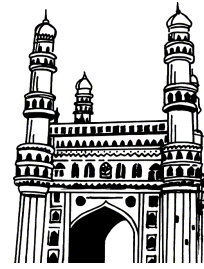


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ADVERTISING AND SALES MANAGEMENT

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Advertising: Concept, Evolution, Promotion Mix, Importance, and Functions of Advertising, Role of Advertising, AIDA model, Types of Advertising, Advertising Plan, DAGMAR Approach, Visualization of Advertising Layout – Functions, Principles, Elements of a layout.

UNIT - II

Advertising Media: Types of Media – Print, Electronic, Other Media – Merits and Demerits of each media, Media Planning – frequency, reach and outcome, Appeals, Setting Advertising Objectives, Advertising Message, Advertising Budget, Evaluation of Advertising Effectiveness – Methods, and Regulation of Advertising in India – Misleading and deceptive advertising.

UNIT - III

Sales Management: Importance, types of Selling, difference between Selling and Marketing, Sales Activities, Selling Skills, Selling Strategies, Selling Process, Sales Planning Process, Sales Forecasting Methods, Sales Budgeting Process. Sales Force Management - Recruitment and selection, training, sales force motivation, compensation, sales force control and evaluation.

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Sales Promotion: Concepts, need, objectives, Personal Selling vs. Advertising, Types of Sales Promotion, Sales Promotion Strategies - Sales Promotion and Product Life Cycle, Cross Promotion, Surrogate Selling, Bait and Switch advertising, Ethical and legal aspects of sales promotion.

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Sales Distribution: Distribution Channels, Need for Channels, Channel Intermediaries and Functions, Channel Structure, Channel for consumer products, business and industrial products, alternative channel, Channels for Rural Markets, channel Strategy Decisions. Designing, Motivating and Evaluating Channel Members, Managing Retailers, Wholesalers, Franchisers, Managing Conflict - reasons for Channel Conflicts, Managing International Channel of Distribution, Ethical issues in Sales and Distribution Management

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UNIT I

Advertising: Concept, Evolution, Promotion Mix, Importance, and Functions of Advertising, Role of Advertising, AIDA model, Types of Advertising, Advertising Plan, DAGMAR Approach, Visualization of Advertising Layout – Functions, Principles, Elements of a layout.

1.1 CONCEPT OF ADVERTISING

Q1. Explain the concept of advertising.

Ans :

Advertising is an important tool of promotion. Advertisement is a non-personal presentation of an idea or a product (where as personal selling or salesmanship help in personal promotional.) Advertisement supplements personal selling to a great extent. Advertising has, acquired great importance in the modern India characterized by tough competition in the market and fast changes in technology, and fashion and taste customers. In this chapter, we shall study the nature, functions and media of advertisement used by modern business firms.

Advertising is used for communicating business information to the present and prospective customers. It usually provides information about the advertising firm, its product qualities, place of availability of its products, etc. Advertisement is indispensable for both the sellers and the buyers. However, it is more important for the sellers. In the modern age of large scale production, producers cannot think of pushing sale of their products without advertising them.

Meaning of Advertising

Advertising is an activity of attracting public attention to a product or business, as by paid announcements in the print, broadcast, or electronic media.

Advertising is a paid form of a non-personal message communicated through the various media by industry, business firms, nonprofit organisations, or individuals. Advertising is persuasive and

informational and is designed to influence the purchasing behaviour and/or thought patterns of the audience. Advertising is a marketing tool and may be used in combination with other marketing tools, such as sales promotions, personal selling tactics, or publicity.

Definition of Advertising

Advertising is defined differently by different people, some of the definitions are as follows:

American Marketing Association

“Advertising is any paid for a non-personal presentation of ideas, goods or services by an identified sponsor”.

According to Richard Buskirk,

“Advertising is a paid form of non-personal presentation of ideas, goods or services by an identified sponsor.”

According to Wheeler, “Advertising is any form of paid non-personal presentation of ideas, goods or services for the purpose of inducing people to buy”.

According to William J. Stanton, “Advertising consists of all the activities involved in presenting to a group, a non-personal, oral or visual, openly-sponsored message regarding a product, service or idea, this message is called on advertisement, is disseminated through one or more media and is paid for by an identified sponsor”.

Features of Advertising

1. Advertising Provides Information

The basic purpose of advertising is to provide information about products/services to prospective buyers. The details of products such as features, uses, prices, benefits, manufacturer's name, and instructions to be

followed while using the product are given in the advertisements. The advertising message and brand name are also given. The information supplied gives education and guidance to consumers and facilitates correct selection of goods by them.

2. **Paid form of Communication**

The advertiser has to pay to the media for giving publicity to his advertising message. He pays for the advertisement and naturally he decides the size, slogan, etc. given in the advertisement. Advertising is a form of paid communication.

3. **Non-personal Presentation**

Advertising is non-personal in character as against salesmanship which is personal (face to face communication) in character. In advertising, the message is given to all and not to one specific individual. This rule is applicable to all advertising media including press. However even in advertising target consumers or target market can be selected for making an advertising appeal.

4. **Gives publicity to goods, services and Ideas**

Advertising is basically for giving information to consumers. This information is always related to the features and benefits of goods and services of different types. Advertising gives new ideas to consumers as its contents are meaningful. The aim is to make the ideas popular and thereby to promote sales. For example, advertising on family planning, family welfare, and life insurance is useful for placing new ideas before the people.

5. **Basically for Persuasion**

Advertising aims at persuasion of potential customers. Advertising attracts attention towards a product, creates desire to have the same and finally induces consumers to visit the market and purchase the same. Advertising has psychological impact on consumers. It influences the buying decisions of consumers.

6. **Target Oriented**

It is possible to make intensive advertising by selecting a specific market or specific segment of consumers (e.g. children, housewives, etc.) for the purpose of advertising. This selection of a specific market is called target market. Advertising becomes effective and result oriented when it is target oriented. The waste in advertising can be minimized through such target oriented advertising.

7. **An Art, Science and Profession**

It is now universally accepted that advertising is an art, science and a profession. It is an art as it needs creativity for raising its effectiveness. Advertising is a science as it has its principles and rules. Advertising is now treated as a profession with its professional bodies and code of conduct for members. Advertising agencies and space brokers function as professionals in the field of advertising.

8. **Important element in marketing mix**

Advertising is an important element in marketing mix. It supports the sales promotion efforts of the manufacturer and makes positive contribution in sales promotion provided other elements in the marketing mix are reasonably favorable. This is natural as advertising alone is not adequate for promoting sales. Many companies now spend huge funds on advertising and public relations.

9. **Creativity - the essence of advertising**

Advertising is a method of presenting a product in an artistic, attractive and agreeable manner. This is possible through the element of creativity which is the essence of advertising. Creativity can be introduced by creative people (professionals) in the field of advertising. They introduce new techniques for introducing creativity. Without creativity, advertising will be like a body without a soul.

Objectives of Advertising

The real objective of advertising is effective communication between producers and consumers with the purpose to sell a product, service, or idea. The main objectives of advertising are as follows:

1. Informative

Objective of advertising is to inform its targeted audience/customers about introduction of new product, update or changes in existing products or product related changes, information regarding new offers and schemes. Informative advertising seeks to develop initial demand for a product. The promotion of any new market entry tends to pursue this objective because marketing success at this stage often depends simply on announcing product availability. Thus, informative advertising is common in the introductory stage of the product life cycle.

2. Persuasive

Objective of advertising is to increase demand for existing product by persuading new customer for first time purchase and existing customers for repurchases. Persuasive advertising attempts to increase demand for an existing product. Persuasive advertising is a competitive type of promotion suited to the growth stage and the early part of the maturity stage of the product life cycle.

3. Reminder

The objective of advertising is to remind customers about existence of product, and ongoing promotional activities. Reminder advertising strives to reinforce previous promotional activity by keeping the name of a product before the public. It is common in the latter part of the maturity stage and throughout the decline stage of the product life cycle.

1.1.1 Evolution of Advertising**Q2. Explain about evolution of advertising.**

Ans :

Modern advertising is largely a product of the twentieth century, however, communication has been a part of the selling process ever since the exchange of goods between people started. The development of technology and research has led to increased sophistication in advertising in recent decades. During ancient and medieval times,

advertising was crude if measured by present day standards, however, the basic reason for using advertising was the same then as it is now.

Institutions come into existence only when a need for them develops. A variety of external forces support and nourish the growth and development of an institution. To survive, the institution must be dynamic, flexible and adaptable to meet the needs in the changing conditions of the environment.

The recorded history of advertising goes back to about 5000 years including the modern satellite and internet age. Our knowledge of advertising in ancient times is quite fragmented. Nevertheless, it seems that the urge to advertise is a part of human nature since ancient times. The diggings by archaeologists, in countries rimming the Mediterranean sea, has unearthed a Babylonian Clay tablet of about 3000BC, Bearing inscription for an ointment dealer, a scribe, and a shoemark, Romans and their predecessor knew that "it pays to advertise". Papyri found in the ruins of Thebes (Egypt) show announcements offering rewards for the return of runaway slaves about 3000 BC.

Before the invention of printing from movable type (about AD 1438) by Johann Gutenberg there were three forms of advertising.

1. Trademarks

Craftsman, in early times, wanted to be identified for their skills and places their individual marks on goods that they crafted. This led to reputation building of particular artisans by word of mouth. Buyers learn to look for distinctive marks just as we look today for brands names and trademarks on products.

2. Signs

Phoenicians, and other traders, painted commercial messages on prominent stocks along trade routes that they frequented. These messages highly praised the products that were for sale. This is an example of ancient outdoor advertising, Archaeologists have revealed, from excavations at Pompeii, that little shops had inscriptions on walls near the entrance to inform the passersby whether the shop sold pottery, wine, bread, or any other goods.

3. Town Criers

This system of town criers was perhaps, present in all developed civilizations of the ancient world. In Greece, during the golden age, town criers were paid to go around town spreading news and making announcements in the streets of Athens. Epics and history books about ancient India reveal that the rulers used the system of town criers in India to inform the public of various public interest matters. In rural India, town criers were used till as late as the 1950s.

The first known printed advertisements in the English language appeared nearly forty years after the invention of movable type. William Caxton of London printed the first advertisements. It was a handbill of rules for the guidance of clergy at Easter and was put on church doors. The printed newspaper emerged from the newsletters which were handwritten by professional writers for limited circulation among the nobles and others.

The first ad in America appeared in 1704 in the Boston Newsletter. The first ad that appeared offered a reward for the capture of a thief. This was more like the reward for returned slaves written on Egyptian Papyrus thousands of years before present day advertising came into being.

By the middle of the 17th century, weekly newspapers called „mercuries , started to appear in England. Most of the early advertisements in these newspapers were in the form of announcements. Importers of products new to England were prominent advertisers. The first ad offering coffee appeared in a newspaper in 1652, followed by an offering of chocolate in 1657 and tea in 1658.

