

PROMOTION and PHYSICAL DISTRIBUTION LECTURE

Promotionⁱ: Definition: Promotion is the effort to inform and persuade potential customers in order to accomplish the sale of the product, services, or ideas.

Promotion mix-- also referred to as Communications Mix includes:

- **Personal Selling:** Field representatives or agents, order getting vs. order taking. Prospecting, targeting. Purpose: presentation, answer questions take orders.
- **Communication Channels:** The medium for the message: Flow is: Source—encoding—message—medium---decoding---audience---feedback to Source. Process can be interfered with at different points due to “noise” or failures which can mean a poorly worded or communicated message or poor audience response. Need to audit communications with customer. Fireman’s specialty
- **Budgeting:** Percentage of Sales(this is CIRCULAR), such as in Dansk. Competition’s budget or Competitive Parity, or **Objective and Task** which seeks to independently match the budget with the funding required to achieve the goal. Question for new firms is what they can afford. Reebok spent as much as they had. Where to spend it is decided in the marketing mix.
- **Advertising:** Objectives -- inform, convince, remind, motivate, and support sales team or distributor. (Another way of saying this is: Aim at immediate sale or consideration of brand or build reservoir of good will.) Directed to ultimate consumer or to dealer. Media: Newspaper, Radio, TV, Mail, Magazines, etc. different vehicles have different **Reach**. Usually measured in cost per thousand. John Wanamaker says “our advertising is only half effective, but I am not sure which half” from Kotler Marketing Management. Advertising is non personal for ideas, goods and services of sponsor.
- **Publicity and Public Relations:** Publicity=Non personal communication not paid for by a particular sponsor or party. Can be influenced but not controlled. Ie. getting a story in the times. PR can be personal and nonpersonal. Enhances image.Promotes and protects companies image and products.
- **Direct Marketing:** US sales have grown 3% in recent years, direct marketing sales have grown 7%. Home shopping is fun, more convenient, less hassles for certain items. Includes mail, telephone, fax, email and other non personal contact tools
- **Sales Promotion:** Point of sale displays, premiums, sales training demonstrations. These are short term incentives to encourage trial or purchase.
- **Merchandising:** Packaging, store layout, etc. Behavioral Science Research can contribute understanding of effectiveness of various techniques.

Product Life Cycles: use different strategies at different stages:

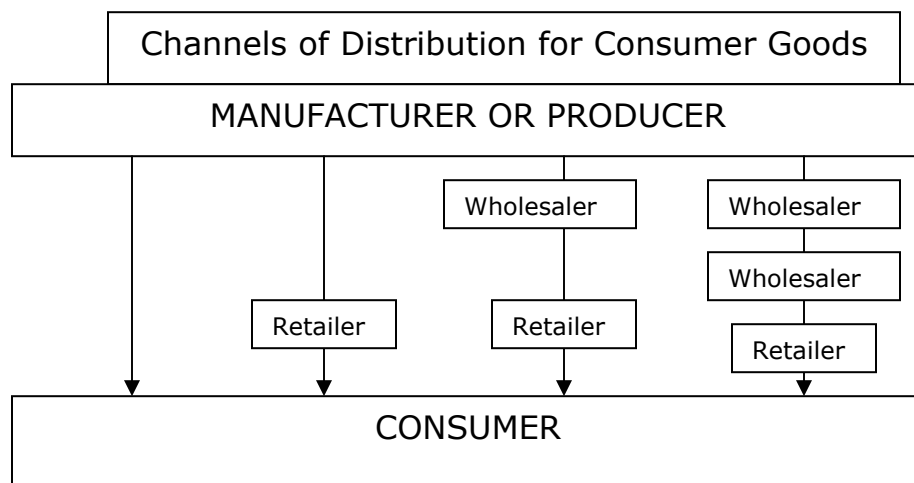
- Introduction stage - Skim or build
- Growth Stage - Shift advertising message from building product awareness.
- Maturity Stage - add new features, find new markets.
- Decline - milk, drop.

Market Research: Test marketing, surveys, and cost-benefit considerations. Links company to the consumer: purpose of market research is to identify new opportunities; explore problems; refine marketing mix; study buyer behavior to enhance marketing approach and products. Research design creates the plan for collecting and analyzing the data.

Social Responsibility: Seduction of the innocent, promulgation of false values, contribution to monopoly power.

Summary: whole market mix (including package and pricing) not just promo mix needs to be used to effect the companies strategic positioning.

Distribution: Channels of Distributions serve the sellers need to effect the marketing mix (the four P's)



Channel Design: Seller needs to be wary of, within the design of the channels, resources of the company, competitors strategies, the actual product (ie. particular characteristics, hot, cold protection) and buyers behavior (buy every week, etc), and the strategy of selling the product itself (ie. direct sales)

Channel Functions:

Primary: actually getting the product distributed. Distribution includes not only transporting the product but inventory control and certain consumer service functions.

Secondary: Intermediaries can provide certain promotional efforts including research and product planning.

Forms of Channels:

Direct: Producer to final user

Indirect: use of intermediaries who are not part of the producer are usually governed contractually, alternatives are administering channels through a major distributor.

Strategies for getting products to consumers:

Pushing: Pushing the product thru the channels thru promotion secures intermediary cooperation. Promotional efforts include personal selling, advertising and sales promotions. All to get the intermediaries to cooperate.

Pulling: Creates a demand from the consumer to help create support within the channel. Advertising and promotion is directed to the customer. Used a lot with new products.

Retailers:

- a. **Traditional:** Home to home, general stores, single line stores, specialty shops, department stores, catalog retailers, planned shopping centers
- b. **Vertical Systems:** (Citgo, Ace Hardware, Golds Gyms include voluntary chains.
- c. **Franchises.** Type of Vertical system. Use of legal copyrights etc. assistance in purchasing. Etc.
- d. **The Mass Marketers:** Supermarkets, hypermarkets and discount houses

Wholesalers:

a. Definition: Wholesaling is concerned with the activities of those persons or establishments which sell to retailers and other merchants, and/or to industrial, institutional, and commercial users, but who do not sell in significant amounts to ultimate consumers.

b. Types of wholesalers:

Merchant Wholesalers: independent firms, taking title to goods. Also called distributors or jobbers. There are full service merchant wholesalers who do everything and limited ones who don't get involved with merchandising and marketing, or credit facilities.

Functions of wholesalers from retailer perspective: Anticipate needs, regroup goods, carry stocks, deliver goods, grant credit, provide information, provide buying function, own and transfer title to goods.

Functions of wholesalers from the producer perspective:

Provide part of selling function (sales force), store inventory, reduce credit risk, and provide market information.

Provide part of the sorting process in accumulating and distributing in smaller units.

Agents and Brokers:

Agents: independent wholesalers, no title, get paid from commissions or manufacturer fees

Brokers: No title, bring buyers and sellers together and facilitate the sale.

Main service is to facilitate buying and selling functions. Differ from wholesaler in that they do not take title.

c. How to Choose amongst options:

- a. Cost
- b. Size of market reached
- c. Customer's need for service
- d. Manufacturer's need to control outlets

ⁱ Ref: John M. Rathmell, Managing the Marketing Function. John Wiley & Sons, Inc.

ⁱⁱ Ref. Jerome McCarthy, Richard Irwin Publishers