UNIT SEVEN
DISTRIBUTION Strategy

7.1 DISTRIBUTION

7.1.1 The Nature and Important of Marketing Channels

Ownership of a product has to be transferred somehow from the individual or organization that makes it to the consumer who needs and buys it. Goods also must be physically transported from where they are produced to where they are needed. Services ordinarily cannot be shipped but rather are produced and consumed in the same place. Distribution's role within a marketing mix is getting the product to its target market.

7.1.2 How Channel Members Add Value?

The producer can carry out all activities /functions in transfer of title and physical transport by itself. Typically, however, firms called intermediary perform some activities on behalf of the producer or the customer. Here an intermediary is a business firm that renders services related directly to the sale and/or purchase of a product as it flows from producer to consumer. In making products and services available to consumers, channel members add value by bridging the major time, place, and possession gaps that separate goods and services from those who would use them. Members of the marketing channel perform many key functions. The following are some functions of channel members to complete transactions:

- *Information:* Gathering and distributing marketing research and intelligence information about actors and forces in the marketing environment needed for planning and aiding exchange.
- *Promotion:* Developing and spreading persuasive communications about an offer
- *Contact:* Finding and communicating with prospective buyers
- *Matching:* Shaping and fitting the offer to the buyer's needs, including activities such as manufacturing, grading, assembling, and packaging
- *Negotiation:* Reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred.

Others help to fulfill the completed transaction:

- *Physical distribution:* Transporting and storing goods
- *Financing:* Acquiring and using funds to cover the costs of the channel work
- *Risk taking:* Assuming the risk of carrying out the channel work

The question is not whether these functions need to be performed, they must be but rather who will perform them.

7.1.3 Selecting the Type of Channel

Firms may rely on existing channels, or they may devise new channels to better serve current customers and to reach new prospects. Most distribution channels include intermediary, but some do not. A channel consisting only of producer and final customer, with no intermediaries providing assistance is called direct distribution. In contrast, a channel of producer, final customer, and at least one level of intermediaries represent indirect distribution. With indirect distribution, a producer must determine the type (s) of intermediary that will best serve its needs. The main common channels for consumer goods, business goods, and services are described next.

1. **Distribution of consumer goods:** five channels are widely used in marketing tangible products to ultimate consumers:

- *Producer – Consumer.* The shortest, simplest distribution channel for consumer goods involves no intermediaries. The producer may sell from door to door or by mail.
- *Producer – Retailer – Consumer.* Many large retailers buy directly from manufactures and agricultural producers
- *Producer–Wholesaler–Retailer–Consumer.* If there is a traditional channel for consumer goods, this is it. Small retailers and manufacturers by thousands find this channel the only economically feasible choice
- *Producer – Agent – Retailer – Consumer.* Instead of using wholesalers, many producers prefer to rely on agent intermediary to reach the retail market, especially large –scale retailers
- *Producer –Agent – Wholesaler – Retailer – Consumer.* To reach small retailers, producers often use agent intermediary, who in turn call on whole sellers that sell to large retail chains and/or small retail stores.

2. **Distribution of business goods:** A variety of channels is available to reach organizations that incorporate the products into their manufacturing process or use them in their operations.

- *Producer – User.* This direct channel accounts for a greater dollar volume of business products than any other distribution structure. Large installations, such as jet engines, air conditioning systems, and elevators sold directly to users.

- *Producer – Industrial Distributor – User*. Producer of operating supplies and small accessory equipment frequently use industrial distributors to reach their markets. Manufactures of building materials and air-conditioning equipment are two examples of heavy users of industrial distributors.
- *Producer – Agent – User.* Firms without their own sales departments find this a desirable channel. Also, a company that wants to introduce a new produce or enter a new market may prefer to use agents than its own sales force.
- *Producer – Agent – Industrial Distributor – User.* This channel is similar to the preceding one. It is used for some reason, when it is not feasible to sell through agents directly to the business user. For example, the order size may be too small to justify direct selling.

3. Distribution for services: The intangible nature of services creates special distribution requirements. There are only two common channels for services:

- *Producer – consumer.* Because service in intangible the production process and/or sales activity often require personal contact between producer and customer. Thus direct channel is used. Example, Health care, legal advice, Haircutting and the like.

4. *Producer – agent – consumer*. Producer- customer contact may not always be required for distribution activities. Agents frequently assist a service producer with transfer of ownership (the sales task). Many services notably travel, lodging, advertising media, entertainment, and insurance, are sold through agents.