Advertising in the 21st Century

The past decade has witnessed a remarkable impact on advertising due to rapid strides in technology. It is difficult to determine exactly what the coming decades in this new century will bring, however, what looks certain is that there will be much greater consumer involvement and control and some degree of two-way communication. With the opening up of economies, mass marketers will continue to increase their operations on a world

wide basis. More and more global players will increasingly adjust their strategies to a local market; country-based or region-based; and advertising will increasingly acquire a local colour. In this regard we are already witnessing some interesting advertising campaigns by Coca-Cola and Pepsi.

Further progress in artificial intelligence will add a totally new dimension to advertising and its planning. There will be major career opportunities for talented people in the electronic media. There will be a number of challenges unique to the coming generations and with these challenges there will be opportunities, responsibilities, and rewards that advertisers of the past could not have imagined.

1.2 PROMOTION MIX OF ADVERTISING

Q3. Elaborate the statement “Advertising is a form of mass communication”, and describe the elements of marketing communication mix.

Ans :

Advertising is a form of Mass Communication

Yes, it is true to say that advertising is a form of mass communication. Advertising is a process of transmission of information by the manufacturer or a seller of a product or service to modify or stimulate the behavior of the buyer to buy a particular product. Advertising can be in any form of presentation such as sign, symbol or illustration in print media, a commercial on radio or television, poster etc. Thus advertising is the communication link between the seller and the buyer.

Advertising is a paid form of a non-personal message communicated through the various media by industry, business firms, nonprofit organizations, or individuals. Advertising is persuasive and informational and is designed to influence the purchasing behavior and/or thought patterns of the audience.

One of the basic ingredients of today's popular culture is consumption and it is the advertising industry that makes mass consumption possible. Advertising is an important element of our culture because it reflects and attempts to change our life styles.

The advertising message has to reach a billion people, speaking different languages, practicing many religions. Advertisers can reach their audiences through television, radio, cinema, print medium, outdoor advertising, sales promotion and the Internet. Hence, advertising is a form of mass communication.

Marketing Communication Mix

The marketing communication mix is the specific mix of advertising, personal selling, sales promotion, public relation, and direct marketing a company uses to pursue its advertising and marketing objectives. Elements of the mix are blended in different quantities in a campaign.

Elements of Communication Mix

Marketing communications has a mix. Elements of the mix are blended in different quantities in a campaign. Following are the elements of marketing communication mix:-

1. Advertising

Advertising is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

2. Personal Selling

Personal presentation by the firm's sales force for the purpose of making sales and building customer relationship.

3. Sales promotion

Short term incentives to encourage sales or purchases of a product or service.

4. Public Relation

Building good relationship with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling unfavorable rumors, stories, and events.

5. Direct Marketing

Direct communication with carefully targeted individual consumers to obtain immediate response and cultivate lasting relationship.

6. Sponsorship

Sponsorship is about providing money to an event, in-turn the product or company is acknowledged for doing so.

7. E-marketing

Online marketing is also gaining importance these days.

1.3 IMPORTANCE AND FUNCTIONS OF ADVERTISING

Q4. Explain the importance and functions of advertising.

Ans :

Importance of Advertising

Organisations are benefited through various advantages of advertising which are as follows:

1. Importance to Manufacturers

"It pays to advertise", is quite a rational statement as advertising is beneficial for manufacturers in many ways:

i) Increased Sales

The primary purpose of every producer engaged in advertisement of the products manufactured, is to stimulate and increase sales of the product. Goods manufactured on a large scale are marketed by advertising, which is a common influential method. Advertising assists in increasing the sales figures. Frequent and persistent broadcasting of an advertisement will help the producer, to grab attention of more customers and increase its market coverage apart from the current markets. It helps in indicating additional benefits of the product to potential customers.

ii) Steady Demand

Seasonal fluctuations cause decrease in demand of the product. But advertising regularises these variations in demand for various products. Producers are always searching for new benefits and features of a seasonal product, to

advertise and attract new customers. For example, new and innovative products like cold coffee and ice-tea have become popular beverages in the month of summer. These beverages are preferred by customers thus increasing the demand. Refrigerator can be considered as another example which has similar demand pattern.

iii) Lower Costs

Advertising acts as a motivator for sales and an enormous increase in the turnover ratio is observed. This is beneficial in two ways, i.e.. firstly, advertising expenses (included in the total selling costs) get evenly distributed over huge sales volume, which ultimately reduces per unit selling cost. And secondly, the per unit production cost is reduced due to increase in production levels initiated by increase in turnover ratio.

iv) Greater Dealer Interest

Retailers receive a considerable amount of help, while performing their task of selling goods (which are being advertised by the manufacturers). Retailers are always interested in selling advertised goods, because advertising creates demand for such goods in the market and hence, they are never concerned about increasing sales of such goods.

v) Quick Turnover and Smaller Inventories

A well-regulated and efficient advertising campaign enables expeditious turnover of products due to creation of a highly reactive market. It also decreases the inventory cost due to constant demand.

vi) Supplementing Salesmanship

The most essential premise for selling a product is done by advertising. Advertising simplifies the job of a salesman. It supplements the work of the salesman as he has to only suggest the product which the prospective buyer is already acquainted with (by way of advertisements).

vii) Encouragement to Better Performance

Advertising of the products manufactured by the organisation gives a proud feeling and sense of self-esteem to the employees of that organisation as they are part of the whole process. It increases efficiency levels of employees and workers and also motivates them to increase their efforts. This raises the team spirit and confidence of the employees of the organisation.

viii) Creation of Goodwill

The advertising benefits the manufacturer by establishing a good reputation for it. It makes the organisation a producer who has developed a positive image of delivering quality products to the society.

2. Importance to Consumers

Following points highlight the advantages of advertising to consumers:

i) Facility of Purchasing

The shopping experience of customers is simplified due to advertising, because the re-sale value of products sold by retailers is predetermined, which is mentioned in the ads. An explicit and absolute commitment is given by an advertisement to target audience that the product offered is not excessively priced, thus, making the customer comfortable while finalising their choice.

ii) Improvement in Quality

Usually, organisations promote their products under the respective brand names. Thus, when a customer decides to buy a product after watching the advertisement, it is the brand assurance which helps him to prefer the product over other similar options available under different brand names. The organisation can expect regular orders from the customer if he gets the

anticipated benefit from the product. If not, the organisation may experience a steep fall in the sales, once the anticipated quality is not received by the customer.

iii) **Elimination of Unnecessary Intermediaries**

Advertising builds up a direct link between the producer and the consumer. This association can help to reduce the price of the product which has been increased due to middlemen margins and subsequently increase the profit margin of the producer. It implies that consumers are being offered products at low rates and huge earnings are generated by the producer.

iv) **Consumer's Surplus**

Many people discover the value of products through advertisements, as it results in increased utility of available products. In case of products with higher utility rate, advertising adds more points to their popularity. It will lead to consumer's surplus with reference to the additional satisfaction obtained from the products, if these products are made available at cheaper rates.

v) **Education of Consumers**

Advertising is a powerful and informative concept. It is a medium to inform and educate the consumers about various innovative products being launched in the market and their uses and benefits. Thus, it induces them to shun their old behavioural pattern and embrace modern lifestyle. Hence, it leads the customers to a superior standard of living.

Functions of Advertising

Advertising has become an essential marketing activity in the modern era of large scale production and serve competition in the market. It performs the following functions:

1. **Promotion of Sales**

It promotes the sale of goods and services by informing and persuading the people to buy them. A good advertising campaign helps in winning new customers both in the national as well as in the international markets.

2. **Introduction of New Product**

It helps the introduction of new products in the market. A business enterprise can introduce itself and its product to the public through advertising. A new enterprise can't make an impact on the prospective customers without the help of advertising. Advertising enables quick publicity in the market.

3. **Creation of Good Public Image**

It builds up the reputation of the advertiser. Advertising enables a business firm to communicate its achievements in an effort to satisfy the customers' needs. This increases the goodwill and reputation of the firm which is necessary to fight against competition in the market.

4. **Mass Production**

Advertising facilitates large-scale production. Advertising encourages production of goods in large-scale because the business firm knows that it will be able to sell on large-scale with the help of advertising. Mass production reduces the cost of production per unit by the economical use of various factors of production.

5. **Research**

Advertising stimulates research and development activities. Advertising has become a competitive marketing activity. Every firm tries to differentiate its product from the substitutes available in the market through advertising. This compels every business firm to do more and more research to find new products and their new uses. If a firm does not engage in research and development activities, it will be out of the market in the near future.

6. Education of People

Advertising educate the people about new products and their uses. Advertising message about the utility of a product enables the people to widen their knowledge. It is advertising which has helped people in adopting new ways of life and giving-up old habits. It has contributed a lot towards the betterment of the standard of living of the society.

7. Support to Press

Advertising provides an important source of revenue to the publishers and magazines. It enables to increase the circulation of their publication by selling them at lower rates. People are also benefited because they get publications at cheaper rates. Advertising is also a source of revenue for TV network. For instance, Doordarshan and ZeeTV insert ads before, in between and after various programmes and earn millions of rupees through ads. Such income could be used for increasing the quality of programmes and extending coverage.

1.4 ROLE OF ADVERTISING IN INDIAN ECONOMY
Q5. Explain the role of advertising in Indian economy.

Ans :

Role of advertising in economic development can be explained through following points:

1. Effect on Production Cost, Distribution Cost and Prices

Advertising affects the production cost, distribution cost and prices. These are discussed below

i) Effect on Production Cost:

Advertising creates demand and expands market size, this necessitates mass production. Mass production results in various economies of large scale, e.g., better utilization of fixed-expenses, availability of good quality raw material at lower prices, availability of

better technology and machinery. All this results in lower per unit cost of production.

ii) Effect on Distribution Cost:

Production cost is one aspect of cost picture, the other aspect is distribution cost. Advertisement cost is a part of selling and distribution cost. Spending higher amounts on advertising increases cost in absolute terms. If- advertising results in reduction of personal selling expenses as buyers are already aware and have detailed knowledge of the product and they come to purchase the product at their own (up strategy of advertising). Moreover less selling efforts are required by salesmen of the organisation in selling well advertised products. Hence lesser personal-selling is required. Thus, with the increase in sales, per unit selling distribution cost comes down.

iii) Effect on Prices: The supporters of advertising argue that advertising helps to reduce prices. Advertising results in reduction of per unit production-cost and per unit selling and distribution cost. So, for increasing market-share and attracting customers, advertiser reduces prices. It is clear from the examples of reduction in prices of competitive products, **viz.**, television, computers, mobile phones, air-conditioners, etc.

2. Effect on Demand

In case of new products, advertising creates primary demand by educating the audience regarding uses of the product. Even in case of existing product, the audiences are made to realise the need of product through rational and emotional appeals. So advertisements create demand. But critics argue that advertisements simply transfer business from one producer to another producer. Consumers start purchasing other brand instead of present brand. So there is no real increase in demand.

This argument of critics is baseless as it is based on the assumption that total consumption remains same, but in reality, advertising created additional demand by attracting new customers, by arousing the need of replacement to existing consumers. **For example**, number of persons using cars, T.V., Air-Conditioners and Mobile Phones, etc., has increased manifold. Hence advertising creates demand.

