

Module - III : Marketing Decisions - II

PHYSICAL DISTRIBUTION – CONCEPT AND FACTORS INFLUENCING
Physical distribution is a process of effectively delivering the product the customers in proper condition and on time.

Factors Influencing PD :

- 1. Customers:** If customers are many and are dispersed geographically – indirect channels. If customers are few and geographically concentrated. – direct channel.
- 2. Product:** If FMCG – indirect channels. If perishable – direct channel.
- 3. Competitors:** If competitors adopt direct channel, a firm may also do the same.

Factors Influencing Physical Distribution :

4. **Area Coverage:** Large area coverage – indirect channels.
5. **Middlemen Characteristics:** If distributors have distribution facilities of their own – indirect channels.
6. **Company Profile:** Limited sales force – indirect channels.
7. **Economic Conditions:** Recession – may select direct channel.
8. **Size of Orders:** Bulk orders – direct channel.

TRADITIONAL MARKETING CHANNELS

- 1. Direct Channel:** Manufacturer – Consumer/User. No intermediaries. Example : Industrial goods.
- 2. Manufacturer:** Agent – Wholesaler – Retailer – Consumer : Longest Channel
- 3. Manufacturer:** Agent – Retailer – Consumer : No wholesaler. Suitable for durables.
- 4. Manufacturer:** Wholesaler – Retailer – Consumer : FMCG goods.

TRADITIONAL MARKETING CHANNELS

- 5. Manufacturer: Wholesaler – Consumers :** When final consumers buy in large quantities.
- 6. Manufacturer: Retailer – Consumer :** Large retailers like cooperative stores, departmental stores, multiple chain stores.
- 7. Manufacturers: Canalising Agency – Buyers :** In case of canalized items for imports and exports.
- 8. Producers: Cooperatives – Dealers – Consumers :** Cooperatives do the marketing and distribution activities. Example : Agricultural cooperatives.

CONTEMPORARY MARKETING CHANNELS

- 1. Horizontal Marketing System:** Two or more firms join together for marketing and distribution. Example: Two wholesalers join together for distribution in a particular area.
- 2. Vertical Marketing System:** Two or more stages of a distribution channel are combined and managed by one firm. 3 types - Administered VMS – Contractual VMS – Corporate VMS.
- 3. Multi-Channel Marketing:** Different channels to reach customers. Operate as online store and also offline stores.
- 4. Multi-level Marketing:** The sales-force is compensated not only for sales which they personally make but also the sales generated by other sales people whom they recruit. Examples: Amway, Oriflamme.
- 5. Third Party Delivery Channel:** It is a firm that provides service to its clients of outsourced logistics services for part or all of their supply chain management functions-warehousing, inventory management, logistical packaging, & transportation.

SUPPLY CHAIN MANAGEMENT – CONCEPT & COMPONENTS

SCM is the management of the flow of products from the producer to the consumers. The purpose is to maximize customer value and to achieve competitive advantage.

Components :

- 1. Planning:** Developing a set of standards to monitor the supply chain so that it is efficient, cost effective and delivers value to the customers.
- 2. Procurement:** Selecting and developing strong relationship with suppliers of raw materials.
- 3. Processing & Scheduling of Delivery:** It involves manufacturing, packaging, and scheduling for delivery to distribution agents and ultimately to consumers.
- 4. Delivery (Logistics):** Involves Facility Location and Network Design – Information to deliver superior service to customers – Warehousing – Customer Order Processing – Logistical Packaging - Transportation – Materials Handling – Inventory Management.
- 5. Management of Returns by Customers:** Effective network to receive back the defective products from the customers. At times, customers may return back excess supplies to them.

PROMOTION – CONCEPT AND IMPORTANCE

William Stanton, “Element of marketing-mix that is used to inform, persuade and remind the market regarding the organisation and/or its products.”

Importance of Promotion-Mix :

- 1. Awareness:** Product awareness through publicity, advertising, salesmanship..
- 2. Attitude:** Build and reinforce positive attitude towards the product.
- 3. Brand Loyalty:** Repeat purchases and recommendations to others.
- 4. Brand Image:** Good image in the minds of target customers and others.
- 5. Corporate Image:** Creative advertising, effective public relations, etc can create CI.
- 6. Counter Competitors Claims:** Competitive advertising and sales promotion
- 7. Educating the Customers:** Advertising and salesmanship can be used to educate the customers regarding the use of the product, handling operations, etc.
- 8. Expansion of Markets:** Publicity, advertising, etc., can help to expand the markets from local level to regional, to national, and even to international markets.

Elements of Promotion-Mix

- 1. Publicity:** Non-paid – editorials by mass media.
- 2. Advertising:** Paid form. The main objective is to create brand awareness.
- 3. Sales Promotion:** Various techniques such as coupons, discounts, exchange offers, free samples, gifts, etc.
- 4. Salesmanship:** face-to-face communication. Provides information, and persuades buyers.
- 5. Public Relations:** To maintain good relations with members of the public.
- 6. Packaging:** If attractively designed, acts as advertising.
- 7. Trade Fairs:** Display and demonstrate the product.
- 8. Sponsorships:** Sports, and cultural events to create a distinct image for the organisation and for its brands.

