

**Note****15**

## THE MARKETING MIX

One of the major objectives of any organisation is to become a market leader. In order to achieve this objective, it is important that every marketer should provide goods and services which are as per the needs and wants of the customers, at the price which a consumer is willing to pay, at the place which is approachable or convenient for a buyer, and by using an appropriate media which will inform the consumers about the product and its characteristics.

So the marketing manager concentrates on four major decision areas while planning the marketing activities, namely, (i) products, (ii) price, (iii) place (distribution) and (iv) promotion. These 4 'P's are called as elements of marketing and together they constitute the marketing mix. All these decisions are inter-related because a decision in one area affects decisions in other areas. In this lesson you will learn about the basic aspects relating to these 4'P's viz., product, price, place and promotion.



### LEARNING OUTCOMES

- explains the 7 Ps of Marketing mix;
- explains the meaning and classification of product as a marketing mix component;
- describes the factors of pricing and the various approaches to explain pricing;
- identifies the meaning of place as distribution channel and importance of selecting appropriate channel; and
- develops an understanding of the concept of promotion mix.

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## 15.1 CUSTOMER: KING OF THE MARKET

"A customer is the most important visitor in our premises. He is not dependent on us; we are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is a part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so."

The quote about the customer well defines the importance of customers for any business. In a similar way, "Customer is the King" is an age-old business mantra which highlights the importance of customers (and would-be customers) in every business. The success of any business depends on its customers and business organisations should focus on providing their best services for the satisfaction of their customers. Marketing managers should formulate their marketing programme (4Ps) and efforts in such a way that the firm can offer maximum possible satisfaction to the target consumers.

## 15.2 CONCEPT AND COMPONENTS OF MARKETING MIX

Marketing involves a number of activities. To begin with, an organisation may decide on its target group of customers to be served. Once the target group is decided, the product is to be placed in the market by providing the appropriate product, price, distribution and promotional efforts. These are to be combined or mixed in an appropriate proportion so as to achieve the marketing goal. Such a mix of product, price, distribution (place) and promotional efforts is known as 'Marketing Mix'. It is about putting the right product in the right place, at the right time, and at the right price.

Each firm strives to build up such a composition of 4'P's, which can create highest level of consumer satisfaction and at the same time meet its organisational objectives. Thus, this mix is assembled keeping in mind the needs of target customers, and it varies from one organisation to another depending upon its available resources and marketing objectives. Marketeers keep on changing their marketing mix elements in order to keep their marketing offer relevant and competitive. Let us now have a brief idea of the four components of the marketing mix:

**Product:** A product is anything that is offered by a marketer to satisfy a need or want of the consumer. Products generally include goods and services offered by the organisation. Goods like a pair of shoes, a plate of noodles, a lipstick, and services like a haircut or a cell phone service, are all products. We are paying not for the tangible product but for the benefit it will provide. So, in simple words, a product can be described as a bundle of benefits which a marketer offers to the consumer for a price. While buying a pair of shoes, we are actually buying comfort for our feet, while

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buying a lipstick we are actually paying for beauty because lipstick is likely to make us look good. A product can also take the form of a service like an air travel, telecommunication, etc. where we are not buying a physical good but the services provided by the service provider like a hair cut in a saloon, travel services during air travel, etc. Products are not only restricted to physical goods and services and may include experiences, events, places, organisations, information, and ideas.

**Price:** Price is the amount charged for a product or service. It may be a price that you pay for buying a physical good like shirt or a rent for an apartment, tuition fee for education, etc. Fixing the price of the product is a tricky job. Many factors like demand for a product, cost involved, consumer's ability and willingness to pay, prices charged by competitors for similar products, government restrictions etc. have to be kept in mind while fixing the price. In fact, pricing is a very crucial decision area as it has its effect on demand for the product and also on the profitability of the firm. In the entire marketing mix, price is the one element that helps in generating revenue for the organisation whereas all other decisions produce cost. Price is also one of the most flexible elements: It can be changed quickly, unlike product features and channel commitments.

**Place:** Goods are produced to be sold to the consumers. It must be made available to the consumers at a place where they can conveniently buy it for their consumption or usage. Woolen Clothes are manufactured on a large scale in Ludhiana-Punjab which are available in nearby shops or a shopping malls. So, it is necessary that the product is available at shops in your town. But to make the goods available at the store which you can easily reach involves a chain of individuals and institutions like distributors, wholesalers and retailers who constitute firm's distribution network (also called a channel of distribution). The organisation has to decide whether to sell directly to the retailer or through the distributors/wholesaler etc. The firm can even plan to sell the goods directly to consumers. The choice is guided by a host of factors about which you will learn later in this lesson.

**Promotion:** If the product is manufactured keeping the consumer needs in mind, is rightly priced and made available at outlets convenient to them but the consumer is not made aware of its price, features, availability etc, its marketing effort may not be successful. Therefore promotion is an important ingredient of the marketing mix as it refers to a process of informing, persuading and influencing a consumer to make a choice of the product to be bought. Promotion is done through means of personal selling, advertising, publicity and sales promotion. It is done mainly with a view to provide information to prospective consumers about the availability, characteristics

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and uses of a product. It arouses potential consumer's interest in the product which helps him in comparing it with competitors' product and make his choice. The rise of print and electronic media has immensely helped the process of promotion.

Having acquainted ourselves with the broad nature of the four components of marketing mix, let us now learn some important aspects of each one of these in detail in the following sections



Fig. 15.1 Target Customer



### INTEXT QUESTIONS 15.1

1. List the four components of the marketing mix
2. Give one word/phrase for the following statements:
  - (a) The crucial decision area of marketing that has direct effect on demand for the product and profitability of the firm.
  - (b) The component of marketing that relates to channels of distribution.
  - (c) The components that are combined to achieve the marketing goal.
  - (d) The goods and services offered by the organisation for sale.

