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# UNIT 12    MARKETING MANAGEMENT

## ISSUES IN SSE

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### Objectives

After reading this unit, you should be able to:

- identify the target market segments for a product,
- familiarise yourself with the concept of marketing mix,
- appreciate the need for proper integration of various elements of marketing mix,
- take appropriate decisions with respect to product, price, promotion, and place (4 Ps) and
- ultimately formulate a sound marketing strategy for a small scale enterprise.

### Structure

- 12.1 Introduction
- 12.2 Market Segmentation
- 12.3 Marketing Mix
- 12.4 Product
- 12.5 Pricing
- 12.6 Promotion
- 12.7 Place (Distribution)
- 12.8 Summary
- 12.9 Further Readings

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## 12.1 INTRODUCTION

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In Unit 6 we understood the meaning and importance of marketing orientation, and the need for market assessment. Marketing orientation helps us to offer those products or services to the market that would satisfy some needs and wants of the customers. The exercise of market assessment helps us in understanding the nature and extent to demand, the competitive situation, and the prevailing trade practices.

When a product or service is offered to the market, several decisions need to be taken in regard to its marketing. For example, the price of the product has to be determined, its advertising budget has to be worked out, and the channels of distribution have to be identified. But before these decisions could be taken, we need to identify our target customers. Market segmentation helps us in this task.

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## 12.2 MARKET SEGMENTATION

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The market consists of a large number of individual customers having different characteristics. They may be living in different cities or towns. Their responses and preferences with respect to products, prices, promotional strategies, and distribution channels used, may not be homogeneous. Thus, different strategies and approaches are required to tap the potential in different types of customers. In spite of this heterogeneity in the market place, groups of potential buyers, called market segments, can be identified which share certain characteristics of significance to marketing. The exercise of market segmentation helps us in identifying these groups. To put it in the form of a simple definition:

**Market segmentation** is the act of dividing the market into distinctive and homogeneous groups of customers.

Each group, thus formed, is called a market segment. The market segments that are of particular interest to a firm are called target market segments or just target markets. Let us try to understand this through an example. A firm manufacturing shoes wants to define its target markets. Suppose it specialises in shoes meant for men only. Women are, therefore, excluded from the target market. Since the shoes manufactured by the firm are rather expensive, it identifies those men who belong to high income group, and living in urban areas as its prospective customers. Thus, the



target market of the firm can be defined with the help of three characteristics of its customers: 1) men, 2) belonging to high income group, and 3) living in urban areas.

The identification of target markets helps an entrepreneur in fine tuning his efforts to the requirements of his customers. This fine tuning helps in reducing wastages, and in achieving greater effectiveness. There are many examples where small enterprises tried to market their products without proper segmentation of the market, and suffered. One of the most common mistakes is to try to sell a product nationally (and sometimes internationally) when none of the resources - time, money, infrastructure, and manpower - allow this. Through market segmentation an entrepreneur comes to know who his customers are, where are they located; what price are they ready to pay, what product attributes do they value, how much do they buy, and how to communicate with them. He is not likely to commit mistakes such as pricing the product too high or too low, choosing wrong media or message for advertising, and selecting wrong kinds of middlemen.

When a firm concentrates its marketing efforts in one or two market segments, it has good chances of success and establishing itself firmly in the market. The target markets must be chosen on the basis of an analysis of the available marketing opportunities, and the constraints of the firm. They should be able to offer good sales and profitability potential, and have easy accessibility.

A market can be segmented on the basis of many defining variables. Some commonly used variables are:

- 1) Geographic variables
- 2) Demographic variables
- 3) Psychographic variables

#### **Geographic variables**

An important characteristic that distinguishes different groups of customers is their geographic location. A small firm may distinguish between the customers located in its own city of operation and those in other cities. Another firm may target its marketing efforts in an entire state, or in a couple of states. A large firm may identify a whole country as its target market. And a multinational corporation may like to spread its wings across different continents. With the larger target markets, territories or regions may be identified which require greater attention. Some areas, like rural or urban, may be viewed as more fertile (in terms of marketing opportunities) than the others. In all these cases, the geographical variables define the market segments.

