer can make inquiries regarding the product. Salesman answers these queries quickly and removes any doubts in the mind of the buyer.
5. **Receipt of Additional Information:** Normally, before introducing its product, a company is aware of the preferences of the probable buyers. Nevertheless, during the course of personal selling, when the sales person is in direct contact with the buyers he/she gathers additional information regarding their tastes and likings.
6. **Real Sale:** Under personal selling, the buyers are not only informed about the product but the goods are actually sold to them.

Steps / Process involved in Personal Selling

1. **Prospecting:** The first step of the personal selling process is called 'prospecting'. Prospecting refers to locating potential customers. There are many sources from which potential customers can be found: observation, social contacts, trade shows, commercially-available databases, commercially-available mail list and cold calling.
2. **Pre-Approach:** The next step in the personal selling process is called the 'pre-approach'. The pre-approach involves preparation for the sales presentation. This preparation involves research about the potential customers, such as market research. Research is useful in planning the right sales presentation. During the pre-approach the salesperson may also plan and practice their sales presentation.
3. **The Approach:** The next step in the personal selling process is called the 'approach'. The approach refers to the initial contact between the salesperson and the prospective customer. During this stage the sales person takes a few minutes for "small talk" and get to know the potential customer. The goal of the approach is to determine the specific needs and wants of the individual customer, as well as allowing the potential customer to relax and open up.
4. **Sales Presentation:** The next step in the personal selling process is called the 'sales presentation'. The sales presentation involves the salesperson presenting the product or service, describing its qualities and possibly demonstrating features of the product. Ideally the sales presentation will be individualized to match the needs and desires of the potential customer.
5. **Handling Objectives:** In some cases, after receiving the sales presentation, the potential customer will have some questions or concerns. In order to secure a sale, the salesperson must address these questions or concerns; this step is referred to as 'handling objectives.'
6. **Closing the sale:** The next step in the personal selling process is referred to as 'closing the sale'. 'Closing the sale' refers to finalizing the sale and persuading the potential customer to make the purchase. During the 'closing the sale' step, prices and payment options may be negotiated.
7. **Follow up:** The final step in the personal selling process is referred to as the 'follow up.' The follow up involves the salesperson contacting the customer after the sale to ensure that the customer is satisfied. If the customer has any existing issues with the product, the salesperson will address them. A successful follow up stage of personal selling can be very effective in ensuring repeat sales, evaluating the effectiveness of the salesperson, and obtaining additional referrals from the satisfied customer.

Principles of Marketing

Advantages of Personal Selling

1. **Flexibility and Adaptability:** Personal selling by its very nature is capable of providing more flexibility being adaptable.
2. **Minimum waste:** The efforts put in by the salesman are highly focused on a single customer or a small group of customers. The message reaches them without distortion and diffusion.
3. **Acts as a feed-back:** The salesman being in direct contact with the consumers has the advantages of collecting and transmitting the relevant market information affecting his company.
4. **Creates lasting impression:** The personal selling process is so direct and penetrating that lasting business relation can be developed between the selling house and the clientele.
5. **Pulls through logical sequence:** The personal selling follows a logical selling process which matches to the reasoning of one and all. A salesman pulls through the customer in the step-by-step selling process starting with attention and ending with satisfaction with interest, desire, conviction and action juxtaposed between.

Limitations of personal Selling

1. **It is expensive:** Personal selling as a method of promotion is quite expensive. Getting salesman is one thing and retaining him for long is another. Further, there are no definite correlations between his stay and cost of retaining and the contributions of his, in return, to the firm, for such costs.
2. **Difficulty of getting right kind of salesmen:** Though, theoretically certain guidelines are prescribed for getting right kind of salesmen from the potential candidates, it is really very difficult to get suitable salesmen from company's point of view. The potential salesmen so selected, trained and placed, do not guarantee loyal service to the company.
3. **Stake in consumer loyalty:** Personal selling is such a process-direct and close between the customer and salesman that the consumer loyalty depends on the presence of such a salesman. The firm's fortunes are tied to the loyalty of consumers which, in turn, depends on the very presence of salesman. The moment the salesman moves out, the clientele drops down to the detriment of the firm.
4. **More administrative problems:** Personal selling involves more of administrative problems than impersonal selling. Since, the firm is to deal with manpower a driving force behind sales the company has to meet the challenges in the areas of manpower-planning, organizing, directing, coordinating, motivating and controlling. The solutions to these problems, even if found out, are not everlasting because, human content in management is unique.

Public relations and Sales Promotion

Public relations is the way organizations, companies and individuals communicate with the public and media. A public relations specialist communicates with the target audience directly or indirectly through media with an aim to create and maintain a positive image and create a strong relationship with the audience.