3. Effect on Competition

Advertising promotes competition among different brands of the same product. The company offering good quality products at reasonable price often gets advantage in the competition. Through advertisements, company can communicate message regarding its good quality, reasonable price, sale- promotion-schemes, to target customers. When one advertiser launches such schemes, other advertisers also follow him. It promotes competition. Critics argue that large firms create barriers to entry of new firms as these large firms enjoy economies of large scale and can afford costly and more efficient media for advertising. These large firms restrict the new firms to enter in the market as new firms cannot afford huge spending on advertising. However, this argument is not completely true, as a new firm can enter into market and increase its market share through advertising its product and by providing good quality products.

4. Effect on Consumer Choice

Advertising has favourable effect on consumer-choice. Advertising gives information about various brands, products available in the market, their features, price, place or availability, etc. Consumer can make comparative study of all such choices to purchase most suitable product. Without advertising, he will not be able to know about various available brands. Critics argue that advertising unnecessarily persuades the prospective buyers to purchase a particular brand. Big companies, by giving repeated advertisements hold the minds of consumers and don't let them think of other brands which

are less advertised. So advertising restricts the consumer choice to a few well-known heavily-advertised brands. But this argument of critics is wrong as consumer has full freedom to buy the goods and services of his choice. Persuasion in advertising only impels the consumer, but does not compel him to buy the advertised product.

5. Effect on Business Cycles

Supporters of advertising argue that advertising helps in reducing the extent of business-cycles. In period of recession, advertisers increase their ad-expenditure to revert their falling sales. In boom periods, advertisers curtail their ad-expenses as they are able to sell their entire production with less advertising efforts. More advertising in recession period and less advertising in boom period, helps to control the extent of business cycle. Critics argue that most advertisers over-spend in boom period and under-spend in recession-period as amount of ad-expenditure (ad-budget) is usually based on percentage of sales. By over spending in boom period the level of demand further increases and by under-spending in recession period the level of demand further comes down. This way advertising is further widening the business cycle.

6. Effect on National Income

Advertising promotes demand, increases productive and industrial activities, promotes growth in agriculture, growth in service sector, increase in exports, etc. All this results in increase in national income. It also promotes standard of living of masses. Critics argue that advertising is a wasteful expense, unproductive in nature and results in wastage of resources. They argue that advertising does not result in increase in demand and production. But the argument of critics is wrong as advertising definitely creates demand, promotes new products, expands markets, promotes production and thus results in increase in national income.

7. Advertising and Creation of Utility

Advertising creates time, place and perception utility. In case of seasonal products, it creates time utility by creating demand even in off-season period. It creates place utility by creating demand even in those market areas where the product was not sold earlier. It creates perception-utility by making positive image of the product in the minds of audience. Advertising also helps the distributors, salesman in saving their time, as now they don't have to waste much time in providing detailed information to prospective customers. It also saves the time of consumers in making purchase decision. Critics argue that advertising is not a productive activity, so it does not create any utility. But this argument is baseless as advertising is a service activity and creates utility by providing services to different sections of society, viz., manufacturers, consumers, distributors, salesmen, etc.

8. Effect on Employment

Advertising has created both direct and indirect employment to various persons in the society. Nowadays, advertising is recognized as a big industry. It provides direct employment to persons engaged in various jobs like - copywriters, artists, graphic designers, painters, singers, models, musicians, actors, ad executives, various persons working in ad-agencies, media and outdoor advertising, etc. At present, lakhs of people are working in advertising industry. Indirectly, it creates employment avenues as it creates demand, stimulates production and thus promotes industrial activities. That way it generates indirect employment for persons working in such industries.

9. Effect on Product-Quality

Advertising promotes competition and every advertiser wants to succeed in this competition. Advertisers know that for long-term success in business and for effective rational advertising, good quality production is must. For this, advertisers spend lot of resources on research and development-

work to improve product quality. Critics of advertising argue that advertisers are selling inferior quality products by showing persuasive and untruthful advertisements. But this criticism is wrong as advertisers supplying inferior products cannot be successful in long-run.

10. Effect on Standard of Living

Advertising has reduced the cost of production and distribution, promoted competition and thus resulted in price reduction. It has promoted demand. Now middle-income people use such goods which were earlier consumed only by rich society. Consumer has wider choice now and can procure best products at lower prices. Advertising persuades the people to buy more and more goods and services to raise their standard of living. Thus, advertising has led to increased standard of living. Critics argue that advertising does not result in lower prices nor it creates demand, so it does not promote standard of living. However, this argument of critics is baseless, as in real life, we find that prices of many products, e.g., T.V, A.C., computers, mobile-phones, etc., have come down and now more people are using these products. So advertising has raised standard of living.

1.5 AIDA MODEL

Q6. Discuss the AIDA Concept? How it is related to promotional mix?

Ans :

AIDA Model is a selling concept presented by Elmo Lewis to explain how personal selling works. AIDA Model outlines the processes for achieving promotional goals in terms of stages of consumer involvement with the message. The Stages are Attention, Interest, Desire, and Action.

1. Attention

In this media filled world, advertisers need to be quick and direct to grab audience

attention. Ads are required to be eye catchy which can make audience stop and read or watch what advertiser have to say next. Powerful words and pictures are used in ads to make them attractive.

2. Interest

After getting attention of a chunk of the targeted audience, it is required to keep them engaged with the ad to make them understand the message in more detail. Gaining the reader's or audience interest is more difficult process than grabbing their attention. To gain audience interest the advertisers must stay focused on audience needs.

3. Desire

The Interest and Desire parts of AIDA goes hand-in-hand. As advertiser builds the audience interest, he also need to help them understand how what he is offering can help them in a real way. The way of doing this is by appealing to their personal needs and wants.

A good way of building the reader's desire for advertiser offering is to link features and benefits. Hopefully, the significant features of the offering have been designed to give a specific benefit to members of the target market.

4. Action

Finally, advertiser need to be very clear about what action he want the audience to take- trial, purchase, repurchase, or other.

AIDA and the Promotional Mix

	Attention	Interest	Desire	Action
Advertising	Very Effective	Very Effective	Somewhat Effective	Not Effective
Public Relations	Very Effective	Very Effective	Very Effective	Not Effective
Sales Promotion	Somewhat Effective	Somewhat Effective	Very Effective	Somewhat Effective
Personal Selling	Somewhat Effective	Very Effective	Very Effective	Very Effective

1.6 TYPES OF ADVERTISING

Q7. What are the types of advertising?

Ans :

Advertising is the promotion of a company's products and services carried out primarily to drive up sales of the products and services. It is also done to build a brand identity and communicate changes in old products or introduce new product/services to the customers. Advertising has become an essential element of the corporate world and hence companies allot a considerable amount of resources towards their advertising budget. There are several reasons for advertising which include increasing the sales of the product/service, Creating and maintaining a brand identity or brand image, Communicating a change in the existing product line, Introduction of a new product or service, Increasing the buzz-value of the brand or the company.

- i) Consumer Advertisement
- ii) Industrial Advertising
- iii) Institutional / Corporate Advertising
- iv) Retail Advertising
- v) Trade Advertising
- vi) Professional Advertising

i) Consumer Advertisement

Consumers advertising include end-product (brand or service) advertising on a national or local basis, retail advertising and direct- response advertising. Consumer advertising entails any advertising aimed at the consumer who buys the product or uses the service to his or her benefit. This type of advertising is usually done on a national basis by national advertisers, while local service providers (such as a hotel) or smaller manufacturers may use local advertising.

This is done to impress the ultimate consumer. An ultimate consumer is a person who buys the product or service for his personal use. This type of advertising is done by the manufacturer or dealer of the product or service. For example, advertisements of Intel, Lakme (cosmetics), ITC (FMCG), HUL, etc.

In the case of consumer advertising, the following points should be taken into consideration:

1. Most of the businesses are in competitive field and engaged in advertising.
2. Non-durables are frequently bought.
3. Non-durables are appliances, which serve for a long period of time.
4. Both rational as well as emotional appeals are used.
5. Use of celebrity endorsement is heavy.
6. Major chunk of advertising business comes from here.

Types of Consumer Advertising

There are two kinds of goods bought by the general public, consumer goods and consumer durables, which together with consumer services are advertised through media addressed to the appropriate social grades. These four terms are best explained now as they will be used from time to time throughout this book:

1. Consumer Goods

These are the vast range of goods to be found in the shops, those which enjoy repeat sales like foods, drinks, confectionery and toiletries being called Fast Moving Consumer Goods (FMCGs). Pharmaceuticals which are packaged, branded and retailed are called Over-the-Counter (OTC) medicines, to distinguish them from the ethical pharmaceuticals which are sold to pharmacists for dispensing doctors' prescriptions.

2. Consumer Durables

Usually more expensive and less frequently bought consumer durables in of a more permanent nature than consumer goods. These include clothes, furniture, domestic appliances, entertainment goods like radio, television and video and mechanical equipment from lawn-mowers to motor-cars. They include 'brown goods' such as T.V. sets and 'white goods' such as washing machines.

3. Consumer Services

The service industries (including leisure industries) have shown remarkable growth in recent decades. They include services for

security and well-being like banking, insurance, investment, repairs and maintenance, and those more to do with pleasure such as entertainments, hotels, restaurants, travel and holidays.

4. Social Grades

The IPA definition of advertising referred to the 'right prospects' and 'lowest possible cost'. The social grades system makes it possible to identify certain groups of people - prospective buyers - and then to pinpoint the media which will reach them most effectively. In developing countries where only a minority of people are literate, and they are mostly the ones reached by the media, the idea of selecting media to reach certain groups may seem strange. In such countries it may be more appropriate to talk about income or socio-economic groups.

Media of Consumer Advertising

1. Magazines

The media of consumer advertising will tend to be those with wide appeal, and even when more specialist journals such as women's magazines are used they will still have large circulations. There are some 70 British women's and home interest magazines. In fact, the term 'consumer press' is applied to the publications which are displayed for sale in newsagents' shops, on news-stands and on newspaper vendors' pitches.

2. Journals

Most of the trade, technical and professional journals have other forms of distribution such as special orders placed with newsagents, postal subscription or free postal controlled circulation. Controlled circulation (cc journals) is not to be confused with membership, or subscription magazines. They are mailed (free of charge) to selected readers plus those who have requested copies.

3. Local Newspaper

In Britain there are also hundreds of 'free' local newspapers which are delivered door-to-door every week. With saturation coverage of urban areas they provide good advertising media for many local businesses.

4. Press Media

The primary media of consumer advertising are the press, radio, television, outdoor and to a limited extent cinema, supported by sales literature, exhibitions and sales promotion. Advertiser should not forget sponsorship, especially the sponsorship of many popular sports which in turn can be supported by arena advertising at the sports venue.

There is now the sponsorship of actual T.V. and radio programmes as permitted by the Broadcasting Act 1990 and sponsors have included consumer product advertisers such as Lyons (bakery), Egg (financial), Douwe Egberts, Midland Bank, Stella Artois, Mars confectionery, Tetley tea and Diet Coke.

