MARKETING MANAGEMENT (8^{TH} SEM)

5th

MODULE-III

SHORT QUESTIONS: Each carries two marks.

1. What do you mean by elements of promotion mix?
2. What are the primary and secondary channels of distribution
3. Explain the concept of service marketing
4. Define Break-even analysis.
5. Define media
6. Define global marketing
7. Define return-on-investment
8. Define rural marketing
9. Define distribution channel
10. What are the basic characteristics of service marketing
11. Define sales promotion
12. "Factory outlet" is an example of which type of retail store?
13. Differentiate between Intensive Distribution and Selective Distribution
14. When a firm is said to be a global firm
15. How would you evaluate effectiveness of an ad

LONG QUESTIONS:

1. Explain the factors affecting the pricing decisions for a product? Describe the procedure for setting the price of a firm. [10]

2.

(a) Explain all the functions of an effective distribution channel [5]

(b) Design a supply chain strategy for an unsought products. [5]

3. Write short notes on: [5x4]

(a) Customer Relationship Management

(b) E-Marketing

(c) Integrated Marketing Communication

(d) Service Marketing

4.

(a) What is "Direct Marketing" ? Explain all the elements of Promotion Mix with reference to marketing communication. [5]

(b) What consumer sales promotional tools will be useful for a cosmetic product company. [5]

5. Explain the various types of wholesalers and functions that the wholesalers perform? [10]

MODULE-III

SHORT ANSWERS:

1. There are four tools of promotion mix viz. advertisement, personal selling, publicity and sales promotion. These are called elements of promotion mix.
   - Advertising is a non-personal presentation of goods, services or idea.
   - Personal selling involves direct and personal contact of the seller or his representative with the buyer.
   - Publicity is a non-personal non-paid stimulation of demand of the product or services or business unit.
   - Sales promotion consists of all activities other than advertising, personal selling and publicity, which help in promoting sales of the product.
2. Producer—>Customer (Primary):- This is the oldest, shorter and the simple channel of distribution. The producer sells the product directly without involvement of any middle man. The sale can be made door to door through salesman, retail stores and direct mail. Certain industrial and consumer goods such as clothes, shoes, books, hosiery goods, cosmetics, household appliances, electronic goods etc., may be sold through direct contact.
   Producer -> Agent -> Wholesaler -> Retailer -> Customer (Secondary):- The common practice in this three level channel is that goods are sold by the producer to the agent, who sells it to the wholesaler, who sells to the retailers who finally sells goods to customers. This is the longest channel of distribution. This practice is useful, when the producer wants to the relieved of the problem of distribution. This channel is popularly used in textile.
3. Services marketing are a sub field of marketing, which can be split into the two main areas of goods marketing (which includes the marketing of fast moving consumer goods (FMCG) and durables) and services marketing. Services marketing typically refer to both business to consumer (B2C) and business to business (B2B) services, and include marketing of services like telecommunications services, financial services, all types of hospitality services, car rental services, air travel, health care services and professional services.
4. An analysis to determine the point at which revenue received equals the costs associated with receiving the revenue. Break-even analysis calculates what is known as a margin of safety, the amount that revenues exceed the break-even point. This is the amount that revenues can fall while still staying above the break-even point. Break-even analysis is a supply-side analysis; that is, it only analyzes the costs of the sales. It does not analyze how demand may be affected at different price levels.
5. Media means Communication channels through which news, entertainment, education, data, or promotional messages are disseminated. Media includes every broadcasting and narrowcasting medium such as newspapers, magazines, TV, radio, billboards, direct mail, telephone, fax, and internet.
6. Global marketing is more than simply selling a product internationally. Rather, it includes the whole process of planning, producing, placing, and promoting a company's products in a worldwide market. Large businesses often have offices in the foreign countries they market to; but with the expansion of the Internet, even small companies can reach customers throughout the world. Thus, Global marketing is "marketing on a worldwide scale reconciling or taking commercial advantage of global operational differences, similarities and opportunities in order to meet global objectives".
7. A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio. The return on investment formula:

$$ROI = \frac{(\text{Gain from Investment} - \text{Cost of Investment})}{\text{Cost of Investment}}$$

8. Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas. The urban to rural flow consists of agricultural inputs, fast-moving consumer goods (FMCG) such as soaps, detergents, cosmetics, textiles, and so on. The rural to urban flow consists of agricultural produce such as rice, wheat, sugar, and cotton.
9. The path through which goods and services travel from the vendor to the consumer or payments for those products travel from the consumer to the vendor. A distribution channel can be as short as a direct transaction from the vendor to the consumer, or may include several interconnected intermediaries along the way such as wholesalers, distributers, agents and retailers. Each intermediary receives the item at one pricing point and movies it to the next higher pricing point until it reaches the final buyer.
10. The basic characteristics of service marketing are:
    - Intangibility: Services are intangible we cannot touch them are not physical objects.
    - Perishability : Services too, are perishable like labour, Service has a high degree of perish ability.
    - Inseparability: Services are generally created or supplied simultaneously. They are inseparable.
    - Heterogeneity: This character of services makes it difficult to set a standard for any service.
    - Ownership: The users have only an access to services but cannot own the service.
11. Sales promotions are the set of marketing activities undertaken to boost sales of the product or service. It aims at Stimulation of sales achieved through contests, demonstrations, discounts, exhibitions or trade shows, games, giveaways, point-of-sale displays and merchandising, special offers, and similar activities.
12. "Factory Outlet" is an example of Malls. Many retail stores operating at one place form a mall. A mall would consist of several retail outlets each selling their own merchandise but at a common platform.
13. Intensive Distribution: Intensive distribution aims to provide saturation coverage of the market by using all available outlets. For many products, total sales are directly linked to the number of outlets used (e.g., cigarettes, beer). Intensive distribution is usually required where customers have a range of acceptable brands to choose from. In other words, if one brand is not available, a customer will simply choose another.
    Selective Distribution: Selective distribution involves a producer using a limited number of outlets in a geographical area to sell products. An advantage of this approach is that the producer can choose the most appropriate or best-performing outlets and focus effort (e.g., training) on them. Selective distribution works best when consumers are prepared to "shop around" – in other words – they have a preference for a particular brand or price and will search out the outlets that supply.
14. A Global Firm (AKA an International Firm) is a company with multi- national branches and head quarters such as Wal-mart, Coke, Toyota, GE, Siemens, FedEx, Sony, and Microsoft. Not to be mistaken with Global Market or Global Economy whereas a locally based company sells their products globally to other countries such as companies selling through E-bay and the internet.

15. According to Philip Kotler and Armstrong, the Gurus Of Marketing, there are two most popular areas which need to be measured for knowing the effectiveness of advertisement and they are:

- Communication Effect
- Sales Effect

But these are the traditional ways. Now days, internet is the modern tool for measuring the effectiveness of an advertisement. There are some types such as:
Integrated direct marketing - This is an internet based tool where they have a response corner designed on the websites. Whenever the customers visit the sites, they fill up their contact details and give feedbacks.

LONG ANSWERS:

1. The pricing decisions for a product are affected by internal and external factors.

A. Internal Factors:

1. Cost: While fixing the prices of a product, the firm should consider the cost involved in producing the product. This cost includes both the variable and fixed costs. Thus, while fixing the prices, the firm must be able to recover both the variable and fixed costs.

2. The predetermined objectives: While fixing the prices of the product, the marketer should consider the objectives of the firm. For instance, if the objective of a firm is to increase return on investment, then it may charge a higher price, and if the objective is to capture a large market share, then it may charge a lower price.

3. Image of the firm: The price of the product may also be determined on the basis of the image of the firm in the market. For instance, HUL and Procter & Gamble can demand a higher price for their brands, as they enjoy goodwill in the market.

4. Product life cycle: The stage at which the product is in its product life cycle also affects its price. For instance, during the introductory stage the firm may charge lower price to attract the customers, and during the growth stage, a firm may increase the price.

5. Credit period offered: The pricing of the product is also affected by the credit period offered by the company. Longer the credit period, higher may be the price, and shorter the credit period, lower may be the price of the product.

6. Promotional activity: The promotional activity undertaken by the firm also determines the price. If the firm incurs heavy advertising and sales promotion costs, then the pricing of the product shall be kept high in order to recover the cost.

B. External Factors:

1. Competition: While fixing the price of the product, the firm needs to study the degree of competition in the market. If there is high competition, the prices may be kept low to effectively face the competition, and if competition is low, the prices may be kept high.

