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BY

DR. FAIYAZ HUSSAIN

GUEST FACULTY

Department of Applied Economics and Commerce

Patna University

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Unit-V, TOPIC-PROMOTION CONCEPT, ADVERTISING, PUBLICITY, SALES PROMOTION, PERSONAL SELLING, PRICING POLICY, PRICING OBJECTIVES, PRICING STRATEGIES, DISTRIBUTION CHANNEL & LEVELS OF DISTRIBUTION.

Promotion concept

Promotion is a type of communication between the buyer and the seller. The seller tries to persuade the buyer to purchase their goods or services through promotions. It helps in making the people aware of a product, service or a company. It also helps to improve the public image of a company. This method of marketing may also create interest in the minds of buyers and can also generate loyal customers. It is one of the basic elements of the market mix, which includes the four P's: price, product, promotion, and place. It is also one of the elements in the promotional mix or promotional mix or promotional plan. These are personal selling, advertising, sales promotion, direct marketing publicity and may also include event marketing, exhibitions, and trade shows.

Promotion includes a variety of communication activities to educate customers, increase awareness, increase demand, build brand value and recognition and provide differentiation.

objectives of promotion are:

- To introduce a new product
- To educate customers about the product usage
- To increase awareness of the product
- To differentiate from competitors
- To achieve increase in product recall
- To build brand value and image
- To encourage people to buy in bulk especially in off season to level the demand
- To encourage people to try their product over their existing products

Promotion is one of the P's of marketing mix. Promotional activities work in pushbike with other three P's which are: Pricing decisions, Product and Place (Distribution strategies).

Types of Promotion

Advertising

Advertising—the use of paid media by a seller to communicate persuasive information about its products, services, or organization—is a potent promotional tool. Advertising takes on many forms (national, regional, local, consumer, industrial, retail, product, brand, institutional, etc.) designed to achieve a variety of objectives (awareness, interest, preference, brand recognition, brand insistence)

Advertising means to advertise a product, service or a company with the help of television, radio or social media. It helps in spreading awareness about the company, product or service. Advertising is communicated through various mass media, including traditional media such as newspapers, magazines, television, radio, outdoor advertising or direct mail; and new media such as search results, blogs, social media, websites or text messages.

Advertising objectives

1 Introduction of new products

2 'Inducing potential customers to buy

3 Reminding users

4 To create brand image

5 To intimate customers about new uses of a-product

6 To highlight brand character

7 Dealer support

8 Trafficking the retail trade

Importance of Advertising

It is just not enough to manufacture a product. People must be informed of its existence and should be given good reasons to buy it. This is a job which is sought to be done by advertising. Without advertising, people would not be aware of the attributes of the product nor of its price. Let us now discuss the role and importance of advertising.

(i) Way of Informing

Advertising is a way of communicating information to the consumer –information which enables him to compare and choose from the products and services available. Advertising enables consumers to exercise their right of free choice1 "Encyclopaedia Britannica" such diverse media as handbills, newspapers, magazines, billboards, letters, radio and television broadcasts and motion pictures.

(ii) Manufacturer's concerns

Advertising is the most economical means by which a manufacturer or an institution can communicate to an audience either to sell a product or to promote a cause of social welfare, such as, civic drive, or an immunization programme. This includes the process of mass communication which is different from ordinary communication. Here a macro level mass communication is between manufacturer and his mass audience. This is also connected through new sources. Mass audience gives various reactions as responses.

(iii) Improving productivity

Advertising can help in improving the economies of developed and developing countries. There is ample evidence to support this view. Advertising stimulates production and consequently generates more employment. It can help stabilize prices and leads to wider distribution and greater availability of goods and services.

(iv) Economic Growth of Country

Advertising is an essential and integral part of the marketing system. It is sometimes maintained that the marketing system is nothing but requirement of a country's social and economic growth. Advertising stimulates sales and compels the firm to improve its productivity and contributes substantially to the growth of the economy. Thus marketing and advertising are key tools used to aid a country's growth.