5. Sponsorship

The sponsorship is also very common medium especially the sponsorship of many popular sports in the form of title sponsoring (like Barclays English Premier League, Reliance Cricket World Cup 1987), team sponsoring (such as Kingfisher for East Bengal Club, Marlboro for Ferrari FI), equipment sponsoring (Football World Cup'06 used Adidas sponsored Teamgeist ball), services sponsoring (The Accor Group was hospitality partner for the International Indian Film Academy - IIFA award'05), etc.

ii) Industrial Advertising

Industrial/ Business-to-business advertising includes a company advertising its products or services for the companies which actually uses same or similar products or services or it can be said that the advertising company should produce the products which the other company needs for its productions or functions. For example, some mineral water companies which work on a smaller scale outsource the packaging bottles, the caps for bottles, the cover with name printed on it, etc., so for this, the advertisements of the manufacturers of bottles, caps and outer packaging paper can work.

A smaller to smaller and largest of all, every company has to do industrial advertising. For example, if a company is making coffee powder, it

will sell its powder to the distributors who in turn will sale it to the retailers and wholesalers and also to the big companies who has a coffee machine for their employees. Thus companies manufacturing any products can be advertised to the other companies, like raw materials, the machineries used by other companies, spare parts of the machines which makes it work, anything.

Basically, it is done by the industrial manufacturer or his distributor and is so designed that it increases the demand of industrial product or services manufactured by the manufacturer. It is directed towards the industrial customer. The purpose of business to business advertising is to promote non-consumer goods and services. These may include raw materials, components and accessories; plant and machinery; services such as insurance; office equipment and supplies.

In the case of industrial advertising, the following points should be taken into consideration:

1. Smaller percentage as compared to consumer advertising.
2. Elaborate buying process is involved.
3. Main objectives of this class are to inform, get orders, to stimulate queries, to empanel the marketer's name on the buyer's panel of sources.
4. Trade journals and lay press are the most sought after media vehicles.
5. Seeks to build the corporate image.
6. Rational appeal is used here. The copy gives facts and figures.

Special Characteristics of Industrial Advertising

Industrial has following characteristics:

1. Detailed and Informative Advertising

Advertising differs in yet another way. Whereas consumer advertising may be emotive, this kind of advertising has to be more detailed and informative, although, not unimaginative. Trade journals provide valuable international marketplaces for thousands of products and services, maintaining sales of long-established ones and introducing new ones.

2. Produced by Advertising Agencies

Business-to-business advertising is mainly produced by advertising agencies which devote themselves to industrial or technical clients. Agencies which handle clients or 'accounts' who market cranes, electronic equipment, chemicals or industrial insurance rarely handle accounts for mass consumer goods such as tea, petrol, beer or soap. The kind of creative staff are different, e.g., artists who can produce 'exploded' drawings which reveal the interior of an engine, or copywriters who can write meticulously and persuasively in technical language.

3. Cost of Advertising

The costs of such advertising are different, too. The artwork may cost more than the space, while the space purchase will yield little commission and agency income may be derived from service fees charged to clients rather than from commission received from media owners.

4. Effective and Economical

There may be little advertising, or to be effective expenditure would be prohibitively expensive. Public relations activities, while not to be regarded as free advertising, may be more effective and economical, especially when the need is to educate the market and create knowledge and understanding. This is not to 'knock' advertising but to highlight an equally effective form of marketing communication.

Industrial Advertising Media

Industrial advertising media are as follows:

1. General Business and Trade Publications

These are classified as either horizontal or vertical. Horizontal publications are directed to people who hold similar jobs in different companies across different industries. In contrast, vertical publications, such as *Iron Age* and *Steel* or *Advertising Age*, are targeted toward people who hold different positions in a particular industry.

2. Directory Advertising

Every state has an industrial directory, and there are also a number of private ones. One of the most popular industrial directories is the New York-based Thomas Register.

3. Consumer Media

Sometimes businesses advertise in consumer magazines in the hope of building widespread brand recognition, such as the "Intel Inside" campaign. Consumer advertising can also be used to influence consumers to pull the brand through the channel by requesting a brand at their retail store.

4. Web and B2B Advertisers

The internet is a key medium for B2B advertisers. Company websites allow business clients to view product lists, place orders, check prices and availability, and replace inventories automatically. One of the most popular B2B sites on the internet is FedEx's site, which allows its business clients all over the world to track their packages, obtain price information, and learn about FedEx software and services.

5. B2B Direct Marketing

Direct mail has the capacity to sell the product, provide sales leads, and lay the groundwork for subsequent sales calls. Business advertisers use various direct-marketing vehicles, such as direct mail, catalogues, and data sheets, to reach their markets. Catalogues and data sheets support the selling function by providing technical about the product and supplementary information concerning price and availability.

iii) Institutional / Corporate Advertising

Institutional / corporate advertising is the promotional message aimed at creating an image, enhancing reputation, building goodwill, or advocating an idea or the philosophy of an organisation, instead of sales promotion. When employed by an organisation to market itself (instead of its products), it is called corporate advertising. Institutional advertising tries to develop goodwill for a company rather than to sell a specific

product. Its objective is to improve the advertiser's image, reputation, and relations with the various groups the company deals with. This includes not only end-users and distributors, but also suppliers, shareholders, employees, and the general public. Institutional advertising focuses on the name and prestige of a company. Institutional advertising is sometimes used by large companies with several divisions to link the divisions in customers' minds. It is also used to link a company's other products to the reputation of a market-leading product.

Corporate advertising aims at building for a firm a Positive public image in the eyes of shareholders, employees, suppliers, legislators, or the general public. Corporate advertising does not attempt to sell a particular product; it benefits the organisation as a whole. It notifies the consumers that the company is a responsible business entity and is patriotic; that its management takes ecologically responsible action, is an affirmative-action employer, supports the socialistic pattern of society or provides employment opportunities in the community. Corporate advertising is often closely related to the public relations function of the enterprise.

When Indian Oil advertisements describe the company's general activities, such as public service work, this may be referred to as Corporate advertising because it is intended to build an overall favourable attitude towards the company and its family of products. Corporate Advertising may be informative, persuasive or reminder- oriented in character.

The objectives of this type of advertising are:

1. To make the company known,
2. To make its products/services known,
3. To make its achievements known,
4. To make its values known, and
5. To make socio-political/economic/moral statements.

Media of Institutional Advertising

Marketers must choose how to allocate their advertising budgets among various media. All media offer advantages and disadvantages. Cost is an

important consideration in media selection, but marketers must also choose the media best suited for communicating their message.

Various media for advertising are as follows:

1. Television

Television is still one of leading national advertising media. Television advertising can be classified as network, national, local, and cable ads. The four major national networks - ABC, one- fifth of all television ads. Despite a decline in audience share and growing, competition from cable, network television remains the easiest way for advertisers to reach large numbers of viewers — 10 million to 20 million with a single commercial. Automakers, fast- food restaurants, and food manufacturers are heavy users of network T.V. advertising. Although television reaches the greatest number of consumers at once, it is the most expensive advertising medium.

2. Newspapers

Daily and weekly newspapers continue to dominate local advertising. Marketers can easily tailor newspaper advertising for local tastes and preferences. Advertisers can also coordinate advertisements with other promotional efforts such as discount coupons from supermarkets and one-day sales at department stores. A disadvantage comes from the relatively short life span; people usually discard their newspapers soon after reading. Retailers and automobile dealers rank first among newspaper advertisers. Most newspapers now maintain websites, some of which offer separate material and features, to complement their print editions.

3. Radio

Despite the proliferation of other media, the average U.S. household owns five radios - including those in cars - a market penetration that makes radio an important advertising medium. Advertisers like the captive audience of listeners as they commute to and from work. As a result, morning and evening drive-time shows command top ad rates. In major

markets, many stations serve different demographic groups with targeted programming. Internet radio programming also offers opportunities for yet more focused targeting.

4. Magazines

These include consumer publications and business trade journals. Time, Reader's Digest, and Sports Illustrated are consumer magazines, whereas Advertising Age and Oil and Gas Journal fall into the trade category.

Magazines may customise their publications and target advertising messages to different regions of the country. One method places local advertising in regional editions of the magazine. Other magazines attach wraparounds - half-size covers on top of full-size covers - to highlight articles inside that relate to particular areas; different wraparounds appear in different parts of the country.

Magazines are a natural choice for targeted advertising. Media buyers study demographics of subscribers and select magazines that attract the desired readers. American Express advertises in Fortune and Forbes to reach business people, while PacSun clothes and Clearasil skin medications are advertised in teen Vogue.

5. Direct Mail

The average U.S. household receives about 550 pieces of direct mail each year, including 100 catalogues. The huge growth in the variety of direct-mail offerings combined with the convenience they offer today's busy, time-pressed shoppers had made direct-mail advertising a multibillion-dollar business. Even consumers who like to shop online often page through a catalogue before placing an online order. Although direct mail is expensive per person, a small business may be able to spend less on a limited direct-mail campaign than on a television or radio ad. For businesses with a small advertising budget, a carefully targeted direct-mail effort can be highly effective. E-mail is a low-cost form of direct marketing. Marketers can target the most

interested internet users by offering website visitors an option to register to receive e-mail. Companies like Amazon.com, Spring Hill Nurseries, and Abercrombie and Fitch routinely send e-mail to regular customers.

iv) Retail Advertising

Retail advertising is advertising that is aimed at creating awareness of different retail products and directly targets the consumers. Its main aim is to help the retailer effectively reach their existing customer and also attract new ones.

Retail advertising lies between trade and consumer advertising. The best examples are department stores and supermarkets. A major form of retailing new-a-days is direct response marketing or retailing without shops. This is the modern form of mail-order trading which has moved from the traditional club catalogues to direct mail campaigns for products and services, of which financial houses and department stores have become leading participants.

Retail advertising helps in creating an image of a retailer and reinforcing it. It informs the target customers about the merchandise offered by the retailer and their prices, and sale periods. Though some big retailers aim at image building through advertising, most of the small and medium retailers take up advertising for achieving short-term objectives.

Purpose of Retail Advertising

The purpose of retail advertising is outlined below:

1. Selling the Establishment

To sell the establishment, attract customers to the premises and, in the case of a shop, increase what is known as 'store traffic', i.e., trying to increase the number of people passing through the shop. If they can be encouraged to step inside - they may possibly buy something which they would not bought otherwise.

2. Selling Exclusive or Own Labelled Goods

Some retail distributors are appointed as dealers for certain make. Example is a dealer for Vimal fabrics - the famous 'Only Vimal'

showrooms. Besides, some supermarkets sell their 'own labelled goods' which manufacturers pack in the name of the supermarket. Some large departmental stores have a special brand name for all their products, invariably they will be cheaper and they complete with national brands. Competition between national and own - label brands is intense, and there is always a risk that the national brands will be de-listed in favour of a store's own labelled products.

3. Clearance Sale

To clear the stock of the shop, such as promoting products which are seasonal, special offers could be made. For Example, sale of certain products during winter or summer such as sale of air conditioners during winter and water heaters during summer.