- (e) The ingredient of marketing mix relating to informing, persuading and influencing a consumer to make a choice of the product to be bought.

### 15.3 CONCEPT OF PRODUCT AND ITS CLASSIFICATION

As stated earlier, products refer to the goods and services offered by the organisation for sale. Here the marketers have to recognise that consumers are not simply interested in the physical features of a product but a set of tangible and intangible attributes that satisfy their wants. For example, when a consumer buys a washing machine he is not buying simply a machine but a gadget that helps him in washing clothes. It also needs to be noted that the term product refers to anything that can be offered to a market for attention, acquisition, or use. Thus, the term product is defined as "anything that can be offered to a market to satisfy a want". In simple words, a product can be described as a bundle of benefits which a marketer offers to the consumer for a price. It normally includes physical objects and services. In a broader sense, however, it not only includes physical objects and services but also the supporting services like brand name, packaging accessories, installation, after sales service etc. and may also include experiences, events, places, organisations, information, and ideas. Look at the definitions by Stanton and McCarthy as given below.

#### 15.3.1 PRODUCT

"Product is a set of tangible and intangible attributes including packaging, colour, price, manufacturer's prestige, retailer's prestige and manufacturer's and retailer's services which buyer may accept as offering satisfaction of wants and services"

— William J. Stanton

"A product is more than just a physical product with its related functional and aesthetic features. It includes accessories, installation, instructions on use, the package, perhaps a brand name, which fulfills some psychological needs and the assurances that service facilities will be available to meet the customer needs after the purchase"

— Jerome McCarthy

Effective marketers see themselves as providers of product benefits, not merely the product features or product itself. The marketer must understand how to classify the product on the basis of three characteristics: durability, tangibility, and usage as each product classification is associated with a different marketing-mix strategy.

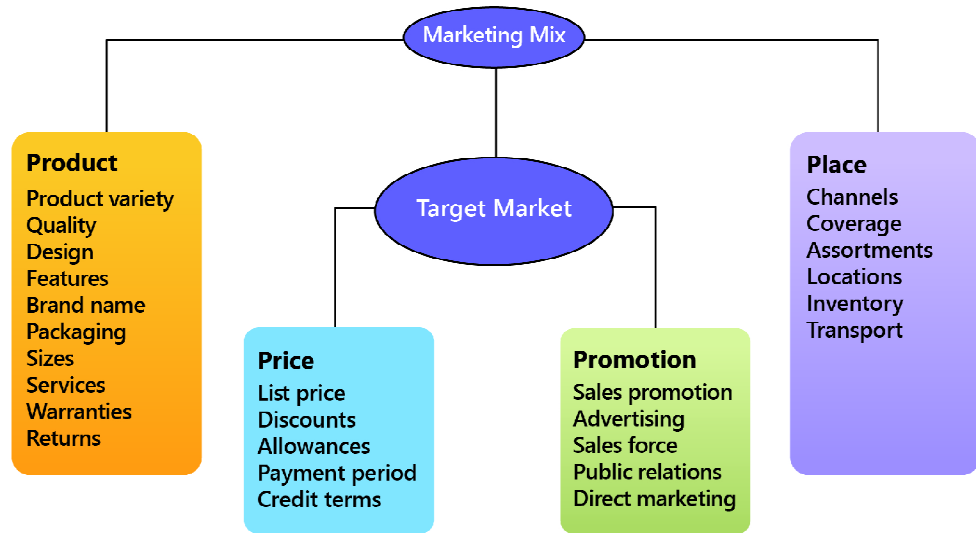


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Source: Kotler Fig. 15.2 Target Market

15.3.2 PRODUCT CLASSIFICATION

Products can be broadly classified on the basis of (1) use, (2) durability, and (3) tangibility. Let us have a brief idea about the various categories and their exact nature under each head. In marketing the terms 'product' and 'goods' are often used interchangeably.

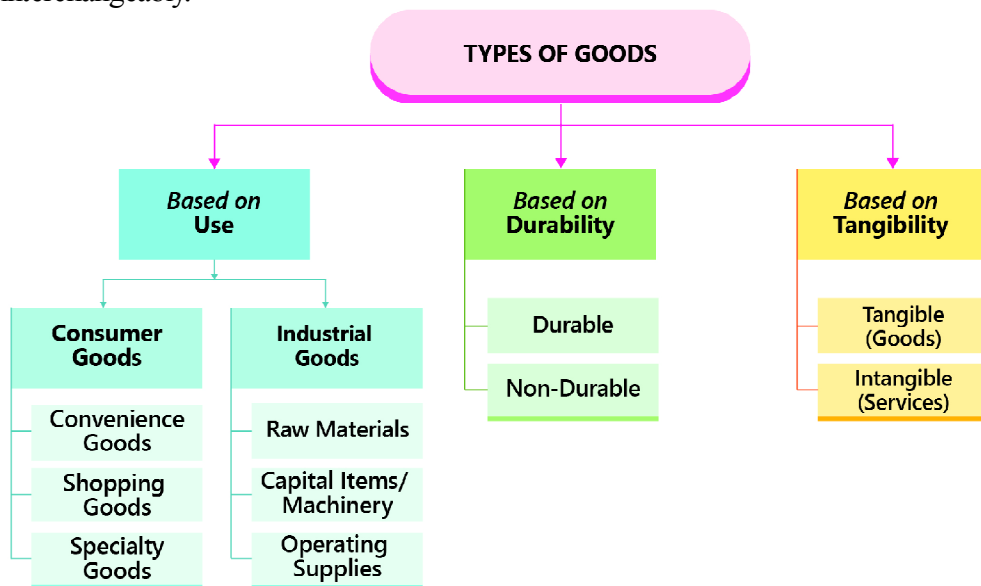


Fig. 15.3 Types of Goods

1. Based on use, the product can be classified as:

(a) **Consumer Goods** : Goods meant for personal consumption by the households or ultimate consumers are called consumer goods. This includes items like toiletries,

groceries, clothes etc. Based on consumers' buying behaviour the consumer goods can be further classified as :