#### **Demographic variables**

The term demography means the study of population. Various characteristics of population such as age, sex, education, occupation, income, family size, religion, nationality, and social class are termed as demographic variables. These variables are very commonly used as bases for distinguishing customer groups. They are easy to identify and can be well correlated with the characteristics of many products. For example, the particular age group of, say, six to twelve years can be easily identified, and correlated to products like toys, school bags, toffees, and comic books.

#### **Psychographic variables**

We have seen that the market can be segmented on the basis of geographic variables and demographic variables. However, to be really effective in marketing, especially of consumer products such as cold drinks and clothing, we need to know and understand our customers in greater depth.

We must study as with respect to certain other variables like their interests, attitudes, tastes, needs, values, opinions, and personality styles. These variables, since relating to the psychology of the people, are called psychographic variables. They are particularly important for fashion goods, and certain other consumer goods which come in varied designs and styles. An excellent example of psychographic segmentation in the Indian context is provided by the sellers of jeans (trousers). They seem to have identified their market as consisting of men and women who seek up-to-date goods, are pleasure oriented, casual in their life style, non traditional, and outward looking. The product design, advertising, and pricing, are all influenced by the identification of these personality traits in their potential customers. Some goods are projected as made exclusively for 'status seekers' with a high price tag attached to them. This type of psychographic segmentation is common for goods like brief cases, pens, furniture, sanitary fittings, cosmetics, and watches.



Sushil Tandon, the son of a high ranking government official, was in the final year of his engineering course. In his spare time, he tinkered with mechanical devices in which he showed a great deal of ingenuity.

He noticed that the traditional room coolers made a lot of noise, looked rather crude, and were not very scientific in design. As a part of his project in the final year of the engineering course, he assembled a cooler that was technically much superior to the commercially available coolers.

After passing out from the college, he set up a small-scale unit for the manufacture of room coolers in a metropolitan city of north India. He could get a rented shed for Rs. 1500/- per month. He took a loan of Rs. 1 lakh from a bank and his father promised him help to the extent of Rs. 50,000/- as and when required.

The first batch of coolers that came out from his factory, named Sushil Cooler Co., made him really happy. The coolers were distinctive; they bore the looks of an air-conditioner. They were comparatively silent in operation, and the cooling was effective.

While the normal coolers that were presently available in the market were priced at around Rs. 2,000/-, Sushil's variable costs were around Rs. 2,200/-, due primarily to better quality fan, pump, and accessories.

Being a technical man himself, Sushil is at a loss as to how he should market his product.

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#### Activity 1

Try to identify the target market segments for Sushil Cooler Co. Take into consideration as many bases for segmentation as you think are useful for the product. List your recommendations in the space provided below.

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### 12.3 MARKETING MIX

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There are several marketing aspects which are under the control of the entrepreneur. He can choose the features or attributes of his product, keep its price high or low, advertise it through newspapers or radio, sell it through own salesmen or retailers, and so on. In each decision, there are a large number of alternatives. He is always in search of a proper 'mix' of all the decisions so that they yield the desired results. There are four basic decision areas viz. **product, price, promotion**, and place, commonly called 4 Ps, which constitute the **marketing mix** of a company.

Marketing mix is an essential part of marketing management. It is a powerful concept which integrates various kinds of marketing decisions to form a well-knit marketing strategy. Every marketer uses this concept as a 'tool kit' to do his job of reaching the target markets

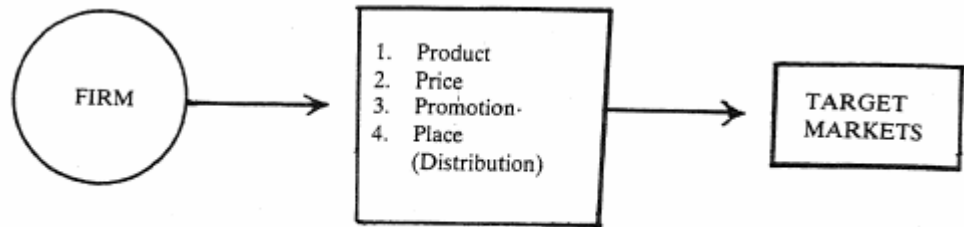


Fig. 1 Marketing mix

The overall **marketing strategy** of a company can be described by presenting its target markets and the elements of its marketing mix. As an illustration, let us briefly describe the marketing strategy of a hypothetical company ABC, manufacturing television sets.

