

Marketing

Part 2

Chartered Accountancy

Strategic Level

Strategic Management & Leadership (SML)

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Distribution & Channel Management

Place is concerned with the selection of distribution channels used to deliver goods to the consumer. The 'place' element of the marketing mix is really concerned with the processes by which the product reaches the consumer in a convenient way. Other terms for 'place' include distribution, delivery systems or channels.

Place / distribution can be in physical or in non-physical form due to the development of communication technology.

Ex: Selling through Retailers Vs Selling on line...

Getting 'place' right in marketing terms means effective distribution: getting the right products into the right places at the right time, so that the customer has the choice of buying your product, not your competitors.

Channels of distribution may include the following;

- Retailers
- Wholesalers
- Dealers
- Agents
- Franchises
- Multiple stores (Super markets)
- Direct selling
- Brokers

Key Decisions in Channel Management

- Price Policy
- Terms & Conditions
- Territorial Rights
- Definition of responsibilities

Territorial Rights / Levels of Market Coverage

Product distribution can be done in different ways and the level of market coverage can be decided according to the requirement of the business. There are 4 types of market coverage strategies.

01. Intensive distribution
02. Selective distribution
03. Exclusive distribution
04. Direct Distribution

1) Intensive Distribution

In intensive distribution orgⁿ will use all the available outlets in the market for distributing their products.

Eg: Soft drinks, Toffee, Panadol, Newspapers

2) Selective Distribution

In selective distribution orgⁿ will use only the selected outlets to distribute their product since the purchasing frequency is not that high.

Eg: Lover accessories, Soft logic

3) Exclusive Distribution

In exclusive distribution orgⁿ will select a single outlet to cover a larger geographical area since customer frequency of buying is very less.

Eg: AMW

4) Direct Distribution

A manufacturer may sell direct to consumers through online sales and the internet.

Vertical & Horizontal Marketing Systems

In a **vertical marketing system** (VMS), all the participants in a channel of distribution – manufacturer, wholesalers and retailers – co-operate to sell the products to the end customer.

In a **horizontal marketing system**, two or more unrelated business organizations combine their marketing and distribution efforts to achieve results that individually would not be possible.

Managing Marketing Communication

Promotion



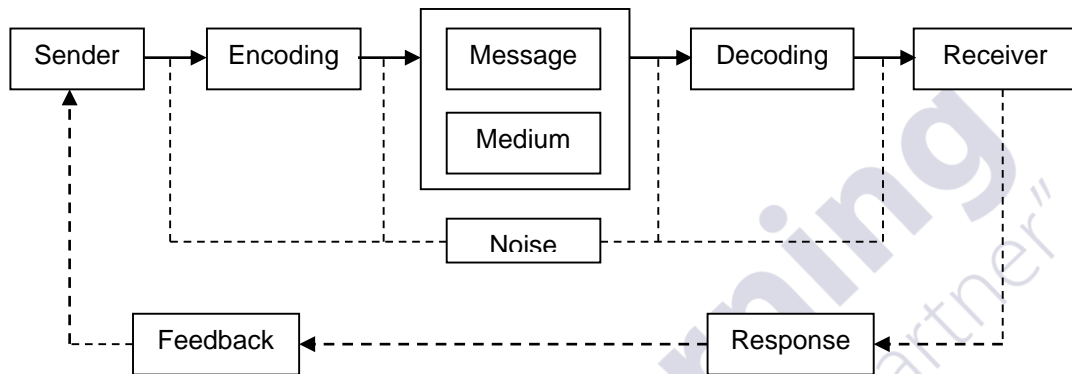
Promotion can be defined as the mechanism by which orgⁿ communicate with customers and other stakeholders. Orgⁿ will have to make the customers aware about different offers of the orgⁿ and orgⁿ needs to keep continuous communication with the customer. This need will be fulfilled by the promotion element of 7P's

Orgs use a promotional mix which comes under the marketing mix element "Promotion". Promotion mix is as follows.

01. Advertising
02. Sales promotions
03. Personal selling

- 04. Public relation
- 05. Direct marketing
- 06. Sponsorships

The communication Process



Encoding

This is the process of converting the originated idea into the comprehensive format (Symbol, Words)

Medium

The methods of sending the message to the receiver (Newspapers, Radio, TV)

Decoding

This is the translation of the sent message by the receiver in a way that he can understand the message.

Noise

These are possible interruptions that can happen during the process of communication.

Marketing Communication & Customer Adoption Process for New Products (AIDA Model)

AIDA model is used to identify the way how orgⁿ can convert non users of a particular product into users by using marketing product into users by using marketing communication.

A	-	Attention
I	-	Interest
D	-	Desire
A	-	Action

By marketing communication activities Orgⁿ must be able to get the attention of the prospective customers for org^l products & services through advertising and creating awareness.

After getting the customer attention marketing communication activities will have to generate interest within the customers mind set which will push them towards the purchasing decision.

As a result of the interest generated in the customers mind set orgⁿ will have to purchasing the particular producer or service. Customer must feel that he has a desire to buy that particular or service.