Publicity

Publicity refers to the communication of any non-sponsored commercially significant information about a company or its product to the public through non-personal media without any financial charge to the company. In this explanation you can notice the following four expressions:

i) Non-sponsored

ii) Commercially significant information

iii) Through non-personal media

iv) Without a financial charge to the company

these four expressions in more detail to understand the meaning of

publicity very clearly.

i) Non-sponsored: The information is not sponsored by the company. It is published or communicated voluntarily by the media. In other words, there is no sponsor of the publicity material.

ii) Commercially significant information: Information about the company or its product, are communicated in-publicity. The information should be commercially significant to the company.

iii) Disseminated by non-personal media: The information may be presented by nonpersonal media like radio, television, newspaper or magazine, etc. The massage may be conveyed through discussions or debates (as in radio or TV), or editorial or news items (as in newspapers or magazines).

iv) Without a financial charge to the company: The publicity matter is presented voluntarily by the media. There is no payment made by the company to the media for , disseminating that information.

Publicity may be favourable or unfavourable to the company. When the publicity favourably reports about a product, it can positively influence the demand, for that product. On the other hand, unfavourable publicity may lead to reduced sale of the - product. Let us consider some simple examples of favourable and unfavourable publicity. You may have read film reviews in magazines or newspapers. These reviews are written by the magazine or newspaper staff. The producer of the film is in no way connected with it. In these reviews, there are comments on the story, music, photography.

performance of main artists, etc. These reviews count as publicity. If the comments in the review is not good; the viewers have a negative impression about the film and they are not eager to see the film. This is an example of unfavourable publicity. If the comments are good in the review, there is a positive impression about the film in the mind of viewer and many of them will see it. If is an example of favourable publicity.

In an attempt to obtain favourable publicity, companies engage in public relations. These public relations activities do not come under the purview of marketing department. It is, normally, managed by a special department called Public Relations Department.

Sales Promotion

Sales promotion uses both media and non-media marketing communications for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability. Sales promotion covers a wide variety of short-term incentive tools designed to stimulate consumer markets, the trade, and the organization's own sales force. Sales promotion expenditures now exceed advertising expenditures and are growing at a faster rate.

Consumer promotion tools include

samples, coupons, cash refund offers, price packs, premiums, prizes, patronage rewards, free trials, product warranties, tie-in promotions, and point-of-purchase displays and demonstrations.

Trade promotion tools include

Price-off, advertising and display allowances, free goods, push money, and specialty-advertising items. Business promotion tools include conventions, trade shows, contests, sweepstakes, and games.

Personal Selling

This is a promotional tool. It is the oldest and a very lucrative and effective tool of promotion. Here the foot soldiers have the responsibility of promoting the product. Sales people form the very important part of a marketing group. According to 'AMA' : Personal selling is oral presentation to a buyer for the purpose of making sales'. Basically, it is an art to persuade the customer to buy the product. A sales person should have the persuasive power. In addition, a good sales person must have a detailed knowledge about four things:

1.Company

2.Competitors

3.Consumer

4. Product

The sale of a product depends on the selling of a product. Personal Selling is a method where companies send their agents to the consumer to sell the products personally. Here, the feedback is immediate and they also build a trust with the customer which is very important. A sales person should have positive attitude. Personal selling involves personal confrontation, i.e., presentation should be lively. We can make changes according to the feedback and therefore it is a bit flexible tool as compared to advertisement. In personal selling, some kind of a lasting and social relationship develops. This personal touch can only come in personal selling. Another advantage in the personal

selling is that it can be used for consumer as well as for industrial goods.

The following objectives are achieved through personal selling:

1. To carry out the complete selling job when some elements of the promotion mix are

Missing.

2. To serve the existing customers efficiently and effectively.

3. To look for new perspective customers for new / more orders

4. To encourage the existing customers for their co-operation in the promotion of the

various products of the company.

5. To keep the consumers informed time after time about the various changes in aspects

of the marketing strategy and the product line of the company.