2. Consumers: The marketer should consider various consumer factors while fixing the prices. The consumer factors that must be considered includes the price sensitivity of the buyer, purchasing power, and so on.

3. Government control: Government rules and regulation must be considered while fixing the prices. In certain products, government may announce administered prices, and therefore the marketer has to consider such regulation while fixing the prices.

4. Economic conditions: The marketer may also have to consider the economic condition prevailing in the market while fixing the prices. At the time of recession, the consumer may have less money to spend, so the marketer may reduce the prices in order to influence the buying decision of the consumers.

5. Channel intermediaries: The marketer must consider a number of channel intermediaries and their expectations. The longer the chain of intermediaries, the higher would be the prices of the goods.

Procedure for fixing prices

Prices are set by a firm by taking into consideration factors like costs, profit targets, competition and perceived value of products. Taking into account the various factors, the steps generally followed in setting the price of a product are :-

Setting the Pricing Objective of the Firm:- It is the most important step as it varies from firm to firm. Setting a lower price may attract more customers and thus fetch a larger market share for the firm's product. But charging a higher price might reflect a high quality and prestige product.

Determining the Demand for the Product :- Demand for the product sets a ceiling price. Penetration pricing is used when the product has a highly elastic demand and there is strong competition in the market. Under this policy, prices are fixed below the competitive level in order to obtain a larger share of the market. Once your product is in demand or is accepted in the market, the price of your product is increased. But when the demand for the product with respect to price is more inelastic, higher prices are charged for the product. This policy is generally followed during the initial stages of introduction of the new product.

Estimating the Costs and Profits:- Costs set a floor price. Amount spent and return expected is the key factor in deciding the price. The various costs involved in producing the product must be covered in pricing the product. On a long term basis also the price must take into consideration the costs of doing business. This also includes sales forecast and profit margin.

Determining the Competition for the Product :- Competitors prices and the price of substitutes provide an orientation point. The number of competitors for the product in the market as well as the policy followed by them is also an important factor. Competitive pricing is used if the market is highly competitive and the product is not differentiated from that of the competitor's.

Considering the Governmental Regulations:- Government policies and incentives are also taken into account. Prices are also affected by various tax liabilities which a company and the product is subjected to. It includes, excise duty, sales tax and local taxes like octroi.

Sales tax is levied on the sale of moveable goods in India at the rates which vary depending upon the type and nature of goods and the State in which sale has taken place. The Central and State Government are both empowered to impose sales tax. The Central Sales tax deals with transactions in the nature of inter-state sales. While the State sales tax deals with intra-state sales.

Octroi is a tax levied on the entry of goods into a municipality or any other specified jurisdiction for use, consumption or sale. Goods in transit are exempted from it.

Selecting a Suitable Pricing Method/Policy:- Right price for the product can be determined through pricing research and by adopting test-marketing techniques. The various pricing methods are:-

- **Perceived value pricing:-** in which a firm sets its price in relation to the value delivered and perceived by the customer. Perceived value is made up of several elements like buyer's image of the product performance, warranty, trustworthiness, esteem, etc. Each customer gives different weightage to these elements. Some may be price buyers, others may be value buyers and still others may be loyal buyers. If either the price is higher than the value perceived or the price is lower than the value perceived, the company will not be able to make potential profits.
- **Value pricing:-** in which companies develop brand loyalty for their product by charging a fairly low price for a high quality offering.

- **Going rate pricing:-** Is followed if it is difficult to ascertain the exact costs involved and the competitive response. Hence, firms base their price on competitor's price by charging the same, more or less than the major competitor.
- **Introducing a product at a premium price:-** When a product is innovative and competition is low or non-existent, this policy can be applied. Thus profits are optimised. But when competition arises prices are lowered.
- **Ethical pricing: -** Price is fixed keeping the welfare of the society in mind. For many life saving drugs, this particular policy is used. The product is sold at the lowest possible price with either a very reasonable margin or no profit at all. Profit may be earned from other products.
- **Full Line pricing:-** If you are selling a range of particular product for example pickles, then you price the product in a particular range, this way you may earn more profit in one flavour and less on the other. But, you cannot sell only the one that gives you maximum profit, or else a customer may switch over to another brand where he would be able to exercise an option for other flavours.