Due to the desire product or service has, customers will compel to buy that particular product or service by converting his desire in to action.

Roles & Functions of Communication

- Communicating value to customers
- A method of increasing sales
- Building mutual relationships
- To create awareness
- To create top of the mind recall
- To gain a competitive advantage

Marketing Communications can generally operate in 03 Levels;

- a) Non personal & Mass Promotions
- b) Personal & Direct Promotions

c) Personal & Interactive

Promotional Mix / Marketing Communication Mix

1) Advertising

This is paid non personal medium of communication by using mass media to communicate about product & service to the target market. Advertising is costly and the effectiveness of advertising can be measured by following ways

01. Level of customer awareness
02. Sales volume
03. Number of new inquiries made
04. Competitor response

One of the most popular ways of measuring the effectiveness of advertising is to measure the "Hit rate" of that particular advertisement (Hit rate is the number of people in the target market who have seen / received the message)

Eg: In television advertising hit rate is very high during the time they broadcast news, cricket matches.

Mediums of Advertising

01. Television
02. Radio
03. Newspaper
04. Catalogue
05. Leaflets
06. Hording

2) Personal Selling

This is a personal communication mechanism in which orgⁿ persuades an individual or an orgⁿ in selling a particular product or service. This is the most effective tool among the promotional mix elements

where orgⁿ will be able to deliver a tailor-made product / service to the customers and personal selling would become important under the following circumstances.

01. When the product value is very high. (construction projects)
02. When the product is a technically related one (machinery & equipments)
03. When there are only few buyers in \bar{e} market.
04. When orgⁿ needs to build personal relationship with customers (medical representatives)
05. When the product needs to be offered in a tailor-made manner.

Eg: leasing insurance

Elements & tasks of Personal Selling

- The Opening
- Need & Problem Identification
- Presentation & Demonstration
- Handling Objections
- Negotiation
- Closing the Deal

3) **Public Relations (PR)**

This is the tool use by the orgⁿ to gain good will among their stakeholders. Even though mass media is used in public relations orgⁿ doesn't need to pay any sum. Because publicity for public relation activities will be received for free of charge.

Eg: Press Releasers

Renovating a school in a rural area

4) Sales Promotions

This is a short term incentive given to either the salesman, intermediary or customer with the intention of increasing short-term sales. By sales promotions orgⁿ can experience a short term rapid growth in their sales and this can even be used attracting new customers from competitor.

Eg: Buy one get one free
Discounted price
Free samples
Competitions
Coupon offers

} **For customers**

Providing display materials
Bulk discounts
Gifts
Credit terms

} **For intermediaries**

Gifts and tokens
Incentives
Commission
Foreign tours

} **Sales guys**

5) Sponsorship

Sponsorship is the financial or material assistance given to a particular, event, individual or activity.

Eg: Sponsorship given by mobitel to the Sri Lanka cricket team.
Yamaha sponsoring Lasitha Malinga
TVS sponsoring Sachin Tendulkhar

When organizations are investing in sponsorships they must make sure that the org^l value system and the culture is going parallel with the value system and the culture of the sponsoring events or the individual.

6) Direct Marketing

Direct marketing involves a collection of activities which are directly used in communicating with the target market of the orgⁿ.

Eg: Direct mailers
Tele marketing
Direct emailing campaigns
Catalogue marketing

Push and Pull Communication Strategies



Push Communication Strategy

In push communication strategy orgⁿ motivates the intermediary parties to sell more number of units to the end user. Promotional tools such as sales promotions can be used with the purpose of pushing the product through intermediaries.

Eg: Suppliers giving attractive margins to intermediate

Pull Communication Strategy

In this strategy orgⁿ persuades the end user / customer to pull the products from intermediaries by using promotional tools such as advertising and direct marketing as a result intermediaries will automatically demand product from the supplier.

Eg: Paracetol advertising campaign, Airtel advertising campaign

Profile Communication Strategy

There is another approach to marketing communication called "**Profile**". In this approach orgⁿ will focus on enhancing the corporate image and reputation where it will automatically generate the required market for the orgⁿ.

Eg: Cargils

Service Marketing

The world economy nowadays is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country's economic progress.

Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy.

This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Rather, services now increasingly represent an integral part of the product and this interconnectedness of goods and services is represented on a goods-services continuum.

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

The defining characteristics of a service are:

Intangibility

Heterogeneity/Variability

Perishability

Inseparability/Simultaneity of production and consumption

Types of Services

1. **Core Services:** A service that is the primary purpose of the transaction. Eg: a haircut or the services of lawyer or teacher.
2. **Supplementary Services:** Services that are rendered as a corollary to the sale of a tangible product. Eg: Home delivery options offered by restaurants above a minimum bill value.

Extended marketing mix is generally use by service oriented org^s. But it can even be used by product oriented org^s after customizing for the purpose, other than the 4P's use under the product marketing mix, there will be additional 3P's in marketing services.

01. People
02. Process
03. Physical evidence

People

This is the human factor involve in providing services which will give tangibility to the intangible service. Quality of the human resource, their qualification, experience, service orientation, Corporation and attitudes will improve the people elements of the marketing airlines.