Public relations success requires a deep understanding of the interest and concerns of each the client's many publics. The public relations professionals must know how to effectively address those concerns using the most powerful tool of the public relations trade.

Public relations is the practice of managing the flow of information between an organization and its publics public relations provides an organization or individual exposure to their audiences using topics of

Principles of Marketing

public interest and news items that do not require direct payment. Their aim is too often to persuade the public, investors, partners, employees and other stake holders to maintain a certain point of view about the company, its leadership, and products or of political decisions.

Definitions

According to **Public Association Relations**, “The art and social science of analyzing trends, predicting their consequences, counselling organizational leaders and implementing planned programme of action which will serve both the organization and the public interest.”

According to **The Chartered Institute of Public Relations**, “A strategic management function that adds value to an organization by helping it to manage its reputation.”

According to **Edward L Bernays**, “Public relation is the attempt by information persuasion and adjustment to engineer public support for an activity, cause, movement or institution”.

Nature of public Relations

1. **Extent of public relations functions:** To what extent the organizations use public relation? The public relations function should be recognized as central to good management and able to act as a unifying force within the organization and in the way it's itself.
2. **Level of public relations function:** This depends on the nature of business or services being provided by the organization. The point to think is corporations can be longer operating in an environment of confrontation. They must have the acceptance of the government and the citizens. Moreover, in handling sensitive issues, corporate management cannot do away with social, cultural, economic and political ethos existing in the community.
3. **Target public:** how to handle target public is a frequently raised question for public relations person. It has been acknowledge by the management that the public relations person is a necessary link between the management and the various publics.
4. **Maintaining goodwill:** In the long run goodwill always pays. In the early days business and industry could function in total secrecy without public scrutiny. In the present competitive society all sections of the economy i.e. private or public are under constant public gaze. It is equally important to guard the reputation once earned.
5. **Evaluation of work:** Public relations person should always evaluate himself in his work environment. One should be aware of and be sensitive to cultural environment or which one is working. While improving his professional capability a public relation person has to recognize his organizations responsibility.
6. **General areas of objectives:** It is mainly known as which and what are the particular public relations objectives do we tend to achieve. It mainly consists of changes we want to bring about. Terms like market standing, innovation, work performance and attitude and public responsibilities are mainly comes in public relations.
7. **Communication skills:** Managing the strategy and skills of communication are an integral part of business policy and decision making. Ultimately, public relations is involved in the management of organization behavior and also of public important to them. Public relations decides about the methods and media of communication and when and how to use the target public.

Principles of Marketing

Objectives of public relations

The main objective of public relations is to maintain a positive reputation of the brand and maintain a strategic relationship with the public, prospective customers, partners, investors, employees and other stakeholders which leads to a positive image of the brand and makes it seem honest, successful, important, and relevant.

1. **Building product Awareness:** When introducing a new product or re launching an existing product, marketers can use a PR element that generates consumer attention and awareness through media placements and special events.
2. **Creating Interest:** Whether a public relations placement is a short product article or is included with other products in “round up” article, stories in the media can help entice a targeted audience to try the product.
3. **Providing Information:** Public relations can be used to provide customers with more in depth information about products and services. Through articles, collateral materials, newsletters and websites, public relations delivers information to customers that can help them gain understanding of the products.
4. **Stimulating Demand:** A positive article in a newspaper on TV news show or mentioned on the internet often results in a discernable increase in product sales.
5. **Reinforcement the Brand:** In many companies the public relations function is also involved with brand reinforcement by maintaining positive relationships with key audiences and thereby aiding in building a strong image. A strong image helps the company build its business and it can help the company in times of crises as well.

Limitations of public Relations

1. **Public Relations cannot totally whitewash tarnished image:** PR changes the produced minds; misunderstanding wrong impressions, misinterpretation but certainly not change the tarnished image into a solid gold block. The best example can be that of spectrum magazines group publishing well know magazines like “advertising and marketing” and “design”.
2. **It can't hide anything in the best interest of the company:** One cannot take PRO as a strong buffer between management and the reporters of media. That is good deal of inside information is leaked out. The in-flight of directors especially business units run by families as Board of directors.
3. **Public Relations cannot create reputation out of nothing:** The PRO cannot create a reputation or goodwill unless there is little of it. Year after year he cannot churn the water and get the butter. A totally hopeless company is a hopeless company.
4. **Public relations fails to have valued public opinion:** PR do not value public opinion in the same way some people draw money on a bank where they have no money. Technically a person can draw the money from the bank from his account even if there is no balance which is called as overdraft.
5. **Public Relations demands public speaking:** PR reaches good conclusions to create ‘mutual understanding’ by not talking anymore private thinking. That is PR is a great art of moving with the current but not against.