2.

(a) Distribution channels are notable because they represent the first significant manifestation of a market framework. A distribution channel moves goods and services from producers to consumers. A distribution system comprises one or more distribution channels. They are the primary delivery paths and overcome major time, place and possession vacuums that separate goods and services.

The key functions performed by the members of the marketing channel are:

- **Information:** Assimilating and disseminating marketing research, and intelligence information about factors and forces in the marketing environment, needed for planning and aiding exchange.
- **Promotion:** If an offer is to be made, the initiation and persuasive communications have to be developed.
- **Contact:** Developing contacts with existing and potential buyers from the available database.
- **Matching:** This is an important function because the order has to be made according to buyers' specifications. This also includes precautionary measures like grading, sampling and packaging.
- **Negotiation:** A win-win situation for both buyer and the seller where they agree on a mutually set price and other terms of the offer. This is done in order to transfer the ownership or possession.

Other functions:

- **Physical distribution:** Transporting and storing goods.
- **Financing:** Acquiring and using funds to cover the costs of the channel work.
- **Risk taking:** Risk, which is an important element of business, has to be taken into consideration for carrying out the channel work.

(b) The concept of Supply Chain Management is based on two core ideas. The first is that practically every product that reaches an end user represents the cumulative effort of multiple organizations. These organizations are referred to collectively as the supply chain.

The second idea is that while supply chains have existed for a long time, most organizations have only paid attention to what was happening within their "four walls." Few businesses understood, much less managed, the entire chain of activities that ultimately delivered products to the final customer. The result was disjointed and often ineffective supply chains.

Supply chain management, then, is the active management of supply chain activities to maximize customer value and achieve a sustainable competitive advantage. It represents a conscious effort by the supply chain firms to develop and run supply chains in the most effective & efficient ways possible. Supply chain activities cover everything from product development, sourcing, production, and logistics, as well as the information systems needed to coordinate these activities.

The key steps can elevate the supply chain strategically within the organization for an unsought product i.e. Hospital & Health care.

1. Build relationships: Supply chain executives must garner support from all areas of the hospital to truly impact supply chain spending. It's important to build relationships throughout the hospital, including nonclinical areas, Angert notes.

2. Align with physicians: Organizations need to engage physicians proactively in supply chain management. Placing physicians in leadership positions on value-analysis committees can help achieve significant buy-in from the medical staff. Physicians also can be involved in contract negotiations, formulary development and technology assessment.

3. Practice evidence-based medicine: Eliminating variations in care through the adoption of evidence-based medicine not only improves outcomes, but also reduces expenses. Reducing readmissions and preventing infections, among other things, optimizes reimbursement and places less pressure on the supply chain.

4. Focus on clinical integration: The supply chain should be integrated with the care delivery process. A high-performing supply chain delivers the right product, at the right time, in the right quantity, at the right cost, resulting in improved outcomes and greater efficiency.

5. Automate the supply chain: The need for automation in the supply chain is clear. Lack of automation can lead to overstock and overspending on supplies. Materials management information systems provide real-time information on pricing, product availability, contract compliance and usage. Automation also enhances supply chain accuracy and expedites the billing process.

6. Adopt standards: The adoption of supply chain standards such as GS1 can enhance efficiency, patient safety and regulatory compliance.

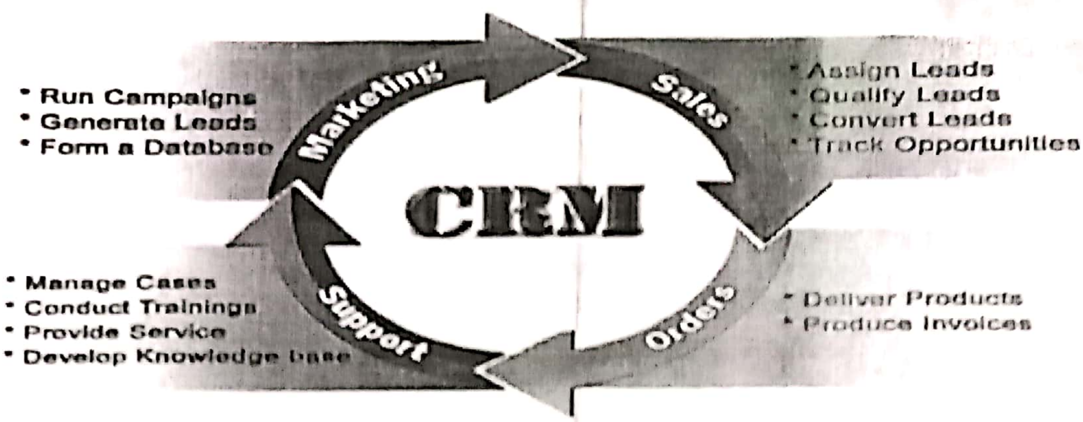
7. Enhance value analysis: The value analysis process helps hospitals determine whether they are getting the right product at the right prices. Value analysis teams provide nurses, physicians and others a say in product utilization and performance.