6. To provide complete assistance to the customers for selling the product line.

7. To provide proper assistance and advice to the customers regarding certain

complicated products and the products for specific uses.

8. To assist and advice regarding the training programmes for the sales personnel of the

middlemen / dealers.

9. To help the dealers in their management and related problems.

10. To collect recent information regarding the market and report this to the company

(Information of company’s use).

PRICING

Meaning of Pricing Policy:

A pricing policy is a standing answer to recurring question. A systematic approach to pricing requires the decision that an individual pricing situation be generalised and codified into a policy cover-age of all the principal pricing problems. Policies can and should be tailored to various competitive situations. A policy approach which is becoming normal for sales activities is comparatively rare in pricing.

Most well managed manufacturing enterprises have a clear-cut advertising policy, product customer policy and distribution-channel policy. But pricing decision remains a patchwork of ad hoc decisions. In many, otherwise well managed firms, price policy has been dealt with on a crisis basis. This kind of price management by catastrophe discourages the kind of systematic analysis needed for clear cut pricing policies.

The following considerations involve in formulating the pricing policy:

(i) Competitive Situation: Pricing policy is to be set in the light of competitive situation in the market. We have to know whether the firm is facing perfect competition or imperfect competition. In perfect competition, the producers have no control over the price. Pricing policy has special signifi-cance only under imperfect competition.

(ii) Goal of Profit and Sales: The businessmen use the pricing device for the purpose of maxim-ising profits. They should also stimulate profitable combination sales. In any case, the sales should bring more profit to the firm.

(iii) Long Range Welfare of the Firm: Generally, businessmen are reluctant to charge a high price for the product because this might result in bringing more producers into the industry. In real life, firms want to prevent the entry of rivals. Pricing should take care of the long run welfare of the company.

(iv) Flexibility: Pricing policies should be flexible enough to meet changes in economic conditions of various customer industries. If a firm is selling its product in a highly competitive market, it will have little scope for pricing discretion. Prices should also be flexible to take care of cyclical variations.

(v) Government Policy: The government may prevent the firms in forming combinations to set a high price. Often the government prefers to control the prices of essential commodities with a view to prevent the exploitation of the consumers. The entry of the government into the pricing process tends to inject politics into price fixation.

(vi) Overall Goals of Business: Pricing is not an end in itself but a means to an end. The fundamental guides to pricing, therefore, are the firm’s overall goals. The broadest of them is survival. On a more specific level, objectives relate to rate of growth, market share, maintenance of control and finally profit. The various objectives may not always be compatible. A pricing policy should never be established without consideration as to its impact on the other policies and practices.

(vii) Price Sensitivity: The various factors which may generate insensitivity to price changes are variability in consumer behaviour, variation in the effectiveness of marketing effort, nature of the prod-uct, importance of service after sales, etc. Businessmen often tend to exaggerate the importance of price sensitivity and ignore many identifiable factors which tend to minimise it.

(viii) Routinisation of Pricing: A firm may have to take many pricing decisions. If the data on demand and cost are highly conjectural, the firm has to rely on some mechanical formula. If a firm is selling its product in a highly competitive market, it will have little scope for price discretion. This will have the way for routinised pricing.

Objectives of Pricing Policy:

The pricing policy of the firm may vary from firm to firm depending on its objective. In practice, we find many prices for a product of a firm such as wholesale price, retail price, published price, quoted price, actual price and so on. Special discounts, special offers, methods of payment, amounts bought and transportation charges, trade-in values, etc., are some sources of variations in the price of the product. For pricing decision, one has to define the price of the product very carefully. Pricing decision of a firm in general will have considerable repercussions on its marketing strategies. This implies that when the firm makes a decision about the price, it has to consider its entire marketing efforts. Pricing decisions are usually considered a part of the general strategy for achieving a broadly defined goal.

While setting the price, the firm may aim at the following objectives:

(i) Price-Profit Satisfaction: The firms are interested in keeping their prices stable within certain period of time irrespective of changes in demand and costs, so that they may get the expected profit.