Principles of Marketing

Sales Promotion

Sales promotion is one of the elements of the promotional mix. The primary elements in the promotional mix are advertising, personal selling, direct marketing and publicity/public relations.

A sales promotion is “**a marketing strategy where a business will use short-term campaigns to spark interest and create demand for a product, service or other offers**”. Sales promotions can have many objectives and ideal outcomes.

Sales promotion is a part of the promotion mix that a business uses for stimulating the demand for products and services and also to increase brand awareness of the product or the service.

“What is Promotion?” Promotion is a marketing tool, used as a strategy to communicate between the sellers and buyers. Through this, the seller tries to influence and convince the buyers to buy their products or services. It assists in spreading the word about the product or services or company to the people. The company uses this process to improve its public image. This technique of marketing creates an interest in the mindset of the customers and can also retain them as a loyal customer.

Sales promotion is used in the following cases:

1. For introducing new products to the existing market
2. To increase the sales of an existing product
3. To introduce a product to a new market

Definitions

According to **Masson and Ruth** “Promotion consist of those cultivates that are designed to bring a company’s goals or services to the favorable attention of customers”.

According to **William. J. Stanton**, “Sales Promotion is an exercise in information persuasion and influence”.

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

Importance of Sales Promotion

1. It is used for spreading information about the brand to the customers in the market.
2. It is useful in stabilizing sales volume and also required to increase short term sales of the products or services.
3. It is helpful in stimulating the demand for a product in the short term by making the product appear as a great deal for the customer.

Objectives of Sales Promotion

1. Sales promotion is used to create a market for new products. It can be achieved by using the techniques of offering discounts, penetration pricing, etc.
2. It is used by companies for competing with the marketing strategies of the competitors.
3. It is helpful in gaining trust of the dealers by increasing the sales of the products, which results in an increase in income of the dealers.

Principles of Marketing

4. It can be used for launching a product into a new market. Sales promotion strategies can be used to propel customers to try out the new product.
5. It serves as a great way of increasing brand awareness about the product in the market and among customers.

Promotion Mix

A promotion mix refers to a set of different marketing approaches or strategies that are used by a marketer for optimizing the existing promotional efforts in order to reach a broader audience.

The elements of promotion mix are as follows:

- Advertising.
- Public relations or publicity.
- Sales promotion.
- Direct marketing.
- Personal selling.

The main purpose of every commercial organization is to promote sales because it is the only way to commercialize the product. Any activity towards sales promotion may be called promotional activities.

Factors affecting promotion mix

1. **Nature of product:** Different products require different tools of promotion. In case of industrial goods (like plant, machinery etc.) personal selling is most effective. On the other hand, advertising and publicity are more important in case of consumer goods, particularly low-priced convenience goods for daily use.
2. **Nature of market:** If the number of potential buyers is small and the customers are concentrated in a particular locality, personal selling is likely to be more effective. Where the numbers of customers are large and they are scattered widely in different parts of country, advertising and sales promotion are required to sell the product.
3. **Stage of product's life:** During the introduction stage of a product, main aim of promotion is to create primary demand by emphasizing the product's features, utility etc. Therefore a combination of advertising and publicity is required. During the maturity stage, advertising and personal selling are needed to meet competition. During the decline stage sales promotion is used to push up sales.
4. **Availability of funds:** If funds are large, a combination of promotional methods can be used. But in case of financial constraints the firm has to be selective in use of promotional tools.
5. **Nature of technique:** Each technique of promotion has its unique features. Advertising is an impersonal method of promotion, therefore, it can be used for both building a long-term image of the product and selling it. Personal selling involves face to face presentation. Sales promotion offers incentives and induces buyers to buy now.
6. **Promotional strategy:** Promotion mix depends to a great extent on whether a company follows push or pull strategy to create sales.
7. **Readiness of buyer:** Different tools of promotion are effective at different stages of buyer readiness. Advertising and publicity are more effective during early stages of buying, whereas personal selling and sales promotion are more effective during the later stages.

Principles of Marketing

8. **Market Size:** If there is a limited number of buyers, direct selling is enough. But if the market size is large, the promotional tool is mainly advertising.
9. **Pricing Strategy:** Pricing influences promotion strategy. If the brand is priced higher than the competitor's price, personal selling is used. If the price is comparatively low, only little promotion is needed. If the middlemen are allowed a higher profit margin, sales promotion at the dealer level is important.
10. **Cost of Promotion:** The cost of the media of advertising and sales promotion tools should also be considered while deciding the promotional mix.