8. Think Lean: Process improvement methodologies, such as Lean and Six Sigma, can identify inefficiencies within the supply chain and streamline processes.

3.

(a) Customer Relationship Management

Customer relationship management entails all aspects of interaction that a company has with its customers, whether it is sales or service-related. While the phrase *customer relationship management* is most commonly used to describe a business-customer relationship, CRM systems are also used to manage business contacts, clients, contract wins and sales leads.



Customer relationship management is often thought of as a business strategy that enables businesses to improve in a number of areas. The CRM strategy allows you to to following:

- Understand the customer
- Retain customers through better customer experience
- Attract new customers
- Win new clients and contracts
- Increase profitably
- Decrease customer management costs

Technology and the Internet have changed the way companies approach customer relationship strategies. Advances in technology have changed consumer buying behavior, and today there are many ways for companies to communicate with customers and to collect data about them. With each new advance in technology — especially the proliferation of self-service channels like the Web and smartphones — customer relationships are being managed electronically.

The biggest benefit most businesses realize when moving to a CRM system comes directly from having all your business data stored and accessed from a single location. Before CRM systems, customer data was spread out over office productivity suite documents, email systems, mobile phone data and even paper note cards and Rolodex entries. Storing all the data from all departments (e.g., sales, marketing, customer service and HR) in a central location gives management and employees immediate access to the most recent data when they need it. Departments can collaborate with ease, and CRM systems help organization to develop efficient automated processes to improve business processes.

Other benefits include a 360-degree view of all customer information, knowledge of what customers and the general market want, and integration with your existing applications to consolidate all business information.

(b) E-Marketing

E-marketing refers to the use of the Internet and digital media capabilities to help sell your products or services. These digital technologies are a valuable addition to traditional marketing approaches regardless of the size and type of your business. E-marketing is also referred to as Internet marketing (i-marketing), online marketing or web-marketing.

As with conventional marketing, e-marketing is creating a strategy that helps businesses deliver the right messages and product/services to the right audience. It consists of all activities and processes with the purpose of finding, attracting, winning and retaining customers.

E-marketing is deemed to be broad in scope, because it not only refers to marketing and promotions over the Internet, but also includes marketing done via e-mail and wireless media.

The digital technologies used as delivery and communication mediums within the scope of e-marketing include:

- Internet media such as websites and e-mail
- Digital media such as wireless, mobile, cable and satellite.

Following are some of the benefits of e-marketing for small businesses:

- **Wider prospect reach** – the internet has become part of everyone's life. So for whatever products you offer, there is already an existing market on the World Wide Web. With e-marketing, it allows you to find new markets and potentially compete worldwide with only a small investment.

- **Cost-effective approach** – A properly planned and effectively targeted e-marketing campaign can help your business reach target customers at a much lower cost compared to traditional marketing methods.

- **Reduction in costs through automation and use of electronic media** – e-marketing presents a strong business case in cost savings, particularly in the areas of transactional costs, customer service, digital media channels, print and distribution.

- **24/7 marketing** - with a website your customers can find out about your products and make purchases even if your physical (bricks & mortar) premises are closed or you don't have physical premises at all.

- **Personalised one-on-one marketing** - e-marketing allows you to reach people who want to know about your products and services instantly. For example, many people take mobile phones and PDAs wherever they go. By combining this with personalised e-marketing, you can create very influential and targeted campaigns.

- **Increased interactivity** – e-marketing allows you to create interactive campaigns using music, graphics and videos. Through two-way communications, interactive games or quizzes, you can engage your audience and give them greater involvement and control over their web experience.