5. Multi-Channel Distribution System: Many, perhaps most, producers are not content with only a single distribution channel. Instead, for reasons such as reaching two or more target markets or avoiding total dependence on a single arrangement, they employ multiple distribution channels.

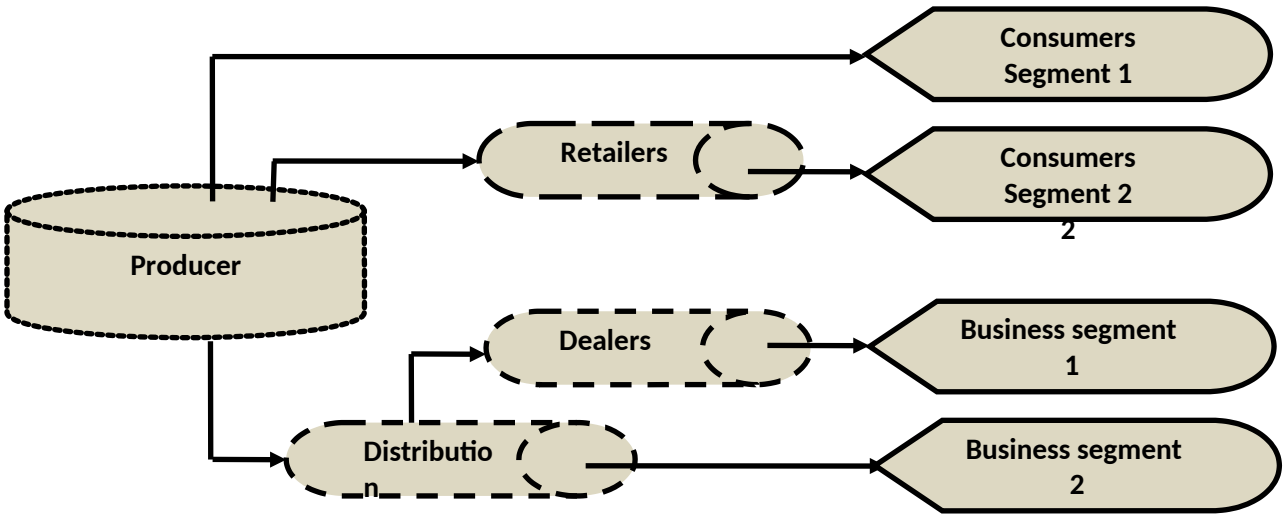


Figure 7.1 Multi-channel Distribution system

The use of multiple channels occurs in several distinct situations. A manufacture is likely to use multiple channels to reach different types of markets when selling the same product (for example, sporting goods or computers) to both consumer and business markets and unrelated products (margarine and points, rubber products and plastics). Multiple channels are also used to reach different segments within a single market when size of the buyers varies greatly on one hand. An airline may sell directly to travel departments in large corporations, but rely on travel agents to reach small businesses and ultimate consumers. On the other hand, geographic concentration differs across parts of the market. A manufacturer of industrial machinery may use its own sales force to sell directly to customers that are located close together, but may employ agents in sparsely populated markets.

7.1.4 Channel Management Decisions

Once the company has reviewed its channel alternatives and decide on the best channel design, it must implement and manage the choose channel. Channel management calls for selecting, managing, and motivating individual members and evaluating their performance over time.

Selecting Channel Members: Producers vary in their ability to attract qualified marketing intermediaries. Some producers have no trouble signing up channel members. At the other extreme are producers who have to work hand to line up enough qualified intermediaries. When selecting intermediaries, the company should determine what Characteristics distinguish the better ones. It will want to evaluate each channel member's years in business, other lines carried, growth and

proof record, cooperativeness, and reputation. If the intermediaries are sales agents, the company will want to evaluate the number and character of other lines carried and the size and quality of sales force. If the intermediary is a retail store that wants exclusive or selective distribution, the company will want to evaluate the store's customers, location, and future growth potential Managing and Motivating Channel Members: Once selected, channel members must be continuously managed and motivated to do their best. The company must sell not only through the intermediaries but to and with them. Most companies see their intermediaries as first-line customers and partners. They practice strong partner relationship management (PRM) to forge long-term partnerships with channel members. This creates a marketing system that meets the needs of both the company and its partners. In managing its channels, a company must convince distributors that they can succeed better by working together as a part of a cohesive value delivery system.

Many companies are now installing integrated high-tech partner relationship management systems to coordinate their whole-channel marketing efforts. Just as they use customer relationship management (CRM) software systems to help manage relationships with important customers, companies can now use PRM software to help recruit, train, organize, manage, motivate, and evaluate relationships with partners.