- (i) **Convenience Goods** : Do you remember, the last time when you bought a packet of butter or a soft drink or a grocery item? Perhaps you don't remember, or you will say last week or yesterday. Reason is, these goods belong to the categories of convenience goods which are bought frequently without much planning or shopping effort and are also consumed quickly. Buying decision in case of these goods does not involve much pre-planning. Such goods are usually sold at convenient retail outlets.
  - (ii) **Shopping Goods** : These are goods which are purchased less frequently and are used very slowly like clothes, shoes, household appliances. In case of these goods, consumers make choice of a product considering its suitability, price, style, quality and products of competitors and substitutes, if any. In other words, the consumers usually spend a considerable amount of time and effort to finalise their purchase decision as they lack complete information prior to their shopping trip. It may be noted that shopping goods involve much more expenses than convenience goods.
  - (iii) **Speciality Goods**: Because of some special characteristics of certain categories of goods people generally put special efforts to buy them. They are ready to buy these goods at prices at which they are offered and also put in extra time to locate the seller to make the purchase. The nearest car dealer may be ten kilometres away but the buyer will go there to inspect and purchase it. In fact, prior to making a trip to buy the product he/she will collect complete information about the various brands. Examples of speciality goods are cameras, TV sets, new automobiles etc.
- (b) **Industrial Goods** : Goods meant for consumption or use as inputs in production of other products or provision of some service are termed as 'industrial goods'. These are meant for non-personal and commercial use and include (i) raw materials, (ii) machinery, (iii) components, and (iv) operating supplies (such as lubricants, stationery etc). The buyers of industrial goods are supposed to be knowledgeable, cost conscious and rational in their purchase and therefore, the marketers follow different pricing, distribution and promotional strategies for these goods.

It may be noted that the same product may be classified as consumer goods as well as industrial goods depending upon its end use. Take for example the case of coconut oil. When it is used as hair oil or cooking oil, it is treated as consumer goods and when



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used for manufacturing a bath soap it is termed as industrial goods. However, the way these products are marketed to these two groups are very different because purchase by industrial buyer is usually large in quantity and bought either directly from the manufacturer or the local distributor.

## 2. Based on Durability, the Products can be Classified as :

- (a) **Durable Goods:** Durable goods are products which are used for a long period i.e., for months or years together. Examples of such goods are refrigerator, car, washing machine etc. Such goods generally require more of personal selling efforts and have high profit margins. In case of these goods, seller's reputation and pre-sale and after-sale service are important determinants of the purchase decision.
- (b) **Non-durable Goods:** Non-durable goods are products that are normally consumed in one go or last for a few uses. Examples of such products are soap, salt, pickles, sauce etc. These items are consumed quickly and we purchase these goods more often. Such items are generally made available by the producer through large number of convenient retail outlets. Profit margins on such items are usually kept low and heavy advertising is done to attract people towards their trial and use.

## 3. Based on Tangibility, the Products can be Classified as:

- (a) **Tangible Goods:** Most goods, whether these are consumer goods or industrial goods and whether these are durable or non-durable, fall in this category as they have a physical form, that can be touched and seen. Thus, all items like groceries, cars, raw-materials, machinery etc. fall in the category of tangible goods.
- (b) **Intangible Goods :** Intangible goods refer to services provided to the individual consumers or to the organisational buyers (industrial, commercial, institutional, government etc.). Services are essentially intangible activities which provide want or need satisfaction. Medical treatment, postal, banking and insurance services etc., all fall in this category.

## 15.4 COMPONENTS OF PRODUCT MIX

In order to design the most relevant product mix, importance should be given to the following elements or components of the mix :



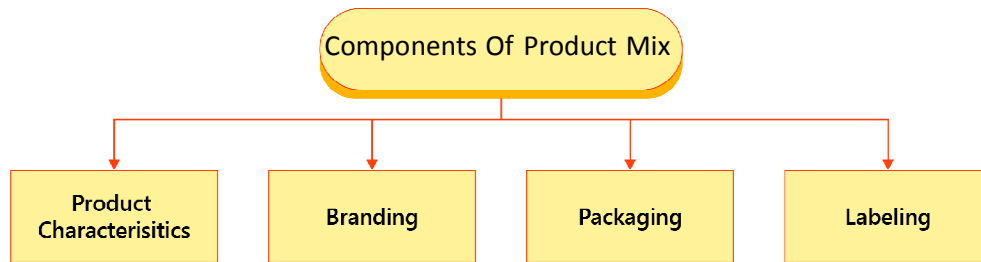


Fig. 15.4 Product Mix components

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1. **Product Characteristics:** It includes variety, quality, design, features, warranties and return, related with the Product. The product should be available in different varieties to target a larger target audience or customers. Necessary efforts should be made to maintain the product quality. A Product or service package should have necessary features that serves the need of the client. Warranty may be given which helps in increasing the trust among buyers while making a purchase decision.
2. **Branding:** It is the process of giving a name, sign, symbol, logo or design to a product. A brand is an identification of a product. The American Marketing Association defines a brand as a name, term, sign, symbol, or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. The part of the brand which can be spoken is called the brand name e.g., Dettol, Nike etc. The part of brand which cannot be spoken but can be recognised is the brand mark. e.g. arrow sign of Nike, star of Mercedes Car, Golden Arches (which resembles 'M') of McDonalds, etc. A brand that is given legal protection against its use by other firms, is called a trade mark. e.g., logo of SBI is the trade mark of State Bank of India.

The Blue colour, the font and the lower case letters are what the word 'Facebook' immediately remind us of. These are the aspects of Facebook's brand mark.