Methods of Retail Advertising

1. Print Advertising

Print advertising consists of anything from fliers and signs to newspaper and magazine ads. Fliers can be posted throughout common areas where the target market is most likely to see them. Fliers can advertise weekly specials and promotions. Signs can be posted around the location in the grass or nearby areas leading up to the store. When retailer takes out an ad in a newspaper or magazine, he expects much higher costs than paid for fliers. Newspaper and magazine ads can be tricky in this age when electronic media leads customer focus. For example, if one owns a sporting goods store, one will want to be in the sports or community section.

2. Broadcast

Using broadcast commercials like radio and cable television ads for a more targeted communication reach is good option. The prices of these forms of advertising can be a little more reasonable depending on the season; however, retailer may need to add production costs to its budget. With radio advertising, work with the sales team during the grand opening or anniversary to offer on-air gift card giveaways. With cable television commercials is another option for advertising

the stores. For example, BigBazaar broadcasts TV commercial for Wednesday's 'Maha Bachaat Offer'.

3. Internet Advertising

One can use website to promote the store and post upcoming events and sales. Create a mailing list of the customers and mail them news related to business as well as special offers to keep the business at the top of their minds. For example, pantaloons and fashion bazaar promote special offers and discount coupons on various websites.

4. In-store Advertising

Basic ways through which retailers can create their own in-store advertising include window displays, special in-store displays, signs and posters, personal selling efforts. Create fun promotions in-store to lure customers back within the next few days, weeks or months. Retailers can issue coupons upon checkout that are good for their next purchase. Host special sales for current customers and promote upcoming sales inside the store.

v) Trade Advertising

"Trade advertising designed to stimulate wholesalers or retailers to purchase products for resale to their customers." This type of advertising is addressed to distributors, chiefly wholesalers, agents, importers/exporters, and numerous kinds of retailers, large and small. Goods are advertised for resale. For example, a Coca-Cola advertisement placed in a trade magazine, such as Progressive Grocer, in order to promote Coca-Cola to food store managers. The primary objective of trade advertising is to promote greater distribution of the advertised product. This can be done by opening-up new outlets for products or by increasing the volume among present outlets.

The term 'trade press' is sometimes used loosely and misleadingly to include all non-consumer publications. Strictly speaking, and the distinctions are sensible, the trade press is read by traders, the technical press by technicians, and the professional press by professionals such as teachers, doctors, lawyers and architects. There are some journals which are difficult to define as sharply as

that, and their readership may spread over more than one group. For example, a building magazine may be read in both the building industry and the architectural profession.

It is used to persuade wholesalers and retailers to sell his goods. Different media are chosen by each manufacturer according to his product type, nature of distribution channel, and resources at his command. Hence, it is designed for those wholesalers and retailers who can promote and sell the product.

Special Characteristics of Trade Advertising

Trade advertising has following characteristics:

1. Since the object of trade advertising, is to encourage retailers (whether large chains or one-man businesses) to stock up the product (especially to achieve adequate distribution in advance of a consumer advertising campaign), emphasis will be placed on the advantages of so doing.
2. The advantages will be higher sales and more profits, and the appeal will be to the retailer's desire to make money. In so doing, trade advertising will also have to compete with the 'selling-in' activities of rival manufacturers.
3. Trade advertising will be seen as part of the total advertising campaign for the product and so will be produced by the same advertising agency that handles the consumer advertising.
4. Whereas consumer advertising aims to persuade the consumer about the benefits to be gained from buying the product, trade advertising aims to persuade the retailer about the benefits which will result from setting the product.
5. Trade advertising supports distribution. It prepares the way. There is no point in advertising, products and encouraging consumers to buy them if the goods are not in the shops. The demand created by consumer advertising must be satisfied by the availability of the goods in the shops. That is what is meant by 'adequate distribution'. If the advertised goods cannot be bought, customers will buy either nothing or, worse still, a rival product.

Trade Channel Advertising Media

Use of the term "trade" gets a little confusing at some points, and this is one of them. Although the terms "trade promotion" and "trade advertising" apply specifically to promotional activities directed at retailers and wholesalers, the terms "trade publications", "trade magazines", "trade newspapers" and "trade shows" are used in a much broader sense. Some of them are as follow:

1. Trade Publications

It provides perhaps the most extensive media for reaching an organisational audience. Literally thousands of trade newspapers and magazines are published for specific industries or even parts of specific industries. Trade advertisers use trade publications because they reach a highly targeted audience, and because their circulations are low, buying advertising space need not be expensive. Trade publications may be categorised as either "vertical publications" or "horizontal publications". Vertical publications cover a specific industry or part of an industry. Horizontal publications cover specific functions that exist within organisations across many industries. For example, the Refrigeration News covers news of interest to refrigeration technicians no matter what industry or context.

2. Direct Mail

Direct mail to a trade audience carries many of the same advantages and disadvantages as direct mail to consumers. Because many direct mail advertisers purchase their mailing lists from trade publication subscription lists and other industry sources, they can be assured of relatively targeted coverage with fairly minimal waste. This and the comparatively low cost of direct mail make it a favourite among trade advertisers.

3. Trade Shows

Although frequently classified as trade promotion, trade shows do not by themselves represent an extra inducement to buy. They

do, however, represent a communications channel through which sellers may deliver promotional messages directly to potential customers. Indeed, trade shows seem to combine elements of advertising and direct selling in that both are used simultaneously within the trade show venue.

4. Internet

Few trade advertisers buy banner ads on popular websites. Like much advertising in popular consumer media, banner ads suffer from enormous waste coverage. However, an increasing number of businesses use their websites to provide supplementary information to that contained in media advertising. For example, many companies place downloadable brochures and other sales literature on their company websites. Because websites can be browsed with relative anonymity, buyers feel less pressure and therefore may spend more time looking around at their leisure.

vi) Professional Advertising

Advertising aimed at teachers, accountants, doctors, dentists, architects, engineers, lawyers, and the like is called professional advertising and typically appears in official publications of professional societies. Business services might be bought for use in the middleman's own business. Individuals who are normally licensed and operate under a code of ethics or professional set of standards such as teachers, accountants, doctors, dentists, architect, engineers, and lawyer are called professionals, and advertising aimed at them is called professional advertising.

Professional advertising has three objectives:

1. To convince professional people to buy items (e.g., equipment and supplies) by brand name for use in their work.
2. To encourage professionals to recommend or prescribe a specific product or service to their clients or patients.
3. To persuade the person to use the product personally.

Features of Professional Advertising

Salient features of professional advertising are as follows:

1. Advertising that is targeted at professional groups - such as doctors, lawyers, dentists, engineers or ad agencies - to encourage them to use or specify the advertiser's product for others' use, is known as professional advertising.
2. Professional groups are important because they constitute a market for products and services they use in their businesses.
3. The advice, recommendation or specification of a product or service often influences many consumer purchase decisions. For example, pharmaceutical companies advertise in medical journals and in sales aids to doctors to encourage them to prescribe products to patients. Ad agencies use special supplements like Ad focus and Adreview to advertise to marketers.
4. Professional advertising should not be confused with advertising done by professionals. In recent years, advertising by professionals such as dentists, lawyers and doctors has been growing in popularity as legal restrictions have been removed and competition has increased.

Media of Professional Advertising

Professional advertising is directed toward people who are not the final consumers. Many professionals such as architects, engineers, and medical consultants, etc., often make the final purchase-decision on behalf of their clients. The advertising media are professional journals, direct mail, and in rare instances mass media. These are as follows:

1. Professional Journals

A professional journal or professional magazine is a collection of articles and images about diverse topics of applied science and professional news items. Usually these articles are written by journalists or scholars and are

geared toward a public interested in science in general or in a specific field of applied science. Specialised magazines may also cover very practical information for professionals in the field of, e.g., forestry, pulp and paper industry, electrical engineering, education, etc. They are often published by professional organisations in these fields. Professional journals may cover very "serious" material, but to find consistent scholarly information one should use the scientific journals.

Professional journals, like scientific journals and newspapers, are called "periodicals" because they are published at regular intervals throughout the year.

2. Direct Mail

Direct mail encompasses a wide variety of marketing materials, including brochures, catalogues, postcards, newsletters and sales letters. Major corporations know that direct-mail advertising is one of the most effective and profitable ways to reach out to new and existing clients. Direct mail is flexible - and can be used at every step of your customer journey. Whether one is focused on lead generation, introducing a new product, customer relationship management or database development, direct mail has role to play. Use it to send a card, letter, brochure or catalogue - whatever will engage customers or prospects most.

To create an effective direct-mail campaign, start by getting company's name on as many mailing lists as possible. Junk mail is not junk when company is trying to learn about direct mail. Obtain free information at every chance it gets, especially from companies that offer products or services similar to it. Marketer should take note of reaction to each piece of mail, and save the ones that communicate most effectively, whether they come from large or small companies. The most effective direct-mail inserts often use key words and colours. Company should make sure the colours it uses to promote the appropriate image. For example, Neon colours can attract attention for party planner or gift basket

businesses. On the other hand, ivory and grey are usually the colours of choice for lawyers, financial planners and other business services.

3. Mass Media

This type of media is media that is intended for a large audience. It may take the form of broadcast media, as in the case of television and radio, or print media, like newspapers and magazines. Internet media can also attain mass media status, and many media outlets maintain a web presence to take advantage of the ready availability of internet in many regions of the world. Some people also refer to it as the "mainstream media", referencing the fact that it tends to stick to prominent stories which will be of interest to a general audience, sometimes ignoring controversial breaking news. Many people around the world rely on this form of media for news and entertainment, and globally, it is a huge industry.

Mass media is a significant force in modern culture, particularly in America. Sociologists refer to this as a mediated culture where media reflects and creates the culture. Communities and individuals are bombarded constantly with messages from a multitude of sources including T.V., billboards, and magazines, to name a few. These messages promote not only products, but moods, attitudes, and a sense of what is and is not important.

1.7 ADVERTISING PLAN

Q8. What is advertising plan? and Discuss.

Ans :

The advertising plan and decision making focus on three crucial areas; objectives and target selection, message strategy and tactics, and media strategy and tactics.

1. Objectives and Target Selection

Objectives in advertising can be understood in many ways. An important part of the objective is the development of a precise, disciplined description of the target audience.

It is often tempting to direct advertising at a broad audience; but everyone is a potential customer. It is best to consider directing the advertising to more selected groups to develop stimulating copy. It is quite possible to develop several campaigns, each directed at different segments of the market, or to develop one campaign based on multiple objectives.

2. Message Strategy and Tactics

Messages strategy must decide what the advertising is meant to communicate – by way of benefits, feelings, brand personality, or action content. Once the content of the campaign has been decided, decisions must be made on the best-most effective-ways of communicating that content. The decisions, such as the choice of a spokesperson, the use of humor or fear or other tones, and the selection of particular copy, visuals, and layout, are what we call “message tactics”

3. Media Strategy and Tactics

Message strategy is concerned with decisions about how much is to be allocated to create and test advertising copy, media strategy concerns decisions on how many media rupees to spend on an advertising campaign. Media tactics comprise the decisions on which specific media (television, radio magazines, etc.) or media vehicles (Reader s Digest, etc.) to spend these dollars.