Evaluating Channel Members: The producer must regularly check channel member performance against standards such as sales quotas, average inventory levels, customer delivery time, and treatment of damaged and lost goods, cooperation in company promotion and training programs, and services to the customer. The company should recognize and reward intermediaries who are performing well and adding good value for customers. Those who are performing poorly should be assisted or, as a lost resort, replaced. A company may periodically "re-qualify" its intermediaries and prune the weaker ones. Finally, manufacturers need to be sensitive to their dealers. Those who treat-their dealers poorly risk not only losing dealer support but also some legal problems.

7.1.5 Factors Affecting Channel Decision / Choice

In a firm is customer-oriented (and it better be if it hopes to prosper), its channels are determined by consumer buying patterns. The nature of the market should be

the key factor in management's choice of channels. Other considerations are the product, the intermediary, and the company itself.

1. Market Considerations: A logical starting point is to consider the target market - its needs, structure, and buying behavior.

- *Type of market.* Because ultimate consumers behave differently than business users, they are reached through different distribution channels. One analyst explained the situation in the personal computer field "There's a large corporate market and a large home market and they shop in different places." Because of those distinct buying patterns, numerous traditional computer dealers have been able to prosper despite the onslaught of other distribution means such as a mail order, superstores, and various retailers. Retailers, by definition, serve ultimate consumers. So they are not in channels for business goods.
- *Number of potential customers.* A manufacturer with few potential customers (firms or industries) may use its own sales force to sell directly to ultimate consumers or business users. In other case, for large number of customers, the manufacture would likely use intermediaries.
- *Geographic concentration of the market.* When most of a firm's prospective customers are concentrated in a few geographic areas, direct sale is practical. When customers are geographically dispersed, direct sale is likely to be impractical because of high travel costs. Sellers may establish sales branches in densely populated markets and use intermediaries in less concentrated markets.

2. *Order size.* When either order size or total value of business is large, direct distribution is economical. Thus food products manufacture would sell directly to large supermarket chains. The same manufacturer, however, would use wholesalers to reach small grocery stores, whose orders are usually too small to justify direct sale. Product Considerations: While there are numerous product-related factors to consider, we will highlight three.

- *Unit value.* The price attached to each unit of a product affects the amount of found available for distribution. For example, a company can afford to use its own employee to sell a machine that costs more than $90,000. But it would not make sense for a company sales person to call on a household or a business firms to sell a $2 product. Consequently, products with low unit values usually are distributed through one or more levels of intermediary. However, if order size is large because customer buys many units of a product at the same time from the company, then a direct channel may be economically feasible.

- *Perishability.* Some goods physically deteriorate fairly quickly. Other goods, such as clothing, perish in a fashion sense. Perishable products require direct or very short channels.
- *Technical nature of a product.* A business product that is highly technical is often distributed directly to business users. The producer's sales force must provide considerable presale and post sale services; wholesalers normally cannot do this. Consumer products of a technical nature provide a real distribution challenge. As much as possible, they try to sell directly to retailers, but even then product servicing often poses problems.

3. Intermediary considerations: Here we begin to see that a company may not be able to arrange exactly the channel it desires:

- *Services provided by intermediaries.* Each producer should select intermediary offering those marketing services that the producer either unable to provide or cannot economically perform. For instance, independent agents have the capability to explain the technical aspects of competing products from different insurance companies to prospective buyers.
- *Availability of desired intermediary.* The intermediaries preferred by a producer may not be available. They may carry competing products and, as a result, not want to add another line.

4. *Producers may not want to add other policies.* When intermediaries are willing to join a channel because they consider a producer's policies to be unacceptable, the producer has fewer channel options. Some retailers or wholesalers, for example, will carry a producer's line only if they receive assurance that no competing intermediary will carry the line in the same territory. Company Considerations: Before choosing a distribution channel for a product, a company should consider its own situation.

- *Desire for channel control.* Some producers establish direct channel because they want to control their products distribution, even though a direct channel may be more costly than an indirect channel. By controlling the channel, producers can achieve more aggressive promotion and can better control both the freshness of merchandise stocks and their product's retail prices.
- *Service provided by seller.* Some producers make decisions about their channel based on the distribution functions desired by intermediaries. For example, numerous retail chains will not stock a product unless the producer presells it through heavy advertising.