#### Advantages/Benefits of Branding

1. **Product Differentiation :** Customers demand the product by calling its brand name. For e.g. Lux, Coke etc. Thus, it helps in product differentiation.
2. **Differential Pricing:** Branding helps companies to adopt differential pricing for its products. Customers are ready to accept that price because of its quality.
3. **Easy introduction of product:** Companies which use their brand name find it easy to market a new product.

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3. **Packaging:** It is the act of designing and producing appropriate container or cover for the product.

**Levels of Packaging:** There are three levels of packaging. These are:

- i. **Primary Package:** It refers to immediate packing of product. e.g., tube of ointment.
- ii. **Secondary Package:** It refers to additional packaging which gives protection to the product. e.g., Cardboard box used to keep ointment tube. Such containers and boxes are dispensed units when we start using the inside material from the primary package.
- iii. **Transportation Packaging or Final Packaging:** It refers to further packaging components necessary for storage or transportation. e.g., boxes of ointments are transported in corrugated boxes each containing 50/100 items.

Packaging protects the product from damage. It helps in identifying a product. It enables convenient handling of the product. As packaging increases the sale of a product, it acts as a silent salesman.

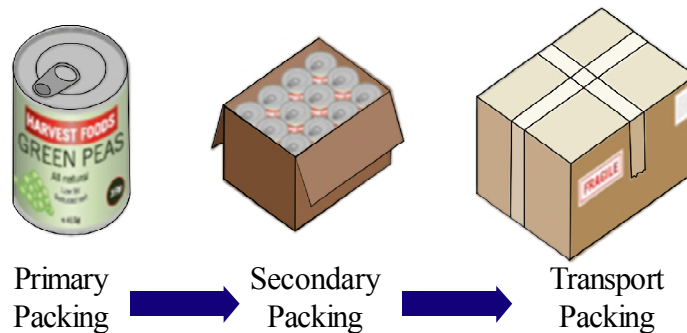


Fig. 15.5 Levels of Packing

4. **Labelling:** Label is a part on the cover of the product which includes its name, contents, ownership, expiry date, manufacturing date etc. A label helps in identifying the product. It contains information about the product which is useful for the customer. Labels also helps in grading the product. Finally, it also helps in promoting the product as colorful labels helps in getting the attention of the buyers.

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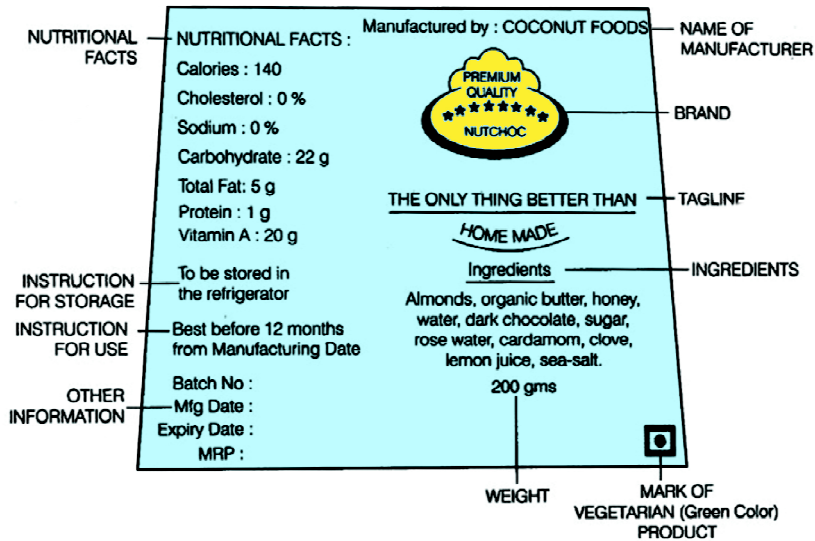


Fig. 15.5 Levels of Packing



**INTEXT QUESTIONS 15.2**

1. Classify the following products into consumer goods and industrial goods and further classify them into convenience goods, shopping goods and speciality goods, if they are consumer goods :
 

(a) Stationery for the office	(b) Washing machine for use at home
(c) A car for family use	(d) Oil for manufacturing soap
(e) A pair of shoes for yourself	(f) An electric lift for lifting weight in the workshop
(g) A packet of biscuits for your breakfast	
  
2. For the following categories of goods, give two examples of each, from the products that you see around you.
 

(a) Intangible goods	(b) Durable goods	(c) Non-durable goods
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3. (a) Categorise the following products as tangible or intangible products.
 

(i) Cricket Bat	(ii) Ball	(iii) Boarding a bus
(iv) 'Pollution check'	(v) Pen	(vi) Getting medical advice from a doctor

(b) Categorise the following products as durable and non-durable consumer goods.

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| (i) Refrigerator     | (ii) Salt        | (iii) Soap       |
| (iv) Washing Machine | (v) Television   | (vi) Cooking oil |
| (vii) Sauce          | (viii) Note Book |                  |

4. Smita purchased a bottle of vinegar from the local grocery shop. The information provided on the bottle was not clear. She fell sick on consuming it. She filed a case under Consumer Protection Act and got the relief.

(a) Identify the important aspect neglected by the marketeer in the above case.