(ii) Sales Maximisation and Growth: A firm has to set a price which assures maximum sales of the product. Firms set a price which would enhance the sale of the entire product line. It is only then; it can achieve growth.

(iii) Making Money: Some firms want to use their special position in the industry by selling product at a premium and make quick profit as much as possible.

(iv) Preventing Competition: Unrestricted competition and lack of planning can result in waste-ful duplication of resources. The price system in a competitive economy might not reflect society’s real needs. By adopting a suitable price policy, the firm can restrict the entry of rivals.

(v) Market Share: The firm wants to secure a large share in the market by following a suitable price policy. It wants to acquire a dominating leadership position in the market. Many managers believe that revenue maximisation will lead to long run profit maximisation and market share growth.

(vi) Survival: In these days of severe competition and business uncertainties, the firm must set a price which would safeguard the welfare of the firm. A firm is always in its survival stage. For the sake of its continued existence, it must tolerate all kinds of obstacles and challenges from the rivals.

(vii) Market Penetration: Some companies want to maximise unit sales. They believe that a higher sales volume will lead to lower unit costs and higher long run profit. They set the lowest price, assuming the market is price sensitive. This is called market penetration pricing.

(viii) Marketing Skimming: Many companies favour setting high prices to 'skim' the market. Dupont is a prime practitioner of market skimming pricing. With each innovation, it estimates the highest price it can charge given the comparative benefits of its new product versus the available substitutes.

(ix) Early Cash Recovery: Some firms set a price which will create a mad rush for the product and recover cash early. They may also set a low price as a caution against uncertainty of the future.

(x) Satisfactory Rate of Return: Many companies try to set the price that will maximise current profits. To estimate the demand and costs associated with alternative prices, they choose the price that produces maximum current profit, cash flow or rate of return on investment. Firms translate pricing objectives into pricing decisions in two major steps. First, someone must accept responsibility for making pricing decisions and administering the resulting pricing structure. Second, someone must set the overall pricing structure – that is, basic prices and appropriate discounts for channel members, quantity purchases, and geographic and promotional considerations. Hence a firm sets not a single price, but rather a pricing structure that covers different items in its line. This pricing structure changes over time as products move through their life cycles. The company adjusts product prices to reflect changes in costs and demand and to account for variation in buyers and situations.

Pricing Strategies

Companies must use effective pricing strategies to sell their products in a competitive marketplace so they can make a profit. Business managers need to consider a range of factors, such as prices offered by competitors, costs for production and distribution, product image positioning in the minds of consumers, and determining the demographics of potential buyers.

Premium Pricing Strategy

Businesses use a premium pricing strategy when they're introducing a new product that has distinct competitive advantages over similar products. A premium-priced product is priced higher than its competitors. Premium pricing is most effective in the beginning of a product's life cycle. Small businesses that sell goods with unique properties are better able to use premium pricing.

To make premium pricing palatable to consumers, companies try to create an image in which consumers perceive that the products have value and are worth the higher prices. Besides creating the perception of a higher quality product, the company needs to synchronize its marketing efforts, its product packaging and even the decor of the store must support the image that the product is worth its premium price.

Penetration Pricing Strategy

Marketers use penetration pricing to gain market share by offering their goods and services at prices lower than those of the competitors. Marketers want to get their products out in the market so that the products raise consumer awareness and induce buyers to try the products.

Although this lower price strategy may result in losses for the company – at first – but marketers expect that after achieving a stronger market penetration that they will raise prices to a more profitable level.

Economy Pricing Strategy

An economy pricing strategy sets prices at the bare minimum to make a small profit. Companies minimize their marketing and promotional costs. The key to a profitable economy pricing program is to sell a high volume of products and services at low prices. Large companies, such as Walmart, are able to take advantage of this low-price strategy, but small businesses will have difficulty selling enough products at low prices to stay in business.