- *Ability of management.* The marketing experience and managerial capabilities of a producer influence decisions about which channel to use. Many companies lacking marketing know-how turn the distribution job over to intermediaries.
- *Financial resources.* A business with adequate finances can establish its own sales force grant credit to its customers, and/or warehouse its own products. A financially weak firms use intermediaries to provide these services.
  - Market Intensity: The organization must decide on the amount of market coverage--intensive, selective, or exclusive--needed to achieve its marketing strategies. In terms of number of intermediaries to use, an organization has three basic strategies it can follow.
  - For convenience products, where widespread availability is a key, the company may opt for intensive distribution.
  - For shopping products, where consumers spend some time in the decision process and have some brand preferences, selective distribution may be the best option. Under selective distribution, the organization tries to use more than one, but fewer than all the intermediaries who are willing to carry the product. Most television, furniture, and small appliance brands are distributed in this manner.

- For specialty products where consumers have strong brand preferences and are willing to go out of their way to obtain the product, an organization may opt to use exclusive distribution, where a limited number of dealers have the exclusive right to distribute an organization's products in their territories.

7.1.6 Retailing and Wholesaling

A. Retailing

Retailing involves all the activities in selling product or services, directly to final consumers for their personal, non-business use. Many institutions, manufacturers, wholesalers, and retailers do retailing. Although most retailing is done in retail stores, in recent years non-store retailing has been growing much faster than store retailing. Non-store retailing includes selling to final consumers through direct main, catalogs, telephone, the Internet, TV home shopping shows, home and office parties, door-to-door contact, vending machines, and other direct selling approaches.

B. Wholesaling

A wholesaler or distributor is a commercial establishment that purchases products from various manufacturers for stock and offers complete assortments of specified

merchandise for resale to the retail store. *A merchant wholesaler* provides the widest variety of marketing functions and services. They are independently owned and take title to merchandise. Two broad types are full-service wholesales and limited-service wholesalers. *Full service wholesalers* provide a full set of services (buy, sell, transport, store, standardize, finance, bear risk, and gather market information and research). *Wholesaler merchants* mostly sell to retailers while industrial distributors sell to producers. *Limited-service wholesalers* provide limited services. *Brokers and agents* do not take title to the products. These wholesalers are owned by buyers or sellers and are not independent wholesalers.

Wholesaler Marketing Decisions

- Identifying target market
- Product assortment and services - wholesalers “product” is their assortment
- Price decision: wholesalers usually mark up the cost of goods by a conventional percentage; say 20 percent, to cover their expense
- Promotion decision: wholesalers rely primarily on their sales force to achieve promotional objectives
- Place decision

CHAPTER EIGHT

8.1 PROMOTION STRATEGY

8.1.1 Introductory Concepts

The marketing communications mix (also called the promotion mix) consists of five major modes of communication:

Promotion is the organizational communication with externals especially with customers through variety means of promotion mix.

- **Advertising:** any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.
- **Sales promotion:** A variety of short-term incentives to encourage trial or purchase of a product or service.
- **Public relation and publicity:** A variety of programs designed to promote and/or protect a company's image or its individual products.
- **Personal selling:** Face-to-face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions, and procuring orders.
- Direct marketing: Use of mail, telephone, fax, e-mail, and other non-personal contact tools to communicate directly with or solicit a direct response from specific customers and prospects.
- The lists numerous communication platforms. Thanks to technological breakthroughs, people can now communicate through traditional media (newspapers, radio, telephone, television), as well as through newer media forms (computers, fax machines, and mobile phones). However, company communication goes beyond the specific communication platform The product's styling and price, the package's shape and color, the salesperson's manner and dress, the place of business, the company's stationery – all communicate something to the buyers. The whole marketing mix, not just the promotional mix, must be orchestrated to deliver and establish the company's intended strategic positioning.

8.1.2 Developing Effective Communications

There are eight steps in developing an effective total communication and promotion program. The marketing communicator must (1) identify the target audiences, (2) determine the communication objectives, (3) design the message, (4)

select the communication channels, (5) establish the total promotion budget, (6) decide on the promotion mix, (7) measure the promotion's results, and (8) manage and coordinate the integrated marketing communication process.

Identifying the Target Audience

A marketing communicator must start with a clean target audience in mind. The audience could be potential buyers of the company's products, current users, deciders, or influencers. The audience could be individuals, groups; particular publics, or the public. The target audience will critically influence the communicator's decisions on what to say, how to say it, when to say it, where to say it, and to whom to say it.

Image Analysis – a major part of audience analysis entails assessing the audience's current image of the company, its products, and its competitors. Image is the set of beliefs, ideas, and impressions that a person holds regarding an object. People's attitudes and actions toward an object are highly conditioned by that object's image.