Q9. What is advertising creation stage in building of advertising program?

Ans :

Ad-creation stage consists of three stages

1. Idea Generation
2. Copy-writing
3. Layout

I. Idea Generation Stage

1. Orientation

First of all in the process of idea generation it is necessary to identify the purpose or objective of communication then only a proper creative idea can be decided.

2. Preparation

Relevant and sufficient information is required to be gathered.

3. Analysis

Once the information is collected is required to be properly organized under different heads like- technical information, consumer behaviour information, competitors' information etc.

4. Ideation

Ideation is the generation of actual ideas by trying different combinations of facts and information available.

5. Incubation

Once ideas are generated, they are kept aside to incubate, i.e., to let the subconscious mind work on them for sometime.

6. Synthesis

When the team arrives at this step, it is equipped with a number of ideas. In this stage, the emphasis is on combining these ideas and evolving something substantial from it.

7. Evaluation

The various ideas generated in the previous steps are evaluated here. The criteria used for evaluation are described here. The idea should be:

- i) Relevant to the communication objectives.
- ii) Original and capable of catching the attention of the viewer.
- iii) Flexible so that they can be modified or extended to other advertisements in the future.

2. Copy Writing

The word 'Copy' has a specific meaning in the world of advertising. Advertisement Copy is the soul of advertisement. An Advertisement Copy is the written and spoken matter expressed in words, sentences, and

figures designed to convey the desired message to the target audience. In print media the elements of an ad-copy are head line, sub-headlines, illustrations, slogans, and brand name.

3. Layout

A layout is a miniature sketch of the proposed advertisement. A rough layout is first prepared in which the headline and subheads are lettered in artwork and photographs are drawn or provided, and the position various elements of ad-copy is indicated. The rough layout is tested and modified to prepare the final layout. The final layout is appended with many explanations and mechanical designs to give a comprehensive view. It refers to specifications for estimating costs, guidance for engravers and blueprints for advertisers.

'Layout' means two things; in one sense, it means the total appearance of the advertisement – its design and the composition of its elements; in another sense, it means physical rendering of the design for the advertisement – its blueprint for production purposes.

Functions of the Layout

1. It Organizes all the Elements
2. It Brings Together Copy Writer and Art Director
3. It Enables the Advertiser to Visualize his Future Advertisement.
4. It Acts as a Guide to the Copy Specialists.

Copy Testing

Copy testing is a means of measuring the communication value of advertising. As a diagnostic tool rather than an evaluative tool, copy testing can be instrumental to the creative development process. There are two key objectives in a copy testing framework. One objective is to determine whether the advertising can cut through the clutter and make people stop and notice the ad. The second is to assess whether the ad communicates the intended message.

1.8 DAGMAR APPROACH

Q10. What is DAGMAR Model? Explain communication process in DAGMAR approach.

Ans :

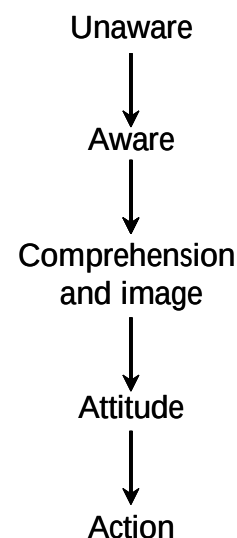
DAGMAR stands for Defining Advertising Goals for Measured Advertising Results. DAGMAR Model was developed by **Russell Colley** in 1961 for setting advertising objectives and measuring advertising results.

According to DAGMAR Model the ultimate objective of advertising involves a communication task, intended to create awareness, impart information, develop attitude and induce action.

Advertising objective is to carry a consumer through four levels of understanding :-

1. From unawareness to awareness - consumer must be aware of product or company,
2. Comprehension - what the product is and its benefits,
3. Conviction - mental conviction to buy the product, and
4. Action - finally buy the product.

Communication Process in DAGMAR Approach



1. Awareness

Before the purchase behaviour is expected from target audience it is necessary to make the audience aware with the product or company. The initial communication task of the advertising activity is to increase the consumer awareness of the product or offer.

2. Comprehension

Only Awareness is not be sufficient to stimulate a purchase, sufficient knowledge and information about product or organisation is necessary. This step involves the target audience to learn something about product, organisation, or offer. Here communication task of advertising activity is to make consumer learn about product - product characteristics, benefits, or uses.

3. Attitude or Conviction

At this step a sense of conviction is established. By creating interest and preference, buyers are moved to a position where they are convinced that a particular product in the class should be tried at the next opportunity. At this step communication task of advertising activity is to mould the audience's beliefs about the product and this is often done through messages that demonstrate the product's superiority over a rival or by talking about the rewards as a result of using the product.

4. Action

Finally, communication must encourage buyer to engage in purchase activity.

1.9 VISUALIZATION OF ADVERTISING LAYOUT

Q11. Explain about visualization of advertising layout.

Ans :

The word 'visual' refers to any kind of art. In print advertising, the art usually consists of a photograph, a computer-generated image, or a hand-drawn illustration. In video, the art element may be live-action film, still photos, or animation.

A complete and finalized advertisement is the combination of a number of units such as headline, sub-headlines, text-matter, slogan, identification mark, the white space, decorations and the border including the illustration. Each element is so arranged or blended that the desired result is brought about. The layout, then, is a visual expression of the ideas of the creator of an advertisement. The visual composition of an advertisement is the layout. It is the working drawing or the blue-print for an advertisement. It is pencil sketched plan showing the sizes, positions and colour weight values of the different units that make up a complete advertisement. A layout is the format in which the various elements of the advertisement are combined.

A layout is a miniature sketch of the proposed advertisement. First, a rough layout is prepared in which the headline and sub-heads are lettered in artwork, photographs are drawn or provided, and the position of the copy is indicated. The rough layout is tested and modified to prepare the final layout which is appended with many explanations and mechanical designs to give a comprehensive view. It refers to specification for estimating costs, guidance for engravers and blueprint - for advertisers. The functions, preparation types and qualities of effective layouts are important considerations

Definitions of Layout

According to Otto Kleeper, "Layout means two things; in one sense, means the total appearance of the advertisement - its design and the composition of its elements; in another sense, it means physics rendering of the design, for the advertisement - its blueprint for - production purposes".

According to Sandage and Fryburger, "The plan of an advertisement detailing the arrangement of various parts and relative spatial importance of each is referred to as layout".

Layout is a plan, arrangement, overall structure, blue print of advertising copy. It arranges headlines, sub-headlines, slogans, illustration identification marks, boxes, text-body, blurbs, closing idea, etc., in .

Systematic manner. Its main purpose is to secure higher attention by presentation of headlines, slogans, illustrations in most effective manner. An active layout can help the advertisement to come out from media-clutter (It - creased number of ads in media) and gain attention of readers/viewers.

Format of Layout

The format of layout includes the following points:

1. Picture Window

A large picture dominates the layout, much like a picture window, often in the front of a house.

2. Multi-Panel

This layout consists of equal-size boxes and is useful for showing several items at a time.

3. Split

This type of layout looks as if the page were divided-up into sections. It can be split vertically, horizontally, or diagonally and [can be broken into two or more sections.

4. Frame

When a layout has a border, it is called a frame ad. The border can be a thick or thin rule, a visual, or type that runs around the layout.

5. Circus

This is a layout that can look disorganised. Although designers usually detest circus ads, they are often used for supermarkets, electronic retailers, automotive dealerships, garden nurseries, and tire stores and can be very effective. People looking for a car, for example, want to see that the dealership has a big selection. Therefore, when they see an abundance of cars, potential buyers think they have a better chance of finding what they want. So for circus ads, the busier the layouts, the better they seem to sell their product.

6. Rebus

When a layout includes pictures that substitute for words, it is called a rebus ad. If the ad

were for a pizza shop, the ad could read like this: "Do you love picture of a slice of pizza? With lots and lots of picture of cheese? Then, it is clock's face for the word "time" to try our cheesiest picture of pizza with tons of cheese ever!"

7. Mondrian

When there are different-size objects to show in a layout, using various sizes of rectangles can unify the design. Named after the style of Dutch painter Piet Mondrian, the Mondrian offers a sound way to showcase unrelated objects in an organised way.

8. Picture Caption

Here images are accompanied by a little bit of copy. This format makes it easy for the reader to quickly grasp the image and product information as one unit.

9. Cartoon

Any layout that uses cartoon illustration as a visual is considered a cartoon format.

10. Comic Strip

Just like the comics in the newspaper, the comic strip format has several boxes of cartoons that continue the message from one to the next.

11. All Type

This format uses no visual. Often, the headline is so strong, or set in such interesting or unusual type, that a visual would weaken the communication. Art directors who are typographic connoisseurs can design imposing messages.

12. No Type

Many fashion designers, perfume companies, and clothing lines use large visuals with only the logo in their ads. This format has no copy in it. The brands are so well-known that no explanation is needed for the product shown.

13. Letter Inspired

In this form of layout letter is an important part to the design. It can be used as the main format for a layout. For example, the copy

blocks can be set in the shape of a letter, one large letter can dominate the page, or the visuals can be text: wrapped to suggest a letter.

14. Silhouette

This format has a visual with no background. Sometimes furniture stores use silhouettes of sofas, dressers, and chairs. The furniture appears as if it were cut-out, so that all focus is on the one object. Other times, furniture stores will show the furniture as part of a whole room. In these cases, the furniture is set against a background and is not shown as a silhouette.

15. Big Type

Many retail sale ads use gigantic type to make sure that it is seen by people.

16. Spot Colour

Some layouts are black and white with just a touch of another colour in certain spots. For example, a florist could be showcasing red roses by using red just for the roses in a black-and-white ad.

17. Special Effects

Layouts that look as if the corners were burnt or as if someone took a bite out of the side are examples of special effects. Sometimes an ad will depict a visual metaphor like a man with his head buried in the sand or someone in a backbend. What these visuals are saying is "Do not bury your head in the sand" or "We will bend over backwards" to deliver excellent service. Visuals that are obvious exaggerations or have been manipulated to create an effect are also considered special-effects layouts.

18. Strip (Vertical or Horizontal)

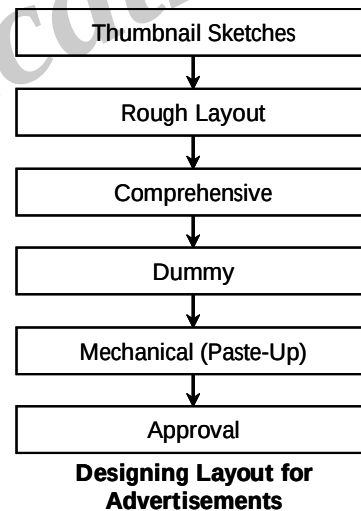
Ads that are narrow and tall or wide and short are called strip ads, because they take-up a vertical or horizontal strip of a page. This format is useful for objects that stack well in one direction or the other. For example, to show a four-scoop ice-cream cone, a vertical strip ad would be ideal.