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#### Marketing strategy of ABC

<b>Target market segments:</b>	Households in high income group; living in urban areas; status conscious.
<b>Product:</b>	Black and white, and colour television sets incorporating latest imported technology.
<b>Price:</b>	High, to project superior quality image of the product; not high enough to make it out of the reach of those in the lower bracket of high income group.
<b>Promotion:</b>	Heavy advertising in high image magazines and on television, stressing mainly on product quality.
<b>Place (Distribution):</b>	Through high quality retailers in selected urban areas.

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Marketing mix of different companies selling different products is bound to be different. However, there may be, and usually are, difference in the marketing mix of companies selling same product categories. This can be appreciated from the fact that another company manufacturing television sets may choose to have a substantially different marketing mix from that of company ABC mentioned above. These differences are not anomalies. They represent the strategies in the effort to get an advantage in the market.

Various elements of marketing mix have a lot of interaction within themselves. For example; a decision to enhance the product quality will have repercussion on its price; widening of distribution network will entail a corresponding increase in advertising; 'introduction of a promotional scheme to win over the competition will require active support from the channel members; and so on. This interaction between various elements of marketing mix requires that no decision should be taken in isolation, and its impact on the other elements should be carefully assessed. A good marketing mix will have a logical and consistent fit between all its elements.

#### Activity 2

In Activity 1 you have already identified the target market segments for Sushil Cooler Co. Now try to provide an outline of its marketing strategy (as we have done for ABC on page 8).

#### Marketing strategy of Sushil Cooler Co.

Target market segments:	.....
Product:	.....
Price	.....
Promotion:	.....
Place (Distribution):	.....



You may have found it difficult to take decisions with respect to product, price, promotion, and place. Let us now discuss these marketing mix elements in some detail.

## 12.4 PRODUCT

Anything that is offered to the market for sale at a price is termed as a product. It may be a physical product, like soap or toothpaste, or a service, like repair of typewriters.

Products can be broadly classified into three types:

- 1) Consumer products
- 2) Industrial products
- 3) Services

Consumer products are those goods which are bought by the individuals or households without requiring any further processing. Soap, toothpaste, refrigerator, furniture, clothing, and toys are examples of consumer goods. These consumer goods can be further divided into durable and non-durable goods. Durable goods are those which survive many uses and have a relatively long life (e.g. refrigerator, radio, television set, fan). Non-durable goods are those which are consumed in one or few uses and last a relatively short period (e.g. soft drinks, soap, shampoo, cigarettes).

Consumer goods can also be classified in terms of the shopping habits of the consumers. We have convenience goods which are frequently purchased with minimum of effort in comparing or deciding (e.g. soap, toothpaste, newspaper, detergent). Then there are shopping goods which are bought after comparisons based on suitability, quality, price, and other features (e.g. sarees, furniture, readymade garments, electrical appliances). We also have speciality goods which have unique features and characteristics and, therefore, require special efforts on the part of the purchaser (e.g. Hi Fi stereo system, racing cars, sporting equipment, photography equipment).

Industrial products are those goods which are used primarily to produce other goods, or rendering some services to the manufacturers. These can be further classified into capital goods (e.g. machinery), materials and parts (e.g. raw materials and manufactured parts), and supplies and services (e.g. lubricants, repair and maintenance services).

As distinct from the normal physical products, we have services which are largely intangible in nature. Insurance, banking, transportation, entertainment, education, health care, excursions, and repairs, are all examples of services. Some services like teaching have a high degree of intangibility while some others like health care have both tangible and intangible components.