Channels of Distribution

A distribution channel represents a chain of businesses or intermediaries through which the final buyer purchases a good or service. Distribution channels include wholesalers, retailers, distributors, and the Internet. In a direct distribution channel, the manufacturer sells directly to the consumer.

Definition

According to Philip Kotler, "Every producer seeks to link together the set of marketing intermediaries is called the marketing channel also trade channel or channel of distribution".

According to Mc Carthy, "Any sequence of institution from the producer to the consumer including one or any number of middlemen is called channel of distribution".

Need of Channels of Distribution / Physical Distribution

1. **Help in the production function:** The producer can concentrate on the production function leaving the marketing problem to middlemen who specialize in the profession, their services best utilized for selling the product.
2. **Marketing demand and supply:** The chief function of intermediaries is to assemble the goods from many producers in such a manner that a customer can make effective purchases with ease.
3. **Financing the producer:** Middlemen order and purchase products in bulk from the producers to undertake large scale production and in adopting better techniques of production because they have no problem for finance.
4. **Aid to communication:** The middlemen are connecting link between the producer and the buyer. Middlemen have complete knowledge of consumer behavior and the market and they communicate the necessary information to the producer so that they may produce according to the needs of the consumers.
5. **Stabilizing the prices:** The middlemen help to stabilize the prices. By stocking goods, constant flow of goods to the market is assured at a place where they are wanted and at a proper time. Thus middlemen create place, time and possession utilities to the products and maintain the prices.
6. **Promotional activities:** middlemen also perform various promotional activities like advertising, personal selling and sales promotion. Sometimes wholesaler does it alone for the producer. Retailer also performs such activities by displaying the product in his window which attracts the customers.
7. **Pricing:** In pricing the products, the producer should invite the suggestions from the middlemen who are very close to the ultimate users and who know the consumer behavior aptly. Pricing may be different for different markets or products depending upon the channel of distribution.

Principles of Marketing

Importance of Channels of Distribution

Distribution channels are important to businesses as they allow for the smooth delivery of goods or services to a customer. If a business does not source the best collection of businesses for this purpose, it can lead to unhappy customers and an inadequate provision of services.

1. **Timely Delivery of Products:** This is one of the important function of distribution channels. Distribution channel helps in the delivery of products to customers on the right time. If products are not available at the right time to customers, it may disappoint him. It has removed all distance barriers for businesses while performing their operations. Distribution channels have made it possible for businesses to serve customers even at far distant places.
2. **Maintain Stock of Products:** Distribution channel has an efficient role in maintaining sufficient stocks of goods. It helps in maintaining the supply of goods as per the demands in the economy. Distribution channels performs functions of storing the products in warehouses & supplying them according to demand in the market. It avoids all cases of shortage of supply of goods in market.
3. **Provides Market Information:** Distribution channel is served as the medium through which business acquire all required information from the market. It takes all information like demand, price & nature of competition in the market from its different intermediaries involved in its distribution channel. Also, customers provide information & various suggestions to producers through these channels. It helps in formulating strategies according to that.
4. **Promotion of Goods:** Distribution channels helps in marketing & promotion of products. There are several middlemen's who are involved in the distribution system of businesses. These intermediaries inform the customers about the product. They introduce them with new products & explain them to its specifications. Customers are induced & motivated to buy these products by intermediaries. Hence, the distribution channel has an efficient role in promotion & marketing of goods.
5. **Provide Finance:** Business gets financial assistance from the distribution channel. Intermediaries involved in distribution channel buys goods in bulk from producers. These intermediaries give payment to producers while purchasing. Then these middlemen sell these goods to customers in quantities demanded by them. They even provide credit facilities to the customers. However, producers get timely payment & are saved from blocking of their funds through credit selling. Therefore distribution channel regulation the funds' movement of businesses.
6. **Generates Employment:** Distribution channel generates employment in the economy. There are huge number of peoples who are involved in the distribution system of businesses. These people are wholesaler, retailers & different agents. All these people earn their livelihood through working in these distribution channels. Therefore, distribution channels are creating employment opportunities for peoples.
7. **Distribution of Risk:** Risk is something which is associated with each & every business. Distribution channels save the producers from the risk of delivering products to customers safely & timely. It becomes the duty of intermediaries that are involved in the channel to deliver it to customers timely. Producers focus only on their production activities & don't need to consider issues about delivering products.