Determining the Communication Objectives

Once the target market and its characteristics are identified, the marketing communicator must decide on the desired audience response. The desired ultimate responses are purchase, high satisfaction, and favorable word-of-mouth. However, purchase behavior is the result of a long process of consumer decision-making. The marketing communicator needs to know how to move the target audience to higher states of readiness to buy. The marketer can be seeking a cognitive, affective, or behavioral response from target audience. That is, the marketer might want to put something into the consumer's attitude, or get the consumer to act. There are different models of consumer response stages. We will look at the hierarchy-of-effects model and describe how marketers should behave in each of the six buyer-readiness states in the model – awareness, knowledge, liking, preference, conviction, and purchase.

i. *Awareness:* If most of the target audience is unaware of the object, the communicator's task is to build awareness, perhaps just name recognition. This task can be accomplished with simple messages repeating the product's name. However, building awareness takes time.
ii. ***Knowledge:*** The target audience might have company or product awareness but not know much more.

iii. *Liking:* If target members know the product, how do they feel about it? If the unfavorable view is based on real problems of the college, then communication campaigns alone con not do the job. If will have to fix its problems and then communicate its renewed quality. Good public relations call for good deeds followed by good words.

iv. *Preference:* The target audience might like the product but not prefer it to others. In this case, the communicator must try to build consumer preference. The communicator will promote the product's quality, value, performance, and other features. The communicator can check on the campaign's success by measuring audience preferences again after the campaign.

v. *Conviction:* A target might prefer a particular product but not develop a conviction about buying it. The communicator's job is to build conviction among interested students that if College is their best choice.

vi. Purchase: Finally, some members of the target audience might have conviction but not quite get around to making the purchase. They may wait for more information or plan to act later. The communicator must lead these consumers to take the final step. Actions might include offering the product at a low price, offering a premium, or letting consumers try it on a limited basis. Thus, it might invite selected high school students to visit the campus and attend some classes, or it might offer partial scholarships to deserving students.

Designing the Message

Having defined the desired audience response, the communicator moves to developing an effective message. Ideally, the message should gain attention, hold interest, arouse desire, and elicit action. In practice, few messages take the consumer all the way from awareness through purchase.

i. *Formulating the message will require solving four problems:* what to say (message content), how to say it logically (message structure), how to say it symbolically (message format), and who should say it (message source).

ii. *Message Content:* The communicator has to figure out what to say to the target audience to produce the desired response. In determining the best message content, management searches for an appeal, theme, idea, or unique selling proposition. This amounts to formulating some kind of benefits, motivation, identification, or reason why the audience should think about or investigate the product. There are three of appeals: rational, emotional, and moral.

iii. *Rational appeals: appeal to the audience's self-interest.* They show that the product will produce the claimed benefits. Examples are message demonstrating a product's quality, economy, value, or performance. It is widely believed that industrial buyers are most responsive to rational appeals. They are knowledgeable about the product class, trained to recognize value, and accountable to others for their choices. Consumers, when they buy certain big-ticket items, also tend to gather information and compare alternatives. Like business buyers, they will respond to quality, economy, value, and performance appeals.

iv. *Emotional appeals:* attempt to stir up negative or positive emotions that will motivate purchase. Marketers search for the right emotional selling proposition (ESP). The product may be similar to the competition but have unique associations for consumers communications should appeal to these associations. In addition, communicators have worked with negative appeals such as fear, guilt, and shame to get people to do things they should e.g., brush their teeth or stop doing things they should not (e.g., smoking, alcohol). Fear appeals are effective up to a point, but they work best when they are not too strong. Communicators also use positive emotional appeals such as humor, love, pride, and joy. However, evidence has not established that a humorous message is necessarily more effective than a straight version of the same message. Advocates for humorous message claim that they attract more attention and create more liking and belief in the sponsor.

v. *Message Structure:* A message's effectiveness depends on its structure as well as its content. Research has shed much light on message content and its relation to conclusion drawing, one-versus two-sided argument, and order of presentation. Some early experiments supported stating conclusions for the audience rather than allowing the audience to reach its own conclusion. Recent research, however, indicates that the best ads ask questions and allow readers and viewers to forms their own conclusions. Finally, the order in which arguments are presented is important. In the case of a one-sided message, presenting the strongest argument first has the advantage of establishing attention and interest. This is important in newspapers and other media where the audience often does not attend to the whole message. In the case of a two-sided message, the issue is whether to present the positive argument first or last. If the audience is initially opposed, the communicator might start with the other side's argument and conclude with his or her strongest argument.

vi. *Message format:* The communicator must develop a strong format for the message. In a print ad, the communicator has to decide on the headline, copy, illustration, and color. If the message is to be carried over the radio, the communicator has to carefully choose words, voice qualities (speech rate, rhythm, pitch, articulation), and vocalizations (pauses, sighs, yawns). If the message is to be carried on television or in person, then all of these elements plus body language (non-verbal clues) has to be planned. Presenters have to pay attention to their facial expressions, gestures, dress, posture, and hairstyle. If the message is carried by the product or its packaging, the communicator has to pay attention to color, texture, scent, size, and shape.

vii. *Message source:* Message delivered by attractive or popular sources achieve higher attention and recall.