### Product Mix

A product mix is set of all the products offered by a firm for sale. It may consist of a single product line such as different varieties of soap, or more than one product line such as different varieties of soap and toothpaste.

Small firms usually produce just a single product or a couple of products in a product line. However, as they grow, they have to take decisions with respect to their product mix. Following factors need to be considered while taking product mix decisions:

- 1) Profits and sales growth potential
- 2) Stability in sales
- 3) Capacity utilisation
- 4) Customer service and satisfaction
- 5) Utilisation of available know-how (both technical and managerial)
- 6) Cost reduction

A firm must periodically review its product mix so that only those products which are worthwhile to produce are continued with.

### Product Attributes

A product has many features called its attributes. A soap has size, weight, essence, colour, hardness etc. as its attributes. A voltage stabilizer will have its technical specifications, external design features, and, reliability. From the point of view of the customers, some attributes will be more important than the others. The importance



of an attribute will also be determined by the wants of the particular market segments. While the high income market segment may rank the essence of a bathing soap as a highly relevant attribute, the low income segment may rank its size as the most important one. Thus, the relative importance of various product attributes should be judged in reference to the market segments of interest to the firm.

Since a firm has to operate in a competitive environment, the product attributes offered by the competition should also be studied. The exercise will enable us to determine the gaps that may be available in the market between what is offered and what is wanted by the customers. Once this information is available, we can position our product at a place which seems most appropriate from the market point of view.

### **Packaging**

Packaging has traditionally been used to protect the goods, and to improve their handling convenience. Today it has acquired additional significance in terms of its promotional value. Many products like cosmetics; readymade garments, playing cards, agarbattis, and gift items including sweets and dry fruits have fancy and elaborate packaging which act as attraction to the customers. Some products like bread have to be packed, out of necessity, in a particular manner so as to protect them and increase their shelf life. Thus packaging performs many functions such as:

- 1) Protection from damage during handling, transportation, storage, and use.
- 2) Packaging makes it easier for the customers to differentiate between different brands, and to choose the one that is preferred.
- 3) It provides the consumers information about several product attributes including price, weight, name of the manufacturer, date of manufacture, contents, and expiry date (e.g. in case of medicines).
- 4) Good packaging helps in creating a favourable image of the product in the minds of the customers.
- 5) Packaging makes it easier for the members of the trade, and the consumers to handle a product. It can be systematically stacked in a store, and the consumers can use it without any inconvenience and wastage.

Several new materials and technologies are available today which have revolutionised packaging. We see soft drinks in more convenient and disposal tetrapacks, pain relievers in aerosol cans, and many items of household use in reusable plastic jars. Attractive and inexpensive plastic lamination is done on cardboard cartons. In general, while designing the packaging for a product, following points must be considered:

- 1) The functions which are expected to be performed through packaging;
- 2) The practices being followed by the competition;
- 3) The tastes and preferences of the target markets; and
- 4) The costs involved under different options.

### **Branding**

Most products that are sold today are branded. A brand is a word, mark, symbol, or combination thereof used to identify goods or services. A brand name is that part of a brand that can be vocalised. Thus, Promise, Charminar, Lux, and Godrej are brand names. A brand mark is that part of a brand which can be recognised but not vocalised. Brand marks like telephone, monkey, and elephant can easily be identified for some popular products in the Indian context. A trade mark is that part of the brand which has legal protection for exclusive use.

Some of the advantages of branding are:

- 1) It helps in giving a distinctive image to the product;
- 2) It helps in communicating to the customers some desirable features of the product (e.g. Vicco Turmeric, Quickfix);
- 3) It makes it easier for the members of the trade and the consumers to order and identify goods;
- 4) It can help in providing legal protection to a product from imitation;
- 5) It helps in building up a loyal set of customers; and
- 6) It helps in earning goodwill which is useful for growth and diversification.