- **Increased ability to track results** – e-marketing makes it easier to measure how effective your campaigns are. It allows you to obtain detailed information about customers' responses to your advertising, through the use of methods such as pay per click or pay per action, etc.

(c) Integrated Marketing Communication

Integrated Marketing Communications is a simple concept. It ensures that all forms of communications and messages are carefully linked together.

At its most basic level, Integrated Marketing Communications, or IMC, as we'll call it, means integrating all the promotional tools, so that they work together in harmony.

Promotion is one of the Ps in the marketing mix. Promotions has its own mix of communications tools.

All of these communications tools work better if they work together in harmony rather than in isolation. Their sum is greater than their parts - providing they speak consistently with one voice all the time, every time.

This is enhanced when integration goes beyond just the basic communications tools. There are other levels of integration such as Horizontal, Vertical, Internal, External and Data integration. Here is how they help to strengthen Integrated Communications.

Horizontal Integration occurs across the marketing mix and across business functions - for example, production, finance, distribution and communications should work together and be conscious that their decisions and actions send messages to customers.

While different departments such as sales, direct mail and advertising can help each other through Data Integration. This requires a marketing information system which collects and shares relevant data across different departments.

Vertical Integration means marketing and communications objectives must support the higher level corporate objectives and corporate missions. Check out the Hall Of Fame later for more about missions.

Meanwhile Internal Integration requires internal marketing - keeping all staff informed and motivated about any new developments from new advertisements, to new corporate identities, new service standards, new strategic partners and so on.

External Integration, on the other hand, requires external partners such as advertising and PR agencies to work closely together to deliver a single seamless solution - a cohesive message - an integrated message.

The many benefits of IMC are examined in the section called, 'Benefits of IMC' which are as follows:

- It can create competitive advantage, boost sales and profits, while saving money, time and stress.
- IMC wraps communications around customers and helps them move through the various stages of the buying process.
- It cements a bond of loyalty with customers which can protect them from the inevitable onslaught of competition.
- IMC also increases profits through increased effectiveness.

Despite its many benefits, Integrated Marketing Communications, or IMC, has many barriers which are as follows:

In addition to the usual resistance to change and the special problems of communicating with a wide variety of target audiences, there are many other obstacles which restrict IMC. These include: Functional Silos; Stifled Creativity; Time Scale Conflicts and a lack of Management know-how.

(d) Services marketing

Services marketing are a sub field of marketing, which can be split into the two main areas of goods marketing (which includes the marketing of fast moving consumer goods (FMCG) and durables) and services marketing. Services marketing typically refer to both business to consumer (B2C) and business to business (B2B) services, and include marketing of services like telecommunications services, financial services, all types of hospitality services, car rental services, air travel, health care services and professional services.

The American Marketing Association defines services as - “Activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods.”

The defining characteristics of a service are:

1. **Intangibility:** Services are intangible and do not have a physical existence. Hence services cannot be touched, held, tasted or smelt. This is most defining feature of a service and that which primarily differentiates it from a product. Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.
2. **Heterogeneity/Variability:** Given the very nature of services, each service offering is unique and cannot be exactly repeated even by the same service provider. While products can be mass produced and be homogenous the same is not true of services. eg: All burgers of a particular flavor at McDonalds are almost identical. However, the same is not true of the service rendered by the same counter staff consecutively to two customers.
3. **Perishability:** Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer. eg: A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him. At the most he may decide not to visit that particular barber in the future.
4. **Inseparability/Simultaneity of production and consumption:** This refers to the fact that services are generated and consumed within the same time frame. Eg: a haircut is delivered to and consumed by a customer simultaneously unlike, say, a takeaway burger which the customer may consume even after a few hours of purchase. Moreover, it is very difficult to separate a service from the service provider. Eg: the barber is necessarily a part of the service of a haircut that he is delivering to his customer.

Importance of Marketing of Services

Given the intangibility of services, marketing them becomes a particularly challenging and yet extremely important task.