Selecting the Communication Channels

The communicator must select efficient channels of communication to carry the message. Communication channels are of two broad types, personal and non-personal. Within each are found many sub channels:

1. Personal Communication Channels

Personal communication channels involve two or more persons communicating directly with each other. They might communicate face to-face, person to audience, over the telephone or through the mails. Personal communication channels derive their effectiveness through the opportunities for individualizing the presentation and feedback. Further distinction can be drawn among advocate, expert, and social channels of personal communication. Advocate channels consist of company salespeople contacting buyers in the target market. Expert channels consist of independent experts making statements to target buyers. Social channels consist of neighbors, friends, family members, and associates talking to target buyers.

Personal influence carries especially great weight in two situations. One is with products that are expensive, risky, or purchased infrequently. Here buyers are likely to be strong information seekers and go beyond mass-media information to seek the recommendations of experts and social acquaintances. The other situation is where the product suggests something about the user's status or taste. Here buyers will consult others to avoid embarrassment.

2. Non-Personal Communication Channels

Non-personal communication channels carry messages without personal contact or interaction. They include media, atmospheres, and events. Media consist of print media (newspapers, magazines, direct mail), broadcast media (radio, television), electronic media (audio tape, videotape, videodisk, CD-ROM), and display media (billboards, signs, posters). Most non-personal messages come through paid media. Atmospheres are "packaged environments" that create or reinforce the buyer's leanings toward product purchase; a luxury hotel will incorporate elegant chandeliers, marble columns, and other tangible signs to luxury. Events are occurrences designed to communicate particular message to target audiences. Public-relations departments arrange news conferences, grand openings, and sport sponsorships to achieve specific communication effects with a target audience. Although personal communication is often more effective than mass communication, mass media might be the major means of stimulating personal communication. Mass communications affects personal attitudes and behavior through a two-step flow of communication process. Ideals often flow from radio, television, and print to opinion leaders and from these to the less active population groups.

Establishing the Total Promotion Budget

One of the most difficult marketing decisions facing companies is how much to spend on promotion. There are four common methods used to set a promotion budget: the affordable method, percentage-of- sales method, competitive- parity method and objective-and task method.

i. *Affordable method:* Many companies set the promotion budget at what they think the company can afford. This method of setting budgets completely ignores the role of promotion as an investment and the immediate impact of promotion on sales volume. It leads to an uncertain annual promotion budget, which makes long- range market communication planning difficult.
ii. *Percentage of sales method:* Many companies set their promotion expenditures at a specified percentage of sales (either current or anticipated) or of the sales price. Supporters of the percentage- of- sales method claim a number of advantages for it. First, its use means that promotion expenditures vary with what the company can "afford" this satisfies the financial managers, who believe that expenses should be closely rated to the movement of corporate sales over the business cycle. Second, it encourages management to think in terms of the relationship among promotion cost, selling price, and profit per

unit. Third, it encourages competitive stability to the extent that competing firms spend approximately the same percentage of their sales on promotion.

In spite of these advantages, the percentage-of-sales method has little to justify it. Its reasoning is circular. It views sales as the determiner of promotion rather than as the result. It leads to a budget set by the availability of funds rather than by market opportunities. It discourages experimenting with counter cyclical promotion or aggressive spending. The promotion budget's dependence on year-to-year sales fluctuations interferes with long –range planning. The method does not provide a logical basis for choosing the specific percentage, except what has been done in the past or what competitors are doing. Finally, it does not encourage building up the promotion budget by determining what each product and territory deserves.

iii. *Competitive parity method:* Some companies see their promotion budget to achieve share- of- voice parity with their competitors. Two arguments are made in support of the competitive-parity method. One is that the competitor's expenditures represent the collective wisdom of the industry. The other is that maintaining a competitive parity helps prevent promotion wars. Neither argument is valid. There are no grounds for believing that competition knows better, what should be spent on promotion. Company reputations, resources opportunities, and objectives differ so much that their promotion budgets are hardly a guide. Furthermore, there is no evidence that budgets based on competitive parity discourage promotional wars from breaking out.