Principles of Marketing

Functions of Distribution Channels

1. **Bridge the gap between production and consumption:** The primary function of a distribution channel is to bridge the gap between production and consumption.
2. **Close study:** A close study of the market is extremely essential. A sound marketing plan depends upon through market study.
3. **Responsible for promoting the product:** the distribution channel is also responsible for promoting the product. Awareness regarding products and other offers should be created among the consumers.
4. **Creating contacts:** creating contacts or prospective buyers and maintaining liaison with existing ones.
5. **Understanding the customer's needs:** understanding the need of the consumers and adjusting the offer accordingly.
6. **Negotiate price:** negotiate price and other offers related to the product as per the customer demand.
7. Storage and distribution of goods
8. **Smooth working:** catering to financial requirements for smooth working of the distribution chain.
9. Risk taking

Types or Various Channel of Distribution

1. **Manufacturer – Consumer – Channel:** this type of channel contains different alternatives such as: a) sale through advertising and direct methods b) sale through traveling sales c) sale through retail shops of manufacturer.
2. **Manufacturer – Retailer – Ultimate Consumer:** This channel is useful for the buyers are large retailer ex: retailer shop, co-operative stores etc. the wholesaler can be by passed in this trade route. It is also suitable when products are perishable and speed in distribution is essential. However manufacturer has to perform functions of a wholesaler such as storage, insurance, financing of inventories and transport.
3. **Manufacturer – Wholesalers – Retailers – Consumer:** This channel is suitable for a producer under the given conditions: a) he has a narrow product line b) he has limited finance c) wholesalers are specialized and can provide strong promotional support d) products are durable and not subject to physical deterioration or fashion changes.
4. **Manufacturer – Agent – Wholesaler – Retailer – Consumer:** Under this channel the producer uses the service or an agent middlemen such as a sales agent, for the initial dispersion of goods. The agent in turn may distribute to wholesalers. Many textile mills have sales agents for distribution.

In marketing manufactured goods agent middlemen are used by manufacturers to make themselves free from marketing tasks. An agent middlemen sells on commission basis directly to wholesaler or large retailer.
5. **Manufacturer – Wholesalers – Consumers/Users:** Wholesalers may by pass retailer when there are large and institutional buyers ex: hospitals, industrial buyers, government etc.

Principles of Marketing

Middleman

The term middleman is an informal word for an intermediary in a transaction or process chain. A middleman is a person or company that connects buyers with sellers. Wholesalers are a type of middleman. They buy goods from a manufacturer and then resell them to a retailer. A retailer is also an example of a middleman, as is a real estate agent.

The middleman does not produce anything but has extensive market knowledge. With the growth in technology and its capabilities, Internet companies have also become a type of middleman. Auction sites, for example, bring sellers into contact with buyers they usually wouldn't reach.

Role and Functions of Middleman

- 1. Information provider:** Middlemen have a role in providing information about the market to the manufacturer. Developments like changes in customer demography, psychology, media habit and the entry of a new competitor or a new brand and change in customers preferences are some of the information that all manufacturers want. Since these middlemen are present in the market place and close to customers they can provide this information at no additional cost.
- 2. Price stability:** Maintaining price stability in the market is another function of middleman performs. Many a time the middlemen absorb an increase in the price of the products and continue to charge the customer the same old price. This is because of the intra-middlemen competition. The middlemen also maintain price stability by keeping his overhead low.
- 3. Promotion:** Promoting the products in his territory is another function that middlemen perform, many of them design their own sales incentive programmes, aimed at building customers traffic at the other outlets.
- 4. Financing:** Middlemen finance manufacturer's operation by providing the necessary working capital in the form of advance payments for goods and services. The payment is in advance even though the manufacturer may extend credit because it has to be made even before the products are bought, consumed and paid for by the ultimate consumer.
- 5. Title:** Most middlemen take the title to the goods, services and trade in their own name. This helps in diffusing the risks between the manufacturer and middlemen. This also enables middlemen to be in physical possession of the goods, which in turn enables them to meet customer demand at very moment it arises.
- 6. Help in production function:** The producer can concentrate on the production function leaving the marketing problem to middlemen who specialize in the profession. Their services can best utilize for selling the product.
- 7. Pricing:** In pricing a product, the producer should invite the suggestions from the middlemen who are very close to the ultimate users and know what they can pay for the product. Pricing may be different for different markets or products depending upon the channel of distribution.
- 8. Matching Buyers and Sellers:** The most crucial activity of the marketing channel members is to match the needs of buyers and sellers. Normally, most sellers do not know where they can reach potential buyers and similarly, buyers can reach potential sellers.
- 9. Standardizing Transactions:** Standardizing transaction is another function of marketing channels. Taking the example of the milk delivery system, the distribution channels standardized throughout the marketing channel so that consumers do not need to negotiate with the sellers on any aspect. Whether it is price, quality, and method of payment or location of the product.