- **A key differentiator:** Due to the increasing homogeneity in product offerings, the attendant services provided are emerging as a key differentiator in the mind of the consumers. Eg: In case of two fast food chains serving a similar product (Pizza Hut and Domino's), more than the product it is the service quality that distinguishes the two brands from each other. Hence, marketers can leverage on the service offering to differentiate themselves from the competition and attract consumers.
- **Importance of relationships:** Relationships are a key factor when it comes to the marketing of services. Since the product is intangible, a large part of the customers' buying decision will depend on the degree to which he trusts the seller. Hence, the need to listen to the needs of the customer and fulfill them through the appropriate service offering and build a long lasting relationship which would lead to repeat sales and positive word of mouth.
- **Customer Retention:** Given today's highly competitive scenario where multiple providers are vying for a limited pool of customers, retaining customers is even more important than attracting new ones. Since services are usually generated and consumed at the same time, they actually involve the customer in service delivery process by taking into consideration his requirements and feedback. Thus they offer greater scope for customization according to customer requirements thus offering increased satisfaction leading to higher customer retention.

4.

(a) Direct marketing is a type of advertising campaign that seeks to elicit an action (such as an order, a visit to a store or Web site, or a request for further information) from a selected group of consumers in response to a communication from the marketer. '*Direct Marketing*' A form of advertising in which physical *marketing* materials are provided to consumers in order to communicate information about a product or service. *Direct marketing* does not involve advertisements placed on the internet, on television or over the radio.

Following are the tools or elements of promotion. They are also called elements of promotion mix:

1. Advertising

2. Sales promotion

3. Personal selling

4. Public relation

1. Advertising: Advertisement can be defined as the "paid form of non-personal presentation and promotion of idea, goods or services by an identified sponsor".

It is an impersonal presentation where a standard or common message regarding the merits, price and availability of product or service is given by the producer or marketer. The advertisement builds pull effect as advertising tries to pull the product by directly appealing to customer to buy it.

2. Sales Promotion: Sales promotion refers to short term use of incentives or other promotional activities that stimulate the customer to buy the product. Sales promotion techniques are very useful because they bring:

(a) Short and immediate effect on sale.

(b) Stock clearance is possible with sales promotion.

(c) Sales promotion techniques induce customers as well as distribution channels.

(d) Sales promotion techniques help to win over the competitor.

3. Personal Selling: Personal selling means selling personally. This involves face to face interaction between seller and buyer for the purpose of sale.

The personal selling does not mean getting the prospects to desire what seller wants but the concept of personal selling is also based on customer satisfaction.

4. Public Relations: Apart from four major elements of marketing mix, another important tool of marketing is maintaining Public Relations. In simple words, a public relations means maintaining public relations with public. By maintaining public relations, companies create goodwill.

Public relations evaluate public attitudes; identify the policies and procedures of an organisation with the public interest to earn public understanding and acceptance.

Public does not mean only customers, but it includes shareholders, suppliers, intermediaries, customers etc.

(b) Consumer sales promotions are steered toward the ultimate product users—typically individual shoppers in the local market—but the same techniques can be used to promote products sold by one business to another, such as computer systems, cleaning supplies, and machinery.

The important sales promotion methods are :-

- **Distribution of free samples :-** is an expensive but powerful tool of sales promotion used to gain consumer acceptance and to popularise the product. It is an effective device of sales promotion as the consumers can test the product before buying it. The sample may be delivered door to door, offered in retail stores or fairs. This device is suitable for introducing new products such as soaps, drugs, cosmetics, perfumes, tea, etc.
- **Coupons :-** is a certificate that entitles its holder to a specified saving or discount on the purchase of a particular product. The customers present their coupons to retailers and get the product at a much reduced price. Coupons may be issued by the manufacturers either directly by mail or through the dealers. They are also issued through newspapers and magazines.
- **Premium :-** is the offer of an article free of cost or at a nominal price on the purchase of a specified product. It helps to increase the immediate sales.
- **Trading or bonus stamps :-** are issued by retailers to customers who buy goods from them and its purpose is to increase customer loyalty. The number of stamps given to a buyer depends upon the amount of purchases made by him.
- **Point of purchase materials :-** include banners, signs, photos, posters and other in-store promotional tools. They are demonstrated or displayed at the place where the customer makes actual purchases as they remind them about the brand name and promote impulsive buying.
- **Prize contests :-** under it, consumers are given rewards for analytical or creative thinking about the products in the form of slogan writing, sentence completion, problem solving quiz, etc. It helps to create consumers' interest in the products, provide new ideas for advertising and may reveal buying motives.
- **Trade fairs and exhibitions :-** are an important technique of sales promotion as they have wide appeal .These helps in introducing the firms and their products to the public at large. Under this, business fims are allotted stalls wherein they display or demonstrate their products.
- **Merchandising aids :-** refers to the services provided to induce commercial buyers to purchase goods in large quantities. It includes training in stores layout and inventory control, advertising, product demonstration, etc.
- **Clearance sale :-**at reduced prices may be organised on important festivals or other occasions. Such sales attract a large number of customers and help to clear accumulated stocks.