## 15.5 PRICING AND FACTORS AFFECTING PRICING DECISIONS

As stated earlier, price is the consideration in terms of money paid by consumers for the bundle of benefits he/she derives from using the product/ service. In simple terms, it is the exchange value of goods and services in terms of money. Pricing (determination of price to be charged) is another important element of marketing mix and it plays a crucial role in the success of a product in the market. If the price fixed is high, it is likely to have an adverse effect on the sales volume. If, on the other hand, it is too low, it will adversely affect the profitability. Hence, it has to be fixed after taking various aspects into consideration. The factors usually taken into account while determining the price of a product can be broadly described as follows:

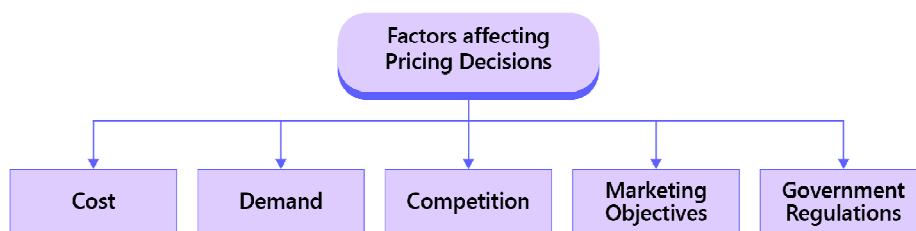


Fig. 15.6 Pricing Decisions

- (a) **Cost:** No business can survive unless it covers its cost of production and distribution. For a large number of products, the retail prices are determined by adding a reasonable profit margin to the cost. Higher the cost, higher is likely to be the price, lower the cost, lower would be the price.
- (b) **Demand:** Demand also affects the price in a big way. When there is limited supply of a product and the demand is high, people buy even if high prices are charged by the producer. But how high the price would be depends on the capacity and willingness of the prospective buyers. In simple words, the marketeer may charge higher prices if the goods or services are in demand whereas the



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discounts are to be offered if demand of goods and services is less, to attract more customers. On the other hand, each price charged by a marketer will lead to a different level of demand. In general, there is a negative relationship between price and quantity demanded, i.e. higher the prices, lower will be the demand and vice versa.

- (c) **Competition:** The price charged by the competitor for similar product is an important determinant of price. A marketer would not like to charge a price higher than the competitor for fear of losing customers. Also, he may avoid charging a price lower than the competitor as it may result in a price war among the competitors.
- (d) **Marketing Objectives:** A firm may have different marketing objectives such as maximisation of profit, maximisation of sales, bigger market share, survival in the market and so on. The prices have to be determined accordingly. For example, if the objective is to maximise sales or have a bigger market share, a low price will be fixed.
- (e) **Government Regulation:** Prices of some essential products are regulated by the government under the Essential Commodities Act. For example, prior to liberalisation of the economy, cement and steel prices were decided by the government. Hence, it is essential that the existing statutory limits, if any, are also kept in view while determining the prices of products by the producers.

## 15.6 METHODS OF PRICE FIXATION

Methods of fixing the price can be broadly divided into the following categories:

1. **Cost Based Pricing:** Under this method, price of the product is fixed by adding the amount of desired profit margin to the cost of the product. If a particular soap costs the marketer Rs. 8 and he desires a profit of 25%, the price of the soap is fixed at  $Rs\ 8 + (8 \times 25 / 100) = Rs. 10$ . While calculating the price in this way, all costs -variable as well as fixed - incurred in manufacturing the product are taken into consideration.
2. **Competition Based Pricing:** In case of products where market is highly competitive and there is negligible difference in quality of competing brands, price is usually fixed closer to the price of the competing brands. It is also known as 'going-rate pricing'. The firm decides its price largely after seeing the prices of competitors. The firm might charge the same, more, or less than its major competitors' charges. For example, A new ketchup manufacturer may

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charge a similar price as of its competitor. This type of pricing is most common with the goods like, bread, steel, cement, telecom services etc.

3. **Demand Based Pricing:** At times, prices are determined by the demand for the product. Under this method, without paying much attention to cost and competitors' prices, the marketeers try to ascertain the demand for the product. If the demand is high they decide to take advantage and fix a high price. If the demand is low, they fix low prices for their product. At times, they resort to differential prices and charge different prices from different groups of customers depending upon the irperceived values and capacity to pay. Take the case of cinema halls where the rates of tickets differ for the different sets of rows in the hall.
4. **Objective Based Pricing:** This method is applicable to introduction of new (innovative) products. If, at the introductory stage of the products, the organisation wishes to penetrate the market i.e., to capture large parts of the market and discourage the prospective competitors to enter into the fray, it fixes a low price. Alternatively, the organisation may decide to skim the market i.e., to earn high profit by taking advantage of a group of customers who give more importance to their status or distinction and are willing to pay even a higher price for it. In such a situation they fix a quite high price at the introductory stage of their product and market it to only those customers who can afford it.
5. **Sealed-Bid Pricing:** This kind of Competitive-oriented pricing is common when firms submit sealed bids for different projects or work. Many government departments invite competitive bids from the marketeers through tenders for making big purchases. In bidding, each firm decides their price on expectations of how other marketeers or competitors will price rather than deciding price on the basis of firm's own costs or demand.



### INTEXT QUESTIONS 15.3

1. List the main factors affecting pricing decision of a firm.
2. Which method of price fixation is being referred to here :
  - (a) Hari fixes the price of shirts that he manufactures and sells at a price 10% higher than its cost.
  - (b) Mannat introduces a new brand of biscuits at a low introductory price.

- (c) Sheetal fixes the price of her glassware keeping in mind the prices for similar products in the nearby shops.
- (d) Rahul, a fruit-seller, increases the price of mangoes if there is a heavy demand for them during the summer season.
- (e) Pinky charges a high price for the exclusive designer handkerchiefs that she designs for a selective group of customers.
- (f) Jahnavi lowers the price of the vegetables at her shop in the evening, so that customers purchase them even when they are not as fresh as they were in the morning time.

### 15.7 CHANNELS OF DISTRIBUTION

You are aware that while a manufacturer of a product is located at one place, its consumers are located at innumerable places spread all over the country or the world. The manufacturer has to ensure the availability of his goods to the consumers at convenient points for their purchase. He may do so directly or, as stated earlier, through a chain of middlemen like distributors, wholesalers and retailers. The path or route adopted by him for the purpose is known as channel of distribution. **A channel of distribution thus, refers to the pathway used by the manufacturer for transfer of the ownership of goods and its physical transfer to the consumers and the user/buyers (industrial buyers).**

**According to Stanton "A distribution channel consists of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business user".** Basically it refers to the vital links connecting the manufacturers and producers and the ultimate consumers/users. It includes both the producer and the end user and also the middlemen/agents engaged in the process of transfer of title of goods.