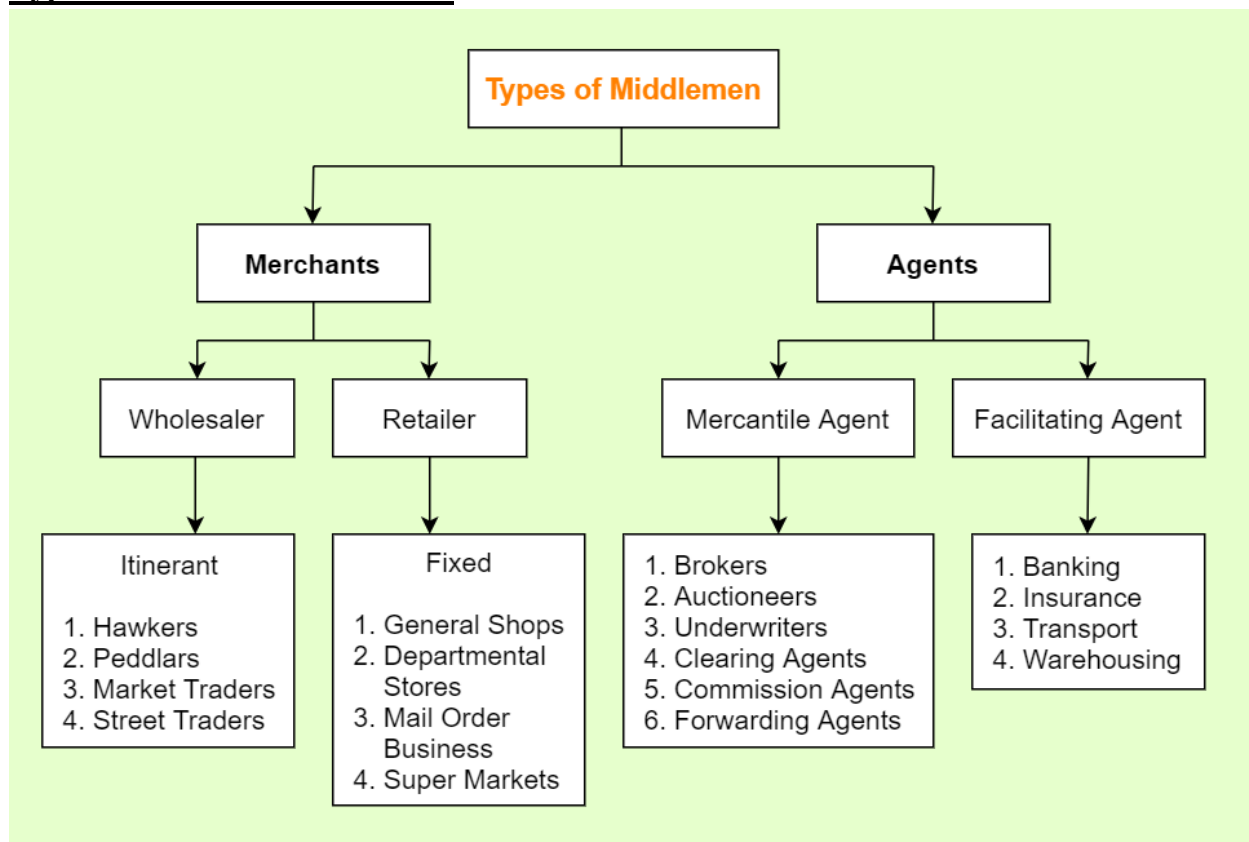
Principles of Marketing

10. Matching Demand and Supply: The chief functions of intermediaries is to assemble the goods from many producers in such a manner that a customer can affect purchases with ease. The goal of the marketing is the matching of segments of supply and demand.

The matching process is undertaken by performing the following functions

- **Contractual:** - Finding out buyers and sellers.
- **Merchandising:** Producing goods that will satisfy market requirements.
- **Pricing:** process of attaching value to the product in monetary terms.
- **Propaganda:** Sales promotion activities.
- **Physical Distribution:** Distribution activities.
- **Termination:** Settlement of contract i.e. paying the value and receiving the goods.

Types and Nature of Middlemen



Wholesellers

Meaning and Definition

The word 'Wholesaler' has been derived from the word 'Wholesale' which means to sell goods in relatively large quantities or in bulk.

According to S.E. Thomas 'A whole seller is a trader who purchases goods in large quantities from manufacturers and sells to retailers in small quantities.