19. Double Truck

When a layout goes across two pages, it is called a spread or a double truck. At least one graphic or typographic component travels across both pages, unifying the layout. Usually spreads are seen as magazine articles or newspaper ads. These layouts do not have to take-up the entire page. They can also be half-page designs that go across two pages.

Designing of Layout for Advertisements

The design process serves as both a creative and an approval process. In the creative phase, the designer uses thumbnails, roughs, dummies, and comprehensive - in other words, non-final art - to establish the ad's look and feel. The final illustration with the actual type in place along with all the visuals the printer will need to reproduce the ad. The approval process takes place throughout the entire design process:



1. Thumbnail Sketches

The thumbnail sketch, or thumbnail is a small, rough, rapidly produced drawing the artist uses to visualise layout approaches without wasting time on details. Thumbnails are very basic. Blocks of straight or squiggly lines indicate text placement, and boxes show placement of visuals. The best sketches are then developed further.

2. Rough Layout

In a rough, the artist draws to the actual size of the ad. Headlines and subheads suggest

the final type style, illustration- and photographs are sketched in, and body copy is simulated with lines. The agency may present rough to clients - particularly cost-conscious ones.

3. Comprehensive

The comprehensive layout, or comp, is a highly refined facsimile of the finished ad. A comprehensive is generally quite elaborate; with elaborate, with coloured photos, press-on- learning, Photostats of sub-visuals and a glossy spray coat. Today, copy for the comprehensive is typeset on computer and positioned with the visuals, and the ads are printed as a full-colour proof. At this stage, all visuals should be final.

4. Dummy

A dummy presents the handled look and feel of brochures, multi-age materials, or point-of-purchase displays. The artist assembles the dummy by hand, using colour markers and computer proofs, mounting them on sturdy paper, and then cutting and folding them to size. A dummy for a brochure, e.g., is put together, page by page, to look exactly like the finished product.

5. Mechanical (Paste-Up)

The type and visuals must be placed into their exact position for reproduction by printer. Today, most designers do this work on computer, completely bypassing the need for a mechanical. Some agencies, however, still make traditional mechanicals where black type and line art are pasted in place on a piece of white art board - called a paste-up - with overlay sheets indicating the hue and positioning of colour. Printers refer to the mechanical or paste-up as camera-ready art because they photograph it using a large production camera before starting the re-production process - creating colour keys, prints, and films of the finished ad. At any time during the design process - until the printing press lays ink on paper - changes can be made on the art. However, the expense may grow tenfold with each step from roughs to mechanicals to printing.

6. Approval

The work of copywriter and art director is always subject to approval. The larger the agency and the larger the client, the more formidable this process becomes. A new ad concept is first approved by the agency's creative director. Then the account management team reviews it. Next, the client's product managers and marketing staff review it, often changing a work or two or sometimes rejecting the whole approach. Both the agency's and client's legal departments scrutinise the copy and art for potential problems. Finally, the company's top executives review the final concept and text. The biggest challenge in approval is keeping approvers from corrupting the style of the ad. The creative team works hard to achieve a cohesive style. Then a group of non-writers and non-artists have the opportunity to change it all.

1.10 FUNCTIONS AND PRINCIPLES OF ADVERTISING LAYOUT

Q12. What are the functions and principles of advertising layout?

Ans :

Functions of Advertising Layout

The main functions of layout are

1. Assembling Different Parts

The main function of layout is to assemble and arrange the different parts or elements of an advertisement illustrations, headline, sub-headlines, slogans, body text and the identification mark, etc., and border and other graphic materials - into a unified presentation of the sales message.

2. Opportunity of Modification

The layout offers an opportunity to the creative teams, agency management and the advertiser to suggest modification before its final approval and actual construction and production begins.

3. Specification for Costs

The layout provides specification for estimating costs, and it is a guide for engravers, typographers, and other craft workers to follow in producing the advertisement.

4. Brings Together Copy Writer and Art Director

Every advertisement is the outcome of the contributions of specialists. The services of creative persons are required like visualisers or idea-men, copy writers, art directors, artists, photographers, type-setters, block-makers and the printer.

5. Guide to the Copy Specialists

Layout serves as a reliable guide to the specialists such as type-setters, engravers, printers and other craftsmen. These are the persons who actually prepare the advertisement for use in print.

Principles of Design and Layout

It is not necessary that all elements of advertisement copy must form part of the copy. They appear in today's ads with varying degree of frequency. The components of the copy must be decorated or positioned on the basis of certain basic principles regardless of the number of elements in an ad. The following five principles of good composition are important to anyone who creates or evaluates the advertisement.

- 1) Balance
- 2) Proportion
- 3) Contrast and emphasis,
- 4) Eye-movement , and
- 5) Unity.

1. Balance

A layout may be called balanced if equal weight or forces are equidistant from a reference point or a light weight is placed at a greater distance from the reference point than a heavy weight. Balance is the law of nature. The reference point or fulcrum is the optical centre of the advertisement. The artists

with a given area or space, are to place all the elements within this space. Optical centre of fulcrum of the ad is often a point approximately two – thirds of the distance forms the bottom. It is the reference of the layout.

2. Proportion

Proportion is closely related to balance since it refers to the division of space among layout elements for a pleasing optical effect. Good proportion in an advertisement requires a desired emphasis on each element in terms of size and position. If the major appeal in an advertisement is products price. The price should be displayed in proportionate space position.

3. Contrast and Emphasis

Contrast means variety. It gives life to the whole composition and adds emphasis to selected important elements. An advertiser always looks to advertisements from completion point of view and desires the policy of the most important elements to attract the attention of the people. An advertisement with good contrast may attract the attention of customers. Contrast may be visible in a number of ways. It may be witnessed through sizes, shapes and colours. Different colours sizes and shapes of elements in an advertisement add contrast. The varying directions, of design elements (Vertical trees, horizontal pavements arched rainbows) add contrast; too there must be sales communication purpose behind every layout decision made.

4. Eye Movement

Eye movement is the design principle which helps move the eyes of the readers from element to element in the order given in the hierarchy of effects model for effective communication of the message in advertising. An effective ad uses movement to lead its reading audience from initial message awareness through product knowledge and brand preference, to ultimate action (intent to purchase). Direction and sequence are two terms for the same element and artists may

perform it in many ways. Mechanical eye direction may be created by devices such as pointing fingers lines arrows or even a bouncing ball that moves from unit to unit. Planned eye movement should follow the established reading patterns too, such as the tendency to start to top left corner of a page and read through to the lower right corner. The eyes also moves naturally from large items to small from dark to light and from colours to not – colours.

5. Unity or Harmony

Unity or harmony is another important design principle. Although each element should be considered as a separate unit in striving for balance, proportion, contrast and eye movement. The complete layout or design should appear as a unified composition. Common methods of securing unity in layouts are

- (i) Use of consistent typographical design.
- (ii) Repetition of the same shapes and motifs
- (iii) The overlapping of elements
- (iv) Use of a boarder to hold elements together and
- (v) Avoidance of too much which space between various element.

Although unity and contrast seem conflicting but they function quite smoothly together if they operate at cross purposes – if the artists strive for balance here too as well as in the layout overall. Unity contributes orderliness to elements – a state of coherence. And if they are properly placed. Contrasting Size shapes colours and directions can flow together beautifully.

1.11 ELEMENTS OF A ADVERTISING LAYOUT

Q13. What are the elements of a advertising layout?

Ans :

Components/Elements of Advertising Layout

The following are the main components of an advertisement copy.

1. Background

The background for the advertisements should be somewhat catchy and colourful. The arrangement of background differs from medium to medium and advertisement to advertisement. In short, background should be suitable for the contents of the advertisement.

2. Border

It is defined as the frame of the advertisement. Border is employed to impart the reading atmosphere. The border may be light or heavy, obvious, plain or fanciful. The border may also contain a logo.

3. Caption

It refers to the subtitle. But in most of the advertisement it is converted into heading or sub-heading.

4. Coupon

Coupon is that part of the advertisement which is intended for the convenience of the prospective customer in communicating with the advertiser. The coupon must contain the name and full postal address of the firm followed by the offer. The offer should be brief and clear. There should be space for name and address of the prospective customer. The usual shape of the coupon is triangular or rectangular.

5. Decoration

Advertisement decoration is the ornament of the advertisement. This is done to emphasis the advertisement message.

6. Heading

The heading or headline is defined as the title of the advertisement. The words in the heading should be short.

7. Illustration

Illustrations are the part of layout that pictures the basic theme of the advertisement. It has the power to capture the attention of the reader. The advertisements become richer by the use of illustrations.

8. Mascot

It is known as the trade character or trade figure. It is an illustration of either a real or an imaginary figure or personality given in the advertisement.

9. Name Plate (logo)

The name plate or name block is the signature of the advertiser. It represents the personality of the company and its product.

10. Price

It is another part of layout. The price of the product should be featured clearly. The price is usually taken in the concluding lines of the copy.

11. Product

It refers to the representation of the product offered for sale. A very popular practice is to show the product in use with illustrations.

12. Slogan

Slogan is a sales argument. The arrangement of slogan in the layout is determined by the importance of its relation to the advertising message.

13. Space

Space refers to the entire space left in the space hired by the advertiser. This depends on the design of the copy.

14. Subheading

It is a secondary heading. It is given to support the heading or to pick out the various selling points given in the text.

15. Text

Text or body of the advertisement refers to the general reading matter. It is the subject matter of the copy. It should be neither too wide nor too narrow.

16. Trade mark

It is a word or design by which a product is defined. If the trade, marks are registered it can be included in the layout.

Short Question and Answers

1. Advertising

Ans :

Advertising is an important tool of promotion. Advertisement is a non-personal presentation of an idea or a product (where as personal selling or salesmanship help in personal promotional.) Advertisement supplements personal selling to a great extent. Advertising has, acquired great importance in the modern India characterized by tough competition in the market and fast changes in technology, and fashion and taste customers. In this chapter, we shall study the nature, functions and media of advertisement used by modern business firms.

Advertising is used for communicating business information to the present and prospective customers. It usually provides information about the advertising firm, its product qualities, place of availability of its products, etc. Advertisement is indispensable for both the sellers and the buyers. However, it is more important for the sellers. In the modern age of large scale production, producers cannot think of pushing sale of their products without advertising them.

2. Elements of Communication Mix

Ans :

Marketing communications has a mix. Elements of the mix are blended in different quantities in a campaign. Following are the elements of marketing communication mix:-

1. Advertising

Advertising is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

2. Personal Selling

Personal presentation by the firm's sales force for the purpose of making sales and building customer relationship.

3. Sales promotion

Short term incentives to encourage sales or purchases of a product or service.

4. Public Relation

Building good relationship with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling unfavorable rumors, stories, and events.

5. Direct Marketing

Direct communication with carefully targeted individual consumers to obtain immediate response and cultivate lasting relationship.

6. Sponsorship

Sponsorship is about providing money to an event, in-turn the product or company is acknowledged for doing so.

7. E-marketing

Online marketing is also gaining importance these days.