**Primarily a channel of distribution performs the following functions:**

- (a) It helps in establishing a regular contact with the customers and provides them the necessary information relating to the goods.
- (b) It facilitates the transfer of ownership as well as the delivery of goods.
- (c) It helps in financing by giving credit facility.
- (d) It assists the provision of after-sales services, if necessary.
- (e) It assumes all risks connected with carrying out the distribution function.



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- (f) It helps in placing orders with the manufacturers.

### 15.8 TYPES OF CHANNELS OF DISTRIBUTION

Generally, we do not buy goods directly from the producers. The producers/ manufacturers usually use services of one or more middlemen to supply their goods to the consumers. But sometimes, they do have direct contact with the customers with no middlemen involved. This is true more for industrial goods where the customers are highly knowledgeable and their individual purchases are large. The various channels used for distribution of consumer goods can be described as follows:

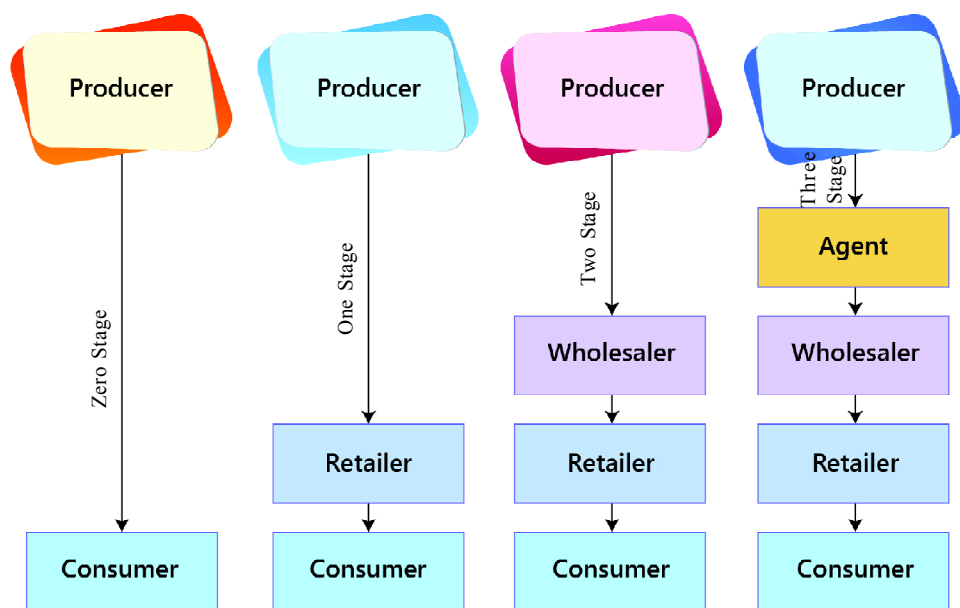


Fig. 15.6 Channels of Sistribution

- (a) **Zero Stage Channel of Distribution:** Zero stage distribution channel exists where there is direct sale of goods by the producer to the consumer. This direct contact with the consumer can be made through door-to-door salesmen, own retail outlets or even through direct mail. Also in case of perishable products and certain technical household products, door-to-door sale is an easier way of convincing consumer to make a purchase.

Eureka Forbes, for example, sells its water purifiers directly through their own sales staff.

Manufacturer → Consumer

- (b) **One Stage Channel of Distribution:** In this case, there is one middleman i.e., the retailer. The manufacturers sell their goods to retailers who in turn sell it to



the consumers. This type of distribution channel is preferred by manufacturers of consumer durables like refrigerator, air conditioner, washing machine, etc. where individual purchase involves large amount. It is also used for distribution through large scale retailers such as departmental stores (Big Bazaar, Spencer) and super markets.

e.g. MARUTI sells cars through company approved retailers.

Manufacturer → Retailer → Consumer

- (c) **Two Stage Channel of Distribution:** This is the most commonly used channel of distribution for the sale of consumer goods. In this case, there are two middlemen used, namely, wholesaler and retailer. This is applicable to products where markets are spread over a large area, value of individual purchase is small and the frequency of purchase is high.

e.g. For soaps, oils, clothes, rice this distribution network is preferred.

Manufacturer → Wholesaler → Retailer → Consumer

- (d) **Three Stage Channel of Distribution:** When the number of wholesalers used is large and they are scattered throughout the country, the manufacturers often use the services of mercantile agents who act as a link between the producer and the wholesaler. They are also sometimes known as distributors.

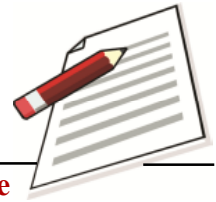
This method is preferred when a large market is to be covered.

Manufacturer → Agent → Wholesaler → Retailer → Consumer



### INTEXT QUESTIONS 15.4

- Which type of channel of distribution will be suitable in each of the following cases? Name it and draw a labelled diagram (in the space given below) depicting the channel.
  - For a perishable product
  - Where large number of wholesalers are involved and are scattered throughout the country.
  - For durable products like washing machines.



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## 15.9 FACTORS AFFECTING THE CHOICE OF DISTRIBUTION CHANNEL

Choice of an appropriate distribution channel is very important as the pricing as well as promotion strategy are dependent upon the distribution channel selected. Not only that, the route with which the product follows its journey from the manufacturer to the consumer also involves certain costs. This in turn, affects not only the price of the product but also the profits. Choice of inappropriate channels of distribution may result in lesser profits for the manufacturer and higher price for the consumer. Hence, the manufacturer has to be careful while finalising the channel of distribution to be used. He should pay attention to the following factors while making his choice.