There are certain costs also associated with the decision to brand a product. A branded product requires good amount of promotion and as such adequate funds need to be earmarked for this purpose. Consistency in the quality of the product has to be ensured.

### Activity 3

What product attributes would a customer in the chosen market segment (see Activity 1) look for in a room cooler? How would you like to position the product of Sushil Cooler Co. in terms of its product attributes? Suggest a brand name for the product.

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## 12.5 PRICING

By price is meant the amount of money that consumers must pay for a product or service. Pricing is one of the key elements of marketing mix. Pricing decisions greatly influence the profitability of a firm. Also, price seems to be the most handy tool available to a marketer for adapting his marketing strategy to changes in the competitive situation, and in the environmental factors.

Pricing decisions are quite complex and many factors - economic and non-economic - impinge upon them. These include:

- Costs associated with the product;
- Demand for the product;
- Price-elasticity of demand;
- Competitive situation;
- Government regulations;
- Behaviour of the consumers; and
- Long-term and short-term objectives of the firm.

Some common pricing methods and strategies are discussed below:

### Cost-plus method

This is perhaps the most commonly used method of pricing by small firms. Under this method, the total cost of the product is first determined. Total cost is the sum of **variable costs** and **fixed costs** that are attributable to one unit of output. A margin for profits is then added to the total cost to determine the price. Remember that margin is generally calculated on the selling price. To make the concept clear, an example is given below.

#### Example

Q) A manufacturer of voltage stabilisers finds that his variable costs per unit of output are Rs. 300/-. His total fixed costs per month, when he is making 100 units per month, are Rs. 6,000/-. What should be his selling price if he wants a margin of 26%?

A) Let us first find out the total cost per unit of output.

Total cost = variable costs/unit + Fixed costs/unit

$$= \text{Rs. } 300 + \text{Rs. } \frac{6000}{100}$$

$$= \text{Rs. } 360 \text{ per unit}$$

If the sale price is X, the margin of the manufacturer will be X - 360 (total cost). If 20% margin is required on the sale price, using elementary mathematics,

$$X - 360 = 0.2X$$

$$\text{or, } X(1 - 0.2) = 360$$

$$X = \text{Rs. } 450$$



Cost-plus method of pricing has, certain advantages like 1) the price can easily be adjusted to changes in costs, 2) the profitability of the enterprise is in view at all times, and 3) a sense of cost-consciousness is build up in the operations.

There are some disadvantages also in following this method. It does not take into account many factors like the demand and supply position, and the behaviour of the consumers.

### **Variable price policy**

Under this policy, different prices are charged from different customers depending on the situation prevailing in the market. Some situations under which variable price policy is adopted are

- 1) Difference in the size of the customers (e.g. bulk customers may be offered lower price);
- 2) Difference in the anticipated business from different customers;
- 3) Difference in the bargaining power of the customers;
- 4) Difference in the demand and supply position at various locations;
- 5) Difference in the customers' ability to pay; and
- 6) Ignorance of the customers.

Some entrepreneurs adopt variable-price policy in their effort to maximise profits. They determine the minimum price to be charged by the total cost of the product, and the maximum price by the customers' ability to pay. Bargaining is usually resorted to in finalising a deal. As such, this policy may be detrimental to the long-term interests of a firm.

### **Base price and discounts**

Under this method, a base price or list price is used and varying price discounts are offered to different categories of customers. Under the variable price policy, the price is changed according to the particular situation. However, under the base price and discounts method, discounts are offered uniformly to all customers and each one of them can avail these on satisfying the stipulated conditions. Discounts are of several kinds. **Trade discount** is given to a trader to cover his costs and provide him with a margin as incentive to deal in the product. **Quantity discount** is offered to bulk purchasers because of their value to the seller. **Cash discount** is given to the customers making cash down or immediate payment. **Seasonal discount** is given to boost the sale of a product during slack season. Electric fans, woollen garments, and cooler pumps are typical examples where seasonal discounts are offered.