5.

Wholesalers are usually independent companies or businesses that buy and resell large quantities of products from one or more supplier. Wholesalers typically purchase stock at very low prices because they order in large quantities. Usually wholesalers resell stock at wholesale pricing to resellers, retailers, distributors and other wholesalers.

There are 7 types of wholesalers;

1. **Merchant Wholesalers** – These wholesale suppliers own and produce a product or service and resell their products to resellers, retailers, distributors and other wholesalers. If you can buy the products you require direct from the supplier you will usually be able to obtain the best prices and profit margins.

2. **General Wholesalers** - Wholesalers that fall into this category will usually buy large quantities of products from one or more suppliers and will be intending to add value to them by reselling in smaller quantities to distributors, retailers and resellers. This type of wholesale supplier will often have multiple suppliers adding diversity to their product range and choice for their customers. This type of wholesaler may resell products from a number of different industries and in several different categories.

3. **Speciality Wholesalers** - This type of wholesaler will resell products in a specific industry or product category, but may have products from multiple suppliers. Because specialty wholesalers specialize in a specific industry or product type they tend to have good product knowledge and good pricing.

4. **Specific Product Wholesalers** - These are wholesalers who only supply 1 type of product for example footwear or computers. They may supply several brands but only within one product category. Manufacturers often use this type of wholesaler to distribute one or more of their products.

5. **Discount Wholesalers** – This type of wholesaler will supply significantly discounted stock. Generally the stock is discounted because the products are discontinued lines, returned goods or refurbished goods.

6. **Drop Ship Wholesalers** - This type of wholesaler will complete the sale of a product but will have it dispatched from their supplier directly to their customer without actually handling the goods.

7. **On-line Wholesaler** - Wholesalers who sell their products on-line offer discounted prices as they can reduce their overheads such as rent and rates of physical premises. This type of wholesaler is therefore able to add a lower percentage to their purchase price and still make margin.

A wholesaler is necessary because he performs several marketing functions which are given below:

1. **Assembling:** A wholesaler buys goods in bulk from different manufacturers and keeps them at one place. He collects goods from several places much in advance of demand. He may also import goods from foreign countries.

2. **Warehousing or storage:** There is usually a large time gap between production and consumption of goods. Goods must, therefore, be stored for a considerable time.

A wholesaler stores goods in his warehouse and makes them available to retailers as and when demanded. He stabilizes prices of the goods by adjusting the supply with the demand. He creates time utility.

3. **Dispersion:** A wholesaler distributes the assembled goods among a large number of retailers scattered at different places. He sells goods in small quantities according to the choice of retailers. This is known as 'breaking of bulk'.

4. **Transportation:** A wholesaler arranges for the transport of goods from producers to his warehouse and from the warehouse to retailers. He carries goods in bulk thereby saving costs of transport. Many wholesalers maintain their own trucks and tempos to carry goods far and wide quickly. Thus, a wholesaler adds place utility to the goods.

5. Financing: A wholesaler often provides advance money with orders to manufacturers. He purchases goods in bulk on cash basis from them. In addition, he often sells goods on credit basis to retailers. In this way, he provides finance to both producers and retailers.

6. Risk -bearing: A wholesaler assumes the risk of damage to goods in transit and in storage. He also bears the risks arising from changes in demand and bad debts. He serves as the shock absorber in the distribution of goods.

7. Grading and Packing: Many wholesalers classify the assembled goods into different grades, pack them into small lots and put their own trademarks or brand names. In this way, they perform the functions of grading, packing and branding.

8. Pricing: A wholesaler anticipates demand and market conditions. He helps to determine the resale price of goods.