Price Skimming Strategy

Price Skimming is a strategy of setting prices high by introducing new products when the market has few competitors. This method enables businesses to maximize profits before competitors enter the market, when prices then drop.

Psychological Pricing Strategy

Marketers use psychological pricing that encourages consumer to buy products based on emotions rather than on common-sense logic. The best example is when a company prices its product at Rs 199 instead of Rs 200. Even though the difference is small, consumers perceive Rs 199 as being substantially cheaper. This is known as the "left-digit effect."

Bundle Pricing Strategy

Businesses use bundle pricing to sell multiple products together for a lower price than if they were purchased separately. This is an effective strategy to move unsold items that are simply taking up space. Bundling also creates the perception in the mind of the consumer that he's getting a very attractive value for his money. Bundle pricing works well for companies that have a line of complimentary products. For example, a restaurant could offer a free dessert with an entree on a certain day of the week. Older video games that are reaching the end of their lives are often sold with a Blu-ray to sweeten the deal. Companies need to study and develop pricing strategies that are appropriate for their goods and services. Certain pricing methods work for introducing new products whereas other strategies are implemented for mature products that have more competitors in the market.

CHANNEL OF DISTRIBUTION AND LEVEL OF DISTRIBUTION

Channel of distribution is mainly concerned with second participant i.e., the intermediaries. The term 'Channel of Distribution' refers to the route taken by goods as they flow from the producer to the consumer. This flow of goods may mean its physical distribution and/or the transfer of title (ownership). Channel of distribution is mainly concerned with the transfer of title to a product which may be affected directly or through a chain of intermediaries. You know most producers do not sell goods directly to the consumer. They make use of a variety of intermediaries known as middlemen. These middlemen who take title to goods or assist in transferring the title to goods as they move from the producer to the consumer are called the channel of distribution.

We can classify the distribution channels into two broad categories: (1) direct channels,

and (2) indirect channels (use of middlemen).

1 Direct Channels: When the producers sell their goods directly to the consumers it is

called a direct channel. No middlemen are present between the producer and the

consumer. They establish direct link with the consumers through travelling salesmen or through their own retail shops or show-rooms. The producer or manufacturer may employ salesmen to book orders by contacting the, potential users, and supply may be arranged from the stock held by the producer himself. Alternatively, the producer may set up retail shops/show rooms in different localities and selling goods directly to the customers.

as shown below.

I. Producer ------- Travelling Salesman ----- Consumer, zero level

ii. Producer -----Retail shop/showroom ------- Consumer, zero level

2. Indirect channels: In the case of all the products it is not possible for the manufacturer

to supply goods directly to the consumers. So may be middlemen like wholesaler, retailer

and mercantile agents may be engaged in the channel of distribution. When the middlemen are engaged, it is called an indirect channel. As shown below, there could be four indirect channels or levels.

1 Producer--------- Retailer--------- Consumer-----1 level

2 Producer----------- Wholesaler-------- Retailer------- Consumer------2 level

3 Producer----- Agent ------ Wholesaler------ Retailer------- Consumer------3 level

The manufacturer may supply goods directly to retail traders. In this case the producer ascertains the requirements of retailers at periodical intervals and goods supplied accordingly. As and when required, the retailer may also procure goods from the producer's go down located in that region. In the same way, the producer can supply goods to the consumers by using the services of the wholesale trader. Alternatively, the producer can use the services of the wholesaler as well as the retailer. In this case the manufacturer may supply his products in bulk to wholesalers. The retailer may buy periodically from the wholesaler and sell the same to the consumers located in his locality. Another alternative channel of distribution consists of mercantile agent, wholesaler and retailer. In this case, the manufacturer deals with a mercantile agent. Then the wholesalers buy the goods from the agents and sell the same to retailers. In turn the

retailer sells it to the ultimate consumers. We have understood that there are a number of channels of distribution prevalent. Let us now examine how these channels of Distribution are varying from one type of product to another type. Basically, we can classify the goods into two? categories: 1) consumer goods, and 2) industrial goods. These two categories of products.