### **Market rate method**

Prevailing market rate, many times, is the basis on which an entrepreneur determines the price of his product. If the nature of the product is such that it is largely indistinguishable from those of the competitors, or if it is found that all manufacturers are charging more or less the same price for their products, the market rate method of pricing is usually adopted. In case the entrepreneur finds that the prevailing market rate is not economical for him, he has to lower down his costs somehow rather than increase the price unilaterally. This method is commonly used in case of unbranded products like oils and chemicals, and services like courier, tailoring, and car or scooter servicing. One advantage of this method, especially for new small enterprises, is that they get some immunity from the vagaries of price wars.

### **Market skimming pricing**

'Under market skimming pricing strategy, a very high price is charged in the beginning with the objective of recovering the investment in a short period. High price is usually supported by heavy promotion. This strategy is seldom possible except when the product is an innovative one and is expected to command good reception from the customers. One cannot continue with such a strategy for a long period of time as high price acts as an incentive to the competitors to enter the field. The price is permitted to fall as the competition sets in.

### **Market penetration pricing**

Market penetration pricing strategy calls for a very low initial price in order to penetrate into the market. The strategy puts emphasis on creating a mass market for the product even at low margins. This strategy can be adopted when the demand is





expected to be price elastic, i. e. customers are price sensitive, and when the economies of large scale production are substantial.

#### Activity 4

Can you help Mr. Sushil Tandon in working out a price for his coolers? You may make your own assumptions regarding the level of his output, and demand during the season.

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## 12.6 PROMOTION

We try to influence the customers in favour of our product through various means of communication. These means of communication with customers are commonly referred to as promotion, one of the 4 Ps of marketing mix. There are three promotion tools that are generally available to an entrepreneur; 1) advertising, 2) personal selling, and 3) sales promotion.

### Advertising

**Advertising** is mass, paid communication under clear sponsorship, the ultimate purpose of which is to; impart information, develop attitude, and induce action beneficial to the sponsor. One basic purpose of advertising is to increase the likelihood of customers buying the product. Thus, an advertiser may try to inform the potential customers of the benefits that the product offers to them, or remind the existing users of the continued availability of the product. Advertising is also used to perform certain other functions depending upon the specific requirements

- a) To make an announcement of a sales promotion scheme;
- b) To expand the distribution network;
- c) To counteract the competitors' moves;
- d) To build up the enthusiasm of the dealers to promote the company's products;
- e) To boost the morale of the sales force; and
- f) To boost the image of the company.

Newspapers, magazines, televisions etc., through which we advertise our products are called **advertising media**. There are a large number of media that are available to an entrepreneur as shown in the table below.

### Advertising media

Newspapers: National, regional, local, dailies, weeklies etc.

Magazines: General interest (e.g. India Today), and special interest (e.g. Business India).

Trade journals

Television

Radio

Cinema (slides or films)

Video films

Outdoor hoardings, posters, display cards (e.g. on buses), wall writings'. Handbills in newspapers (used commonly in small. towns)

Direct mail

Yellow pages

One or more of these media are selected on the basis of their effectiveness in reaching the advertising message to the target customers. One has to also see the cost aspect. Due to their financial constraints, many small enterprises cannot afford to advertise in national dailies or on television. In fact, if the enterprise is catering primarily to local markets, advertising in such media is ruled out both in terms of the cost and the effectiveness.



The primary purpose of advertising is to sell; an advertisement which cannot move the customer nearer to the act of purchasing is waste of money. An advertisement must, therefore, offer a persuasive and distinctive proposition that is able to attract the maximum number of prospective customers. In the field of advertising such a proposition is called a Unique Selling Proposition (USP). Thus, USP is a specific proposition in an advertisement that is unique and distinctive, and is strong enough to pull over new customers to the advertised product.

USP determines what to be said in an advertisement. The next step is to determine how it is to be said. An advertisement has to fight for getting attention in a crowd of numerous other advertisements that a consumer comes across each day. The message, therefore, needs to be presented in an interesting and effective manner. Creativity and judgement play an important role in making a good advertisement /A checklist to assess the soundness of an advertisement is given below:

Does the advertisement place emphasis on the right things?