INTEGRATED MARKETING COMMUNICATION – CONCEPT & SCOPE

William Stanton, “as the element in an organisation’s marketing mix that is used to inform, persuade and remind the market regarding the organisation and/or its products.”

Scope of IMC :

- 1. Publicity:** Publicity is the non-paid form of IMC. Publicity along with other elements is used to create awareness.
- 2. Advertising:** Advertising is the paid form of IMC. The main objective of Ad is to create TOM (top of mind) awareness.
- 3. Sales Promotion:** It refers to various tools such as combo products, discounts, exchange offers, free samples, gifts, etc., which is used to promote sales.

SCOPE OF INTEGRATED MARKETING COMMUNICATION

- 4. Sponsorships:** Firms sponsor events like sports, cultural programmes, etc., to gain special recognition by the public.
- 5. Personal Selling:** It refers to convincing and persuading efforts by the salesforce to induce the customers to buy the product.
- 6. Public Relations:** It refers to various efforts by a firm to maintain good relations with members of the public.
- 7. Packaging:** It performs three main roles – promotion, protection and preservation of quality.
- 8. Trade Fairs & Exhibitions:** It helps to display and demonstrate products to the public who visit the trade fairs.

Importance of IMC

- 1. Brand Awareness:** For example, advertising and publicity.
- 2. Brand Loyalty:** For example, sales promotion tools.
- 3. Brand Equity:** IMC helps to enhance BE of the products. Incremental Value.
- 4. Brand Image:** Perception of the brand improves in the mind of customers.
- 5. Corporate Image:** Perception of the firm improves in the mind of customers.
- 6. Competitive Advantage:** Helps to face competition. Ex., Sales pro and advertising.
- 7. Customer Satisfaction:** Example, sales promotion tools.
- 8. Customer Relationships:** Example. Public relations. Personal selling.

SALES MANAGEMENT – CONCEPT AND COMPONENTS

Sales management is the management of sales force, coordination of sales operations, and the implementation of sales techniques to achieve sales objectives.

Components :

- 1. Sales Planning:** Forecasting of demand and supply, setting of sales objectives,
- 2. Selection:** Selecting the right sales force for the right job. Systematic procedure.
- 3. Training:** Knowledge, attitudes, skills and social behaviour.
- 4. Placement of Sales Staff:** Fitting the right person at the right place of work.
- 5. Performance Appraisal:** Finding the strengths and weakness
- 6. Promotion:** Upward movement of employees in organisation's hierarchy.
- 7. Motivation:** Monetary and non-monetary incentives.
- 8. Monitoring Sales Performance:** Review – product, area and team wise.

Emerging Trends in Selling

- 1. Social Networking Sites:** Sales personnel are using social networking sites to listen to online conversations, engage with prospects and manage relationships with customers.
- 2. Sales Force Diversity:** Increasing participation of women in selling.
- 3. CRM:** There is growing trend towards CRM. CRM helps to maximize customer loyalty.
- 4. Challenges of Global Competition:** Domestic firms are facing competition from foreign firms on their domestic turf.

Emerging Trends in Selling

- 5. Social Issues and Ethics:** Sales managers face ethical issues such as bribery, deception and high pressure sales tactics. Therefore, sales managers should have ethical and social responsibilities.
- 6. Sales and Marketing:** Blurring Line: The line between sales and marketing is fading. Sales and marketing can no longer afford to work in silos.
- 7. Team Selling Approach:** Especially to sell complex product or service.
- 8. Technology:** Growing use of digital technology to identify prospects, deliver sales presentations and close sales deals easier and faster.

PERSONAL SELLING – CONCEPT AND PROCESS

It refers to “face-to-face selling in which a sales person convinces and induces a buyer to buy products.”

Process :

- 1. Prospecting:** Process of finding leads of prospective customers. Various sources such as published sources such as directories, trade fairs, social networking sites, etc.
- 2. Prospect Qualifying:** Search for qualified prospects as not all leads need not require or buy the product.
- 3. Pre-approach:** Collecting more relevant information of leads before sales presentation.

PERSONAL SELLING - PROCESS

- 4. Approach:** Focus on product advantages and benefits to the customer.
- 5. Sales Presentation:** Follow AIDA formula.
- 6. Objections Handling:** Provide additional information to overcome objections.
- 7. Sale Close:** Last part of presentation. The salesperson books order.
- 8. Follow-up:** Obtain feedback from the customer. Also provide effective After-sale-service, especially in the case of durables.

Skill Sets for Effective Selling

- 1. Product Knowledge:** Features, operations, uses of the product.
- 2. Prospecting Skills:** Collection of relevant leads, and finding out qualified prospects.
- 3. Demo Skills:** Convincing voice – highlight special features and benefits.
- 4. Active Listening:** The sales force need to listen carefully relating to the needs, problems and suggestions from the prospects.

Skill Sets for Effective Selling

- 5. Objection Handling:** Provide additional information to overcome objections.
- 6. Closing Techniques:** The prospect must be convinced and satisfied in buying the product. Not force the customer.
- 7. Post-sale Relationship:** Obtain feedback from customer. Conduct satisfaction surveys. Provide good after-sale-service.
- 8. Developing Trust:** The salesperson should clearly understand the needs and requirements of the buyer and accordingly sell the right product so as to develop trust of the buyers.