- (a) **Nature of Market:** There are many aspects of market which determine the choice of channel of distribution. Say for example, where the number of buyers is limited, they are concentrated at few locations and their individual purchases are large as is the case with industrial buyers, direct sale may be the most preferred choice. But in case where the number of buyers is large with small individual purchase and they are scattered, then there will be need for use of middlemen.
- (b) **Nature of Product:** Nature of the product considerably affects the choice of channel of distribution. In case the product is of technical nature involving a good amount of pre-sale and after-sale services, the sale is generally done through retailers without involving the wholesalers. But in most of the consumer goods having small value, bought frequently in small quantities, a long channel involving agents, wholesalers and retailers is used as the goods need to be stored at convenient locations. Items like toiletries, groceries, etc. fall in this category. As against this, in case of items like industrial machinery, having large value and involving specialised technical service and long negotiation period, direct sale is preferred.
- (c) **Nature of the Company:** A firm having enough financial resources can afford to have both its own distribution force and retail outlet. But most business firms prefer not to create their own distribution channel and concentrate on manufacturing. The firms who wish to control the distribution network prefer a shorter channel.
- (d) **Middlemen Consideration:** If the right kind of middlemen having the necessary experience, contacts, financial strength and integrity are available, their use is preferred as they can ensure success of newly introduced products. Cost factors also have to be kept in view as all middlemen add their own margin of profit to

the price of the products. But from experience it is learnt that where the volume of sales is adequate, the use of middlemen is often found economical and less cumbersome as against direct sale.

## 15.10 PROMOTION

The Promotion Mix refers to the blend of several promotional tools used by the marketer to create, maintain and increase the demand for goods and services. The marketer's task is to find the right promotion mix for a particular brand for reaching a broader audience. It includes the process of informing and persuading the consumers to buy certain product. By using this process, the marketers convey persuasive message and information to its potential customers.

The main objective of promotion is to seek buyers' attention towards the product with a view to:

- arouse his interest in the product;
- inform him about its availability; and
- inform him as to how it is different from others.

It is thus a persuasive communication and also serves as a reminder. A firm uses different tools for its promotional activities which are as follows:

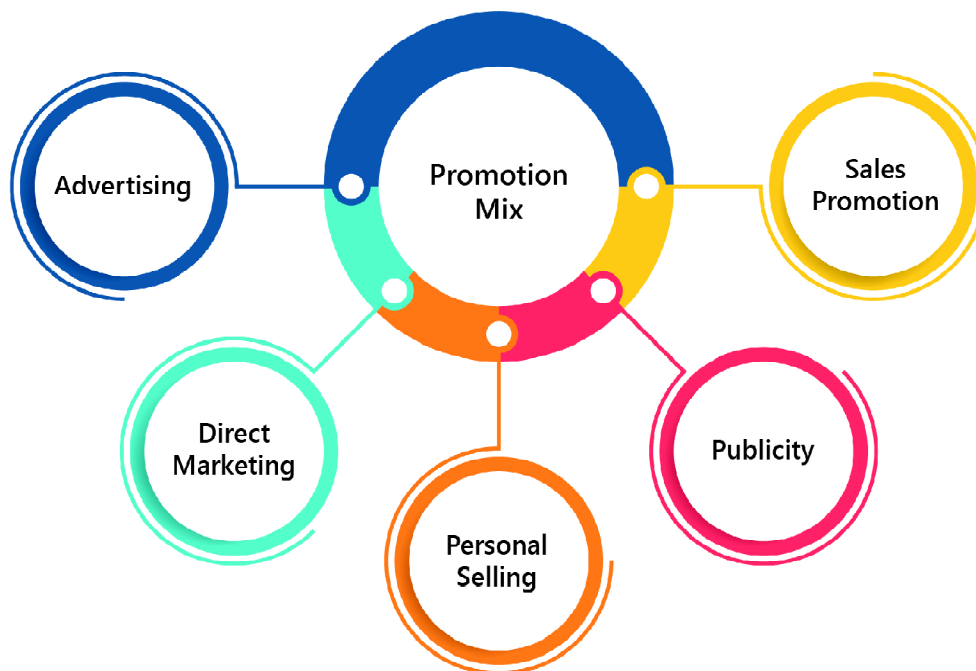


Fig. 15.7 Promotion Mix



Note

## Marketing



Note

1. **Advertising:** Advertising is the most commonly used tool for informing the present and prospective consumers about the product, its quality, features, availability, etc. **It is a paid form of non-personal communication through different media about a product, idea, a service or an organisation by an identified sponsor.** It can be done through print media like newspaper, magazines, billboards, electronic media like radio, television, etc. Advertising can help in building a long term image of the product or can be used to trigger quick sales. It is a very flexible and comparatively low cost tool of promotion. It can help in reaching geographically dispersed buyers efficiently.
2. **Publicity:** This is a **non-paid process of generating wide range of communication to contribute a favourable attitude towards the product and the organisation.** You may have seen articles in newspapers about an organisation, its products and policies. The other tools of publicity are press conference, publications and news in the electronic media etc. It is published or broadcasted without charging any money from the firm. Marketeers often spend a lot of time and effort in getting news items placed in the media for creation of a favourable image of the company and its products.
3. **Personal Selling:** You must have come across representatives of different companies knocking at your door and persuading you to buy their product. **It is a direct presentation of the product to the consumers or prospective buyers.** It refers to the use of salespersons to persuade the buyers to act favourably and buy the product. It is most effective promotional tool in case of industrial goods.
4. **Sales Promotion:** This refers to **short-term and temporary incentives to purchase or induce trials of new goods.** The tools include contests, games, gifts, trade shows, discounts, etc. Sales promotional activities are often carried out at retail levels. It also includes sampling and demonstrations at the shops, stores etc. which helps in creating a favourable response towards the product as the prospective buyer may taste or use the product before buying a product which may create likelihood towards the product.
5. **Direct Marketing:** It include tools like direct mail, telemarketing, TV Shopping, Internet marketing, etc. Direct Marketing campaign may include a customized message normally addressed to a specific person or group of persons. For example, you may have seen some campaigns to buy their products like bedsheets, kitchen set, Indian sarees etc. on TV shopping channels.