- 1) Is the presentation persuasive?
- 2) Is the advertisement interesting to read?
- 3) Is it easy to read?
- 4) Is it able to draw attention?

### **Personal Selling**

As against mass selling (advertising), personal selling is man-to-man selling and, therefore, involves a two way communication process between the buyer and the seller. Personal selling is more flexible than advertising as the method of persuasion can be moulded according to the needs of the particular customers. Personal selling performs several functions in the marketing of a product;

- 1) Order booking
- 2) Enquiry generation
- 3) Technical assistance to the customers
- 4) Providing efficient service to the customers
- 5) Price negotiation
- 6) Collection of payments
- 7) Collecting market information

The exact nature of the functions to be performed in each case will depend upon the nature of the product to be sold, and the role that has been assigned to personal selling in the marketing mix of the firm. Personal selling method is extensively used for selling industrial products, and consumer durable products. In case of consumer non-durable products, the role of personal selling is predominantly to meet the requirements of the trade.

Salesmen in different companies differ widely in terms of their education, skills, and salaries. This is quite natural since different qualifications and skills are required to sell computers, and nuts and bolts. Still, there are some characteristics that distinguish a good salesman from an ordinary one:

**Thorough knowledge:** A salesman must have good understanding of his product, its applications, special features, and the competitive situation. This understanding will enable him to deal with the customers confidently.

**Preparation for each visit:** A good salesman plans his visits properly and makes preparations for them. Previous appointment is helpful in eliciting positive response from the customer. All the relevant information and back-up material should be readily available with the salesman.

**Empathy :** Empathy means the ability to feel - intellectually and imaginatively - as the customer does. Selling involves the matching of the interests of the buyer and the seller. No salesman can hope to be successful if he doesn't see and appreciate the viewpoint of the buyer. Listening, therefore, is as important in personal selling as talking.

**Trustworthiness:** A good salesman generates confidence in the customers through fair dealings, helpful attitude, and honouring his commitments. Developing trustworthiness takes a long time but the rewards are also long term.

**Dynamism :** By dynamism is meant positiveness, open-mindedness, and purposefulness. It does not necessarily mean aggressiveness or hard selling. A



dynamic salesman is not unduly perturbed by the fear of rejection or failure which is so common to personal selling.

### Sales Promotion

Sales promotion consists of those promotional activities which are designed to stimulate the sale of a product by offering some kind of incentives. The incentives may be directed towards the consumers, trade, or shies force. While advertising usually offers a reason to buy, sales promotion offers an incentive to buy. The incentives are usually for a short duration of time.

There are a large number of sales promotion tools or methods. Some important sales promotion tools that are directed toward the consumers and the trade are given below.

Directed toward the consumers:

**Price-offs:** A discount in price for a specific period.

**Samples:** Distribution of free or subsidised samples.

**Premiums:** Offer of an article (e.g. a spoon) along with the product.

**Quantity-offs:** Offering more quantity of a product at no extra cost.

**Coupons:** These entitle the bearer to a stated saving on the purchase of the product.

**Cash-refund offers:** These are like coupons except that the refund is made after the purchase rather than at the time of purchase.

**Contests:** The consumers are invited to participate in contests or campaigns and a few are given prizes.

Directed toward the trade:

**Buying allowances:** Special discounts offered to the trade for buying large quantities.

**Free goods:** A specific quantity is given free along with an order (e.g. one bottle free with each dozen).

**Display goods:** Special displays, racks, banners etc distributed free to the dealers.

**Advertising allowance:** A part of full expenditure incurred on advertising by dealers is reimbursed.

**Dealer sales contests:** The dealers are invited to participate in sales contests and win prizes.

**Dealer gifts:** Useful and attractive articles are presented to the dealers as gifts.

**Dealer conferences:** Meetings of the dealers are arranged in expensive hotels with the dual purpose of discussing marketing aspects, and build up their enthusiasm for the company.