Characteristics of a Wholesaler

- He buys in bulk quantities from producers and resells them to retailers in small quantities.
- He usually deals in a few types of products.

Principles of Marketing

- He is a vital link between the producer and the retailer.
- He operates in a specific area determined by producers.
- He does not display his goods but keeps them in godowns. Only samples are shown to intending buyers.
- A wholesaler may be an individual or otherwise a firm.
- A wholesaler generally sets up distribution Centre in parts of the country to make available goods to the retailers.
- He sets up own warehouses to store goods for ready supply.

Types of Wholesellers

1. **Merchant Wholesalers:** Merchant wholesalers include two broad types: a) full service wholesalers b) limited service wholesalers.
2. **Brokers and Agents:** Brokers and agents differ from merchant wholesalers in two ways: a) they do not take title to goods b) they perform only a few functions.
Like merchant wholesalers, they generally specialize by product line or customer type.

Functions of Wholesalers

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

Retailing

Retailing is defined as a set of activities or steps used to sell a product or a service to consumers for their personal or family use. It is responsible for matching individual demands of the consumer with

Principles of Marketing

supplies of all the manufacturers. The word 'retail' is derived from the French word 'retailleur', meaning 'to cut a piece of' or 'to break bulk'.

A retailer is a person, agent, agency, company, or organization, which is instrumental in reaching the goods, merchandise, or services to the ultimate consumer. Retailers perform specific activities, such as anticipating customers' wants, developing assortments of products, acquiring market information, and financing.

The world over retail business is dominated by small family-run chains and regionally targeted stores. Gradually more and more markets in the Western world are being taken over by billion-dollar multinational conglomerates, such as Wal-Mart, Sears, McDonald's, and Marks and Spencer.

Definitions

According to the report of the Definition Committee, America, "Retailing includes all activities incidental to selling to the ultimate consumer".

In the words of William J. Stanton, "A retailer or a retail store is a business enterprise which sells primarily to the ultimate consumers for non-business use".

In today's competitive environment, retailers have redefined their role in general, and in the value chain in particular. They act as gatekeepers who decide which new products should find their way to the shelves of their stores. As a result, they have a strong say in the success of a product or service being launched into the market.

Retailers are facing with many issues and it include

1. **Customer Satisfaction:** Retailers know that satisfied customers are loyal customers. Consequently retailers must develop strategies intended to build relationships that result in customer returning to make more purchases.
2. **Ability to acquire the right products:** A customer will only be satisfied if they can purchase the right products to satisfy their needs. Since a large percentage of retailers do not manufacture their own products, they must seek suppliers who will supply products demanded by customers. Thus an important objective for retailers is to identify the products customers will demand and negotiate with suppliers to obtain these products.
3. **Product Presentation:** Once obtained products must be presented or merchandised to customer in a way that generates interest. Retail merchandising often requires hiring creative people who understand and can relate to the market.
4. **Traffic Building:** Like any marketer, retailer must use promotional methods to build customer interest. For retailers a key measure of interest is the number of people visiting a retail location or website. Building "traffic" is accomplished with a variety of promotional techniques such as

Principles of Marketing

advertising, including local newspapers or internet and specialized promotional activities such as coupons.

5. **Layout:** For store based retailers a stores physical layout is an important component in creating a retailer experience that will attract customers. The physical layout is more than just deciding in what part of the store to locate products. Layout is also important in the online world where site navigation and usability may be deciding factors in whether of a retail website is successful.
6. **Location:** Where to physically locate a retail store may help or hinder store traffic. Well placed stores with highly visibility and easy access, while possibly commanding higher land usage fees, may hold significantly more value than lower cost sites that yield less traffic.
7. **Keeping Pace with Technology:** Technology has invaded all areas of retailing including customer knowledge, product movement, point of purchase, web technologies and many more.

Importance of Retailing

Marketing is even more important in retail given how competitive some product categories are. Without a solid marketing strategy, you're leaving it up to your customer to remember you on their own once they become interested in a product you sell. Retail marketing is unique because retail products are often repeat purchases, so unlike with subscriptions or one-time purchases, retailers have to depend on marketing efforts in order to win back customers after each sale. With retail more than any industry, marketing plays a critical role in growing a customer's lifetime value (LTV).