Eg: HSBC, Kingfisher Airlines

Process

This is the mechanism of delivering the service to the consumer. Speed of delivery, accuracy process quality, integration of the process will decide the standard of this element in the marketing mix.

Physical Evidence

Generally these are the factors that would create tangibility to the intangible services delivered by the business. Under this element orgⁿ is trying to generate a physical appearance to the service elements.

Eg: Corporate colours, Interior designing, Uniform, Letter heads, Receipts, Envelops

Customer Relationship Management

RELATIONSHIP MARKETING



Relationship marketing is the concept of generating & maintaining long term positive relationship with customers, Employees and other related outsiders by focusing on retaining them & making them loyal to the organization.

Customer Relationship Marketing (CRM) is the concept of generating & maintaining long term positive relationship with customers by focusing on retaining them & making them loyal to the organization. Under this unit we will concentrate on the concept of CRM.

Relationship marketing will improve “customer loyalty” where organization will be able to retain their existing customer base by creating a strong relationship.

Advantages of Relationship Marketing

- 1) This will create a competitive advantage to the organization
- 2) This will increase the customer loyalty
- 3) Organization will be able to have better margins
- 4) There will be positive word of mouth communication
- 5) Organization can reduce the costs of attracting new customers

Relationship Marketing Vs Transactional Marketing

Transactional Marketing	Relationship Marketing
1. It is focused on a single transaction	1. Organization wants to keep the customer for long time
2. Organization emphasize on product features	2. Organization on produce to benefits
3. Little or no effort on customer retention	3. Focused on customer retention
4. Short term view	4. Long term view
5. Limited customer commitment	5. High customer commitment
6. Moderate customer contact	6. High customer contact

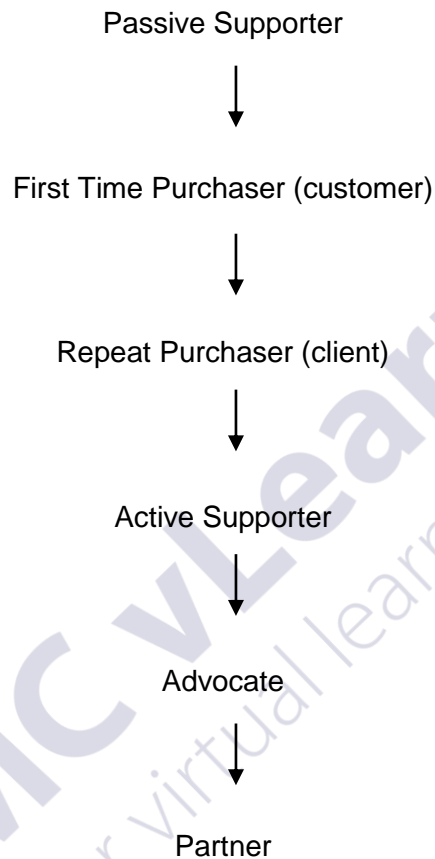
For financial services sector, customer relationship management is highly important due to long term commitment and the nature of the industry.

Generally it is emphasized that it costs 5 to 10 times to acquire a new customer than to retain an existing one. Further it has revealed that a 5% increase in customer retention can increase the profitability of a Bank by 25 % (Murphy 1996).

All customers are not profitable. According to the “pareto theory”, 80% of your profit will be delivered by 20% of your customers hence more emphasis must be placed on retaining them.

Stages in Building Customer Relationships

Organizational relationship with the customer needs to be developed over a period as depicted in the "customer Loyalty Ladder"



A dissatisfied customer can have three approaches in responding.

1. Stop buying from the company
2. Complain and demand
3. Continue to buy without complaining till an alternative is developed.

The Key Requirements of Successful CRM

1. Get to know the Customer
2. Get the Customer to understand what organization knows about them
3. Use this knowledge to provide more customer service

Customer Vs Client

Customer is a one-time purchaser where as a client is a repeat purchaser

Customer Vs User

Customer is the Party who decides and Purchases the Product whereas User is merely the party who uses the product.

Collection of Data for CRM

- A key requirement of CRM is to have an accurate data base / information about who are the customers, their needs, wants and buying decisions. The depth of CRM customization depends on the nature of product and industry as well.
- High values special products can be really strengthen by the CRM with customization but for convenience goods and shopping goods will not be the same approach.
- There are a number of ways organizations can find information about their customers;
 - Direct Questioning
 - Conversations
 - Questionnaires

- Customer Complaints
- Loyalty Cards
- Social Networking
- Other types of consumer research

Merely availability of information will not guarantee the success of CRM but it's how you use the available information.

An accurate up-to-date customer data base will be the key to success of CRM. Rather than being depending on manual sourcing, modern organizations are using CRM software to ensure those data bases are digitalized.

This will enable the organization to practice;

- A – Electronic Marketing
- B – Targeted Mail Sending
- C – Proposer sales trend analysis
- D – Regular order building
- E – Quick & customized front office solutions.