## INTEXT QUESTIONS 15.5

1. What are the main objectives of promotion? List them.
2. State the main factors affecting the choice of distribution channels.
3. Which element of the promotion mix is being referred to in the following statements. Write it in the space provided.
  - (a) It is a temporary incentive to induce trial or purchase of a new product. ( )
  - (b) It does not cost money but may involve considerable time and effort by the marketer. ( )
  - (c) It is an effective promotion tool for machines, lubricant etc. ( )
  - (d) Press conference, publications and news in the electronic media are its various tools. ( )
  - (e) It is a paid form of non-personal communication by an identified sponsor. ( )
  - (f) It is done through popular media like radio, television, magazines, newspapers. ( )
4. Tick the right choice.
  - i. To which tool of marketing mix does 'Brand Name' relate?
    - a) Product      b) Price      c) Place      d) Promotion
  - ii. Identify the philosophy in management which suggests that aggressive selling and promotional efforts are needed to sell products.
    - a) Production concept      b) Product concept
    - c) Sales concept      d) Societal concept
  - iii. A cold drinks manufacturing company is using chemicals to make its product (cold drinks). Name the marketing philosophy which is ignored here.
    - a) Production concept      b) Product concept
    - c) Sales concept      d) Societal concept



**Note**

### Marketing



Note

5. Which tool of promotion will primarily be used for the following:
  - a. To get good corporate image without being paid for.
  - b. An existing product meant for mass usage by literate people.
  - c. To introduce a new product to a particular class of people through door to door visits.



### TERMINAL EXERCISE

#### Very Short Answer Questions

1. Define the term 'Advertising'.
2. What is meant by the term 'product'?
3. Give two examples each of tangible products and intangible products.
4. What are speciality goods? Give one example.
5. Define the term 'promotion'.
6. What do you mean by labelling?
7. What is the purpose of packaging a product?
8. What is meant by the 'product concept of marketing'?

#### Short Answer Questions

1. What are 'convenience goods' and 'shopping goods'. Explain giving examples for each type.
2. Explain 'cost based pricing' and 'objective based pricing'.
3. State four functions performed by channel of distribution.
4. Describe the various factors affecting choice of distribution channels.
5. What are durable and non-durable goods? Give two examples of each of them.
6. Write short notes on the elements of promotion.
7. State the functions of packaging.

#### Long Answer Questions

1. What is meant by the Marketing Mix? Describe the four components of marketing mix.



### Marketing



### Note

- |                      |   |
|----------------------|---|
| (v) Pen              | (vi) Getting medical advice from a doctor |
| <b>(b) Durable</b>   | <b>Non-durable</b>                        |
| (i) Refrigerator     | (ii) Salt                                 |
| (iv) Washing machine | (iii) Soap                                |
| (v) Television       | (vi) Cooking oil                          |
| (vii) Sauce          |   |
| (viii) Note book     |   |

#### 4. Labelling

##### 15.3

- |                               |                             |                 |
|-------------------------------|-----------------------------|-----------------|
| 1. (a) Cost                   | (b) Demand                  | (c) Competition |
| (d) Marketing objectives      | (e) Government regulation   |                 |
| 2. (a) Cost-based pricing     | (b) Objective-based pricing |                 |
| (c) Competition-based pricing | (d) Demand-based pricing    |                 |
| (e) Objective-based pricing   | (f) Demand-based pricing    |                 |

##### 15.4

1. (a) Zero stage channel of distribution
- (b) Three stage channel of distribution
- (c) One stage channel of distribution

##### 15.5

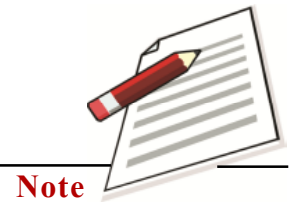
1. (a) arouse buyer's interest in the product
- (b) inform buyer about its availability
- (c) inform him/her how it is different from other products
2. (a) Nature of market
- (b) Nature of the company
- (c) Nature of product
- (d) Middlemen consideration
3. (a) Sales promotion
- (b) Publicity
- (c) Personal Selling
- (d) Publicity
- (e) Advertising
- (f) Advertising



4. (i) a (ii) c (iii) d  
 5. a. Public Relation; b. Advertising; c. Personal Selling

**DO AND LEARN**

Make a list of atleast five different types of products. Classify them into the product categories that you have studied (viz. consumer goods, industrial goods, durable and non-durable, tangible and intangible goods). Find out about the type of channel of distribution that is used for these five products. Also, find out about the promotional activities that are generally associated with the products. Note your findings and tabulate them as follows:



Note

S.No.	Name of the product	Product category According to (a) use (b) durability and (c) tangibility	Type of channel of distribution used	Promotion Activities
1.				
2.				
3.				
4.				
5.				

**ROLE PLAY**

Mani and Prasad are good friends. Mani is a marketing executive working for an MNC and Prasad is a small scale businessman making plastic toys:

- Mani** : Hi Prasad! How are you?  
**Prasad** : Hello ! Mani, nice to see you.  
**Mani** : How you business going on?  
**Prasad** : Not very well.  
**Mani** : Why?  
**Prasad** : For the past 3 years my sales turnover has not increased. It is quite disturbing.  
**Mani** : I understand, but tell me how is your distribution of the product done.

### Marketing



### Note

**Prasad** : I sell the toys in the local market and in the nearby town. I have a dealer. That's it.

**Mani** : No, you have to analyse your distribution channel. Let us sit down and do some work. I think you should have at least three channels of distribution.

**Prasad** : Why?

Play the role of Mani and explain to Prasad the three suitable channels he should adopt for the plastic toys.

# WHAT HAVE YOU LEARNT