1. **Retailing shapes the lifestyle of the people:** Retailing is an integral part of the modern society. It shapes the way of life. In the past, trading of goods was a part of a traditional society. But in recent times, buying and selling of goods have become a brand dominated activity.
2. **Retailing contributes to the economy:** The importance of retail sector is reflected in its contribution to the growth of an economy. Its contribution is much more visible in the modern era than it was in the past. As the retail sector is linked to the significant portion of the economy, its contribution to GDP is substantial. Retailing is the driving force of the economy. It aims at promoting its sustained growth.
3. **Retailing dominates the supply chain:** Goods and service flow from manufacturers or service providers to consumers. Where consumers are large in number and are widely distributed, the role of retailers becomes crucial. Retailers serve as a connecting link between the wholesalers and consumers. Due to its dominant position in the supply chain, the retail structure has steadily developed over the years.
4. **Retailing is interdisciplinary:** The pace of growth within retailing is accelerating. Retailing has emerged from a number of interrelated disciplines such as geography, economics, management and marketing.
5. **Retailing is acknowledged as a subject area in its own right:** Potter has described the academic study of retailing as the "*Cinderella of the social sciences*". Retailing is an accepted area of academic debate, such as marketing and management, developed fully as an area of study. University research centres focus on retailing and professional appointments in retailing have been made. Academic journals focusing on retailing are being published worldwide.

Principles of Marketing

- Retailers enjoy status as major employers:** In today's society, retailers are the major employers. It is estimated in developed countries that retail industry employs one in nine of the workforce. Retailers employ a significant proportion of the overall workforce. More than two thirds of the retail force are women. Also, more than half of retailing employees are employed on a part-time basis. This, highly flexible workforce is capable of adapting to the differing labor demands. In the past, retailing employees got lower pay and had longer working hours. But now, the retail sector is becoming more organized with better pay scale.
- Retailers are gatekeepers within the channel of distribution:** Retailers are becoming increasingly important in their role as gatekeepers within the channel of distribution. In the past, suppliers were dominant. Retailers supplied the merchandise that was on offer and consumers selected from them. As retailers have become significantly powerful, they are able to influence suppliers and stock only the brands they wish to sell. So, consumers are able to buy only what is stocked and offered to them by the retailers. Retailers are thus considered as shaping consumer demand.
- Retailing has scope for expanding internationally:** Retailing offers scope for shifting retail operations outside the home market. Retailers who focus on luxury goods markets are expanding their business internationally. Retailers are moving into more geographically and culturally distant markets.

Types / Classification of Retailing

- Supermarket:** It carries wide variety of food, textile and daily needs. It is the most frequently shopped type of retail store. It includes large number of buyers and the buyers can avail the cost, low margin, high volume, self-service transaction.
- Departmental Stores:** It includes clothing, home, furnishing, daily needs etc. it is a retail organization that carries a wide range of product lines.
- Specialty Stores:** It includes apparel stores, sports houses, furniture shops, book stores etc. This retail carries narrow product line with a deep assortment within that line.



Principles of Marketing

4. **Convenience Stores:** It is a small store located in or near a residential area that is open long hours and carries a limited line of high turnover convenience goods.



5. **Chain Stores:** Two or more outlets that are owned and controlled are common and have central buying and selling similar lines of goods.



6. **Factory Outlet:** It is an outlet owned and operated by a manufacturer to keep a sell his product or services.



7. **Super Stores:** It is a store much larger than a regular super market that carries a large assortment of routinely purchased and food and non-food items.



8. **Franchisee:** It is contractual association between a manufacturer, wholesaler or service organization and independent business people who buy the right to own and operate one or more units in the Franchisee system.



E-Retailing / Electronic Retailing

Definition: The **Electronic Retailing** also called as *e-tailing* or *internet retailing*, is the process of selling the goods and services through electronic media, particularly the internet. Simply, the sale of retail goods and services online is called as electronic retailing.

Advantages of Electronic Retailing

1. Through electronic retailing, customers can save both the efforts and time.
2. The wide range of products is available online, so the comparison can be made easily before the purchase.

Principles of Marketing

3. The customer can shop anytime and from anywhere, the facility is available 24*7
4. The huge discounts can be availed while shopping online.
5. The detailed information about the product is available online; that helps the customer to make the purchase decision.
6. The electronic retailing offers the easy payment terms such as payment on delivery that instigate the customer to shop online.

Disadvantages of Electronic Retailing

1. The customers may not be sure of the quality of the products offered online.
2. It is the tendency of every individual to bargain before making the final purchase, but this quotient is missing in electronic retailing.
3. Also, the customers may not trust on the payment gateways and fear the misuse of credit cards or any other mode of payment.
4. Every customer wants to see and feel the product that he purchases, but it is not possible in case of electronic retailing where the customer makes the decision just by looking at the image.
5. The product is not readily available; the customer has to wait for some time to get the product in his hands.
6. The customer misses the emotional attachment with the seller that leads to less faith on the offerings.