### Activity 5

Formulate a promotion strategy for Sushil Cooler Co. Assume that the total budget available is Rs. 50,000.

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## 12.7 PLACE (DISTRIBUTION)

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A firm has the responsibility of making its product available near the place of consumption so that the consumers can easily buy it. The consumers may be scattered in large geographical areas and it may be difficult, if not impossible, for the firm to reach them on its own. Many times, the nature of the product is such that the consumers are not ready to wait and would buy any brand that is readily available at the retail shop.

Because of these factors, most producers use marketing **intermediaries**, like wholesalers and retailers, to reach their products to the ultimate consumers. These intermediaries are independent organisations. A set of intermediaries that is used to move a product from the producer to the consumer. is known as a **marketing channel**.



Three basic alternatives are available to an entrepreneur as regards the channel of distribution.

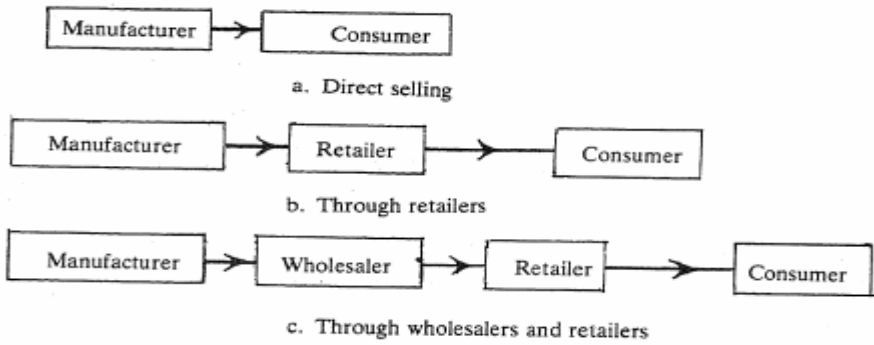


Fig. 12.2 Marketing channel alternatives

Slight variations of the above channel alternatives are often encountered which are mostly the characteristics of particular industries. Intermediaries like commission agents, brokers, export houses, and super bazars are also used. An entrepreneur should consider the following factors while choosing a particular channel of distribution:

- a) Financial implications
  - initial investment in facilities
  - working capital requirement
  - long run growth plans
- b) Control aspects regarding
  - selling price
  - promotional efforts at points of sale ® kind and quality of display
  - points of sale inventory
  - geographical coverage
  - customer service
- c) Competitive practices
- d) Consumers’ and retailers’ purchasing habits.

Place (Distribution) also encompasses activities pertaining to **physical distribution** of the product. Decisions regarding location of warehouses, inventory levels at various points in the marketing channel, mode of transportation of goods, routing of despatches, size of shipments, and bulk packaging have to be taken under physical distribution. All the above decisions can have considerable implications on the firm's cash flow and profitability.

**Activity 6**

Do you envisage any role for intermediaries in the marketing mix of Sushil Cooler Co.? Please suggest a suitable channel of distribution.

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**12.8 SUMMARY**

Inspite of great amount of heterogeneity in the marketplace, groups of customers called market segments; can be identified which share certain common characteristics of relevance to the firm. The identification of target market segments helps in fine tuning the marketing efforts to the requirements of the customers; and in reducing wastages. Geographic, demographic, and psychographic variables are commonly used as bases for segmenting a market.



There are a large number of decision areas in marketing. Most of these pertain to four basic elements of marketing mix viz. product, price, promotion, and place (4Ps). A marketer is always in search of a well-knit marketing mix that has good consistency within its elements. Product decisions include decisions on the product mix; product attributes, packaging, and branding. Pricing decisions are quite complex and have substantial bearing on the profitability of the firm. One basic decision in pricing is to determine the price of the product. Promotion encompasses decisions on advertising, personal selling, and sales promotion. The role to be assigned to each one of them has to be determined depending upon their utility in a particular situation. Place will include decisions on marketing channel, and physical distribution.

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## 12.9 FURTHER READINGS

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