iv. *Objective – and- task method:* The objective-and- task method calls upon marketers to develop their promotion budgets by defining their specific objects, determining the tasks that must be performed to achieve these objectives, and estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget. The objective- and – task method has the advantage of requiring management to spell out its assumptions about the relationship among dollars spent, exposure levels, trial rates and regular usage. A major question is how much weight promotion should receive in the total marketing mix (as opposed to product improvement, lower prices, more services, and so on). The answer depends on where the company's products are in their life cycles, whether they are commodities or highly differentiable products, whether they are routinely needed or have to be "sold" and other considerations. In theory, the total promotional budget should be established

where the marginal profit from the last promotional dollar just equals the marginal profit from the last dollar in the best no promotional use. Implementing this principle, however, is not easy.

Deciding on the Promotion Mix

Companies face the task of distributing the total promotion budget over the promotional tools-advertising, sales promotion, public relations and publicity, sales force, and direct marketing. Within the same industry, companies can differ considerably in how they allocate their promotional budget. It is possible to achieve a given sales level with varying promotional mixes. Companies are always searching for ways to gain efficiency by substituting one promotional tool for another.

1. The Promotional Tools

Each promotional tool has its own unique characteristics and costs. Marketers have to understand these characteristics.

a) Advertising: Because of the many forms and uses of advertising it is difficult to make all embracing generalizations about its distinctive qualities as a component of the promotion mix. Yet the following qualities can be noted:

- **Public presentation***:-* advertising is highly public mode of communication. Its public nature confers a kind of legitimacy on the product and also suggests a standardized offering. Because many persons receive the same message, buyers know that their motives for purchasing the product will be publicly understood
- *Pervasiveness:* advertising is a pervasive medium that permits the seller to repeat a message many times. It also allows the buyer to receive and compare the messages of various competitors. Large-scale advertising by a seller says something positives about the seller's size power, and success.
- *Amplified expressiveness:* advertising provides opportunities for dramatizing the company and its products through the artful use of print, sound, and color. Sometimes, however, the tool's very success at expressiveness may dilute or distract from the message.
- *Impersonality:* advertising cannot be as compelling as a company sales representative. The audience does not feel obligated to pay attention or resound. Advertising is able to carry on only a monologue in front of, not a dialogue with, the audience. *Trigger quick sales*: On the one hand, advertising can be used to build up a long-term image for a product, and on the other, to *trigger*

quick sales. Advertising is an efficient way to reach numerous geographically dispersed buyers at a low cost per exposure.

b) Sales Promotion: Although sales-promotion tools coupons, contests, premiums, and the like are highly diverse, they all offer three distinctive benefits:

- Communication: they gain attention and usually provide information that may lead the consumer to the product.
- Incentive: they incorporate some concession, inducement, or contribution that gives value to the consumer.
- Invitation: they include a distinct invitation to engage in the transaction now.

Companies use sales-promotion tools to create a stronger and quicker response. Sales promotion can be used to dramatize product offers and to boost sagging sales. Sales-promotion effects are usually short run, however, and not effective in building long-run brand preference.

c) Public Relations and Publicity: The appeal of public relations and publicity is based on their three distinctive qualities:

- High credibility: News stories and features are more authentic and credible to readers than ads.
- Ability to catch buyers off guard: public relations can reach many prospects that prefer to avoid salespeople and advertisements. The message gets to the buyers as news rather than as a sales-directed communication.
- Dramatization: like advertising public relations has the potential for dramatizing a company or product.

Marketers tend to under use public relations and publicity or use them as an afterthought. Yet a well-thought-out public-relations program coordinated with the other promotion-mix elements can be extremely effective.

d) Personal selling: Personal selling is the most cost-effective tool at later stages of the buying process, particularly in building up buyers' preference, conviction, and action. The reason is that personal selling, when compared with advertising, has three distinctive benefits:

- Personal confirmation: personal selling involves an alive, immediate, and interactive relationship between two or more persons. Each party is able to observe the other's needs and characteristics at close hand and make immediate adjustments.
- Cultivation: personal selling permits all kinds of relationships to spring up, ranging from a matter-of-fact selling relationship of representative to a deep

personal friendship. Effective sales will normally keep their customers best interests at heart if they want to maintain long-run relationship.

- Response: personal selling makes the buyer feel under some obligation for having listened to the sales talk. The buyer has a greater need to attend and responds, even if the response is a polite "thank you."

These distinctive qualities come at a cost. A sales force represents a greater long-term cost commitment than advertising. Advertising can be turned on and off, but the size of a sales force is more difficult to alter.

e) Direct Marketing: Although there are many forms of direct marketing- direct mail, telemarketing, electronic marketing, and so on they all share four distinctive characteristics. Direct marketing is:

- Non-public: The message is normally addressed to a specific person.
- Customized: the message can be customized to appeal to the addressed individual.
- Up-to-date: A message can prepared very quickly for delivery to an individual,
- Interactive: The message can be altered depending on the person's response.

2. Factors to be considered in setting the promotion mix

Companies must consider several factors in developing their promotion mix: the type of product market in which they are selling, whether to use a push or pull strategy, how ready consumers are to make a purchase, the product's stage in the product life cycle, and the company's market rank.

- Type of product market: Promotional tool utilization varies between consumer and business markets. Consumer-goods companies spend on sales promotion, advertising, personal selling, and public relations in that order. Business-goods companies spend on personal selling, sales promotion, advertising, and public relations in that order.
- Push versus pull strategy: The promotional mix is heavily influence by whether the companies chooses push or pull strategy to create sales. A push strategy involves manufacture-marketing activities (primarily sales force and trade promotion) directed at channel intermediaries. The goal is to induce the intermediaries to order and carry the product and promote it to end-users. Push strategy is especially appropriate where low brand loyalty in a category is, brand choice is made in the sore, the product is an impulse item, and product benefits are well understood. A pull strategy involves marketing activities (primarily advertising and consumer promotion) directed at end users. The

purpose is to induce them to ask intermediaries for the product and thus induce the intermediaries to order the product from the manufacturer. Pull strategy is especially appropriate when there is high brand loyalty and high involvement in the category, people perceive differences between brands, and people choose the brand before they go the store. Companies in the same industry may differ in their emphasis on push or pull.

- Buyer- Readiness Stage: Promotional tools vary in their cost effectiveness at different stages of buyer readiness. Advertising and publicity play the most important roles in the awareness stage, much more important than the roles played by "cold calls" from sales representatives or by sales promotion. Customer comprehension is primarily affected by advertising and personal selling. Customer conviction is influenced mostly by personal selling and less by advertising and sales promotion. Closing the sale (ordering) is influenced mostly by personal selling and sale promotion.
- Product-life-Cycle stage: Promotion tools also vary in their cost effectiveness at different stages of the product life cycle. In the introduction stage, advertising and publicity have the highest cost effectiveness, followed by personal selling to gain distribution coverage and sales promotion to induce trail. In the growth stage, all the tools can be toned down because demand has its own momentum through word-of-mouth. In the maturity stage, sales promotion, advertising, and personal selling all grow more important, in that order. In the decline stage, sales promotion continues strong, advertising and publicity are reduced, and sales people give the product only minimal attention.
- Company market rank: Top-ranking brands derive more benefit from advertising than sales promotions. For the top three brands, return on investment (ROI) rises with a rising ratio of advertising spending to sales promotion. For brands ranked fourth or worse, profitability decreases in moving from low to high advertising.

Measuring the Promotion Results

After implementing the promotional plan, the communicator must measure its impact on the target audience. This involves asking the target audience whether they recognized or recall the message, how many times they saw it, what points they recall, how they felt about the message, and their previous and current attitudes towards the product and company. The communicator should also collect

behavioral measures of audience response, such as how many people bought the product, liked it and talked to others about it.

Managing and Coordinating Integrated Marketing Communications

- Many companies rely primarily on one to two communication tools to achieve their communication aims. This practice persists in spite of the disintegration of mass markets in to a multitude of mini markets, each requiring its own communication approach; the proliferation of new types of media; and the growing sophistication of consumers. The wide range of communication tools, messages, and audiences makes it imperative that companies give thought to a fresher and fuller use and orchestration of communication tools. Today, a growing number of companies are adopting the concept of integrated marketing communication (IMC). As defined by the American Association of Advertising Agencies, IMC is a concept of marketing communication planning that recognizes the benefit of a comprehensive plan that evaluates the strategic roles of a variety of communications. Disciplines for example, general advertising direct response, sales promotion and public relations combines these disciplines to provide clarity, consistency, and maximum communications impact through the seamless integration of discrete messages. Integrated marketing communication will produce more message consistency and greater sales impact. It gives someone responsibility where none existed before to unify the company's brand images and messages as they come through thousands of company activities. IMC will improve the company's ability to reach the right customers with the right messages at the right time and in the right place.

THE END!