3. AIDA

Ans :

AIDA Model is a selling concept presented by Elmo Lewis to explain how personal selling works. AIDA Model outlines the processes for achieving promotional goals in terms of stages of consumer involvement with the message. The Stages are Attention, Interest, Desire, and Action.

1. Attention

In this media filled world, advertisers need to be quick and direct to grab audience attention. Ads are required to be eye catchy which can make audience stop and read or watch what advertiser have to say next. Powerful words and pictures are used in ads to make them attractive.

2. Interest

After getting attention of a chunk of the targeted audience, it is required to keep them engaged with the ad to make them understand the message in more detail. Gaining the reader's or audience interest is more difficult process than grabbing their attention. To gain audience interest the advertisers must stay focused on audience needs.

3. Desire

The Interest and Desire parts of AIDA goes hand-in-hand. As advertiser builds the audience interest, he also need to help them understand how what he is offering can help them in a real way. The way of doing this is by appealing to their personal needs and wants.

A good way of building the reader's desire for advertiser offering is to link features and benefits. Hopefully, the significant features of the offering have been designed to give a specific benefit to members of the target market.

4. Action

Finally, advertiser need to be very clear about what action he want the audience to take- trial, purchase, repurchase, or other.

4. Print Advertising

Ans :

Print advertising consists of anything from fliers and signs to newspaper and magazine ads. Fliers can be posted throughout common areas where the target market is most likely to see them. Fliers can advertise weekly specials and promotions. Signs can be posted around the location in the grass or nearby areas leading up to the store. When retailer takes out an ad in a newspaper or magazine, he expects much higher costs than paid for fliers. Newspaper and magazine ads can be tricky in this age when electronic media leads customer focus. For example, if one owns a sporting goods store, one will want to be in the sports or community section.

5. Trade Advertising

Ans :

"Trade advertising designed to stimulate wholesalers or retailers to purchase products for resale to their customers." This type of advertising is addressed to distributors, chiefly wholesalers, agents, importers/ exporters, and numerous kinds of retailers, large and small. Goods are advertised for resale. For example, a Coca-Cola advertisement placed in a trade magazine, such as Progressive Grocer, in order to promote

Coca-Cola to food store managers. The primary objective of trade advertising is to promote greater distribution of the advertised product. This can be done by opening-up new outlets for products or by increasing the volume among present outlets.

6. DAGMAR

Ans :

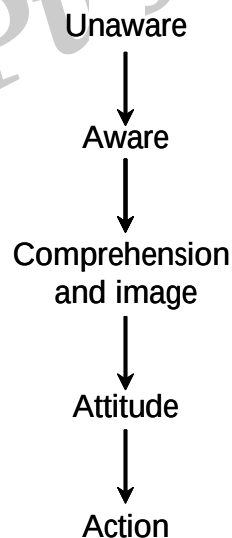
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4. Action - finally buy the product.

Communication Process in DAGMAR Approach



UNIT II

Advertising Media

Types of Media – Print, Electronic, Other Media – Merits and Demerits of each media, Media Planning – frequency, reach and outcome, Appeals, Setting Advertising Objectives, Advertising Message, Advertising Budget, Evaluation of Advertising Effectiveness – Methods, and Regulation of Advertising in India – Misleading and deceptive advertising.

2.1 ADVERTISING MEDIA

Q1. Write about advertising media.

Ans :

Advertising media refers to the various media channels through which advertising is done. Advertising media is used for showcasing promotional content which communicated in various forms such as text, speech, images, videos using TV, radio, online, outdoor etc.

Importance of Advertising media

Advertising media plays a pivotal role in business and marketing for companies. There are many companies who offer products and services to companies. However, it is impossible for every customer to know about every brand or product. This is why companies advertise and use advertising media to reach to customers. Depending upon the customer demographics, advertising budget, targets of the company, advertising objectives etc, companies can choose the type of media they want and they can do an advertising campaign. This helps to create a buzz about the brand, showcase the product and service utilities to the customer and build a strong brand.

Types of Advertising Media

Advertising media is an important domain in business and advertising. With the passage of time, there have been several ways in which ads are being showcased and can be communicated to customers. There are different types of advertising media present. Depending upon various parameters like budget, reach, customer preferences etc companies can choose the required advertising media and help boost their brand. Some of the most important types of advertising media are:

1. Broadcast media

TV and radio are two of the most important advertising media known as broadcast media.

Television

Televisions have become a very important tool to advertise for companies. Companies can targets serials, reality shows, sports events, live events etc which are showcased on TV's and understand the demographics of the people watching the TV. TV channels are anyways classified as news, sports, knowledge, entertainment, movies, kids etc. This helps advertisers to pick and choose the channel. Thus TV is one of the most widely used advertising media in the world. Advertising slots are sold by broadcasting companies and channels based in popularity of TV shows, TRPs etc.

Radio

As a tool for marketing and advertising, radio is the most cost effective tool which a customer can have. Since radios have are high penetration and are easy for customers to buy, they are a good tool for advertising. Radios enable companies to reach out to a wide range of customers. Since radio cater to the needs of a particular city or region, it is a good way to advertise based on customers selected from geographic segmentation. Thus, radio is one of the most effective tools as advertising media.

2. Print Media

Advertising media like newspapers, magazines, leaflets, brochures, billboards,

signages, direct mail and other print publications come under print media. With the massive reach of print media, it became a popular tool for advertising. Print media caters to a regional audience and is published in different languages. Hence, print media can cater to a niche audience as compared to broadcast advertising media tools like TV or radio.

3. Online Media

With the consistent growth in internet penetration, companies have started using online media for promotion through advertising. People are connected to the internet through social media, website browsing etc. This gives an opportunity to companies to use this advertising media and cater to customers using online advertising. Online ads, blogs, content advertising, affiliate marketing etc are all done using online as an advertising media.

4. Outdoor Media

Another popular form of advertising is using outdoor hoardings, billboards, OOH (out of home) media etc. Outdoor advertising is basically useful in capturing those customers who are travelling from one place to another. This gives an opportunity to companies to use outdoor advertising media to create brand awareness by putting large bill boards and hoardings above buildings, near streets etc to give maximum visibility.

5. Mobile

With the increasing penetration and usage of mobile phones, mobile advertising has become a critical aspect for every business. Mobile as an advertising media helps to reach out to customer by promoting messages through SMS, social media chat groups etc. Online and mobile media are also overlapping at times as websites can be accessible both through desktop, laptop and smartphones.

6. Specialty Media

These consist of items that are given away to the consumer on which the name of the

company or brand is printed so that more people get to know about it. For example- carry bags, membership cards, free merchandise like caps or bags, etc. These type of advertising media are more niche and have a narrow reach as compared to the above mentioned media.

7. Other forms

Apart from the ones discussed above, advertising can be done through transit signs i.e. the small posters that we see on trains or buses, electronic billboards, etc. Some ads can be advertised before the movies in cinema halls as well, where it can reach out to a large group of similar audience in terms of demography or geography.

Advertising Media Selection

For companies, it is important to have a clear cut plan in the selection of advertising media. Some steps followed in advertising media selection are:

1. The objective of the company is analysed as to what product and to which customers it is to be advertised.
2. The next stage is to have a complete understanding about the customer demographics who are to be targeted.
3. After that, depending upon the type of product, type of customers, the advertising budget set, companies can choose from the various types of advertising media. Advertising media should be chosen on the fact which gives maximum return on investment. Companies should spend minimum on advertising, reach out to as many people as they can and which should convert into substantial sales to give profit to the company.
4. Over a period of time, this processing of selecting the appropriate advertising media can be repeated for increasing cost benefit to the company.

Measuring Impact of Advertising Media

For every type of advertising media, there are different parameters based on which they can be measured:

1. For a print or a TV/radio ad, a phone number or email can be given for customers to contact the company if they want, and through the number of people who have tried to contact, we can measure the impact of the ad.
2. For an internet ad which is placed on different website homepages, if the company or brand has an online website too, the number of clicks which direct the customer to the company website measures the impact of the ad. But if the company does not have a website, contact information can be displayed on the banner as in the case of print ads, and the impact can be measured similarly.

In general, feedback devices like coupons, toll-free numbers, or feedback registers in shops can estimate the impact of advertising media.

2.2 TYPES OF MEDIA - PRINT, ELECTRONIC AND OTHER MEDIA

Q2. Explain about different types of media and its merits and demerits.

Ans :

The channel of communication is considered as a medium to carry a message from the source to the receiver. In advertising the channels of communication are newspapers, magazines, television, radio, etc. It is a medium or a vehicle utilized by advertisers to convey their message to a large audience.

Advertising media refers to the device, channel, or vehicle through which an organisation communicates its promotion content to mass audience.

A decade ago, marketers needed to know only a few of the advertising tools or media. But today, they need to be aware of various advertising options available to survive in the market. This is because of advances in communication technology. We will look at important channels of advertising, their advantages and disadvantages.

A) Print Media

It is a fact that it is one of the easiest ways to reach targeted customers. Marketers and advertisers

make the most of all forms of print media, such as through magazines, newspapers and flyers. Below we give you a few advantages and disadvantages of using printed media.

1. Newspapers

There are millions of people who are accustomed to reading the newspaper in the morning to keep themselves updated about the happenings around the world. Newspapers remain as the most reliable message carrier as it is a mode that not only educates, but also entertains.

Advantages

- (i) **Wide reach :** Newspapers are read by almost everyone and have reach to the far away corners of the country.
- (ii) **Ease of preparing and releasing the message:** It is quite easy to release an advertisement in newspapers as compared to other means. Newspapers can incorporate colour advertisements that can be released in a short span of time. An organisation can communicate various promotion programs without much delay.
- (iii) **Local coverage :** It is easy to communicate within the geographically segmented market using newspapers. They contain mostly the local advertisements. An organisation has a choice of selecting a particular newspaper depending on the market circulation.
- (iv) **Less expensive :** Newspaper advertising is cheaper as compared to TV or magazine advertising.
- (v) **Easy reference for audience :** Long and lengthy content can be elaborated in newspapers that can be scanned as per the convenience of the buyers.

Limitations

- (i) **Overlooked/ unnoticed by buyers :** As newspapers contain many advertisements from different and local organisations, there are high chances that the advertisements can go unnoticed. Sometimes the readers are only concerned with the news headline rather than the advertisements.

- (ii) **Short life:** The newspaper advertisement in today's newspaper will not be of any use tomorrow as readers refer to the latest edition for news updates.
- (iii) **Poor quality:** As compared to magazine, the message in newspapers is usually of low quality because of the paper quality and colour usage.
- (iv) **Front page advertising versus ROP:** Newspapers charge different rates for the different position on the paper. Usually front page advertising is very expensive as against ROP. ROP stands for "Run of Paper". Most of the advertisements are on ROP basis which the newspaper can place the advertisement anywhere within the publication.
- (v) Not suitable for illiterate people.

2. Magazines

Magazines are both regional as well as national. They are published weekly, fortnightly, monthly, quarterly, bi-annually, or annually. There are magazines for general public as well as for special class of people. There are magazines for men, women, and children. Specific interest magazines include magazines on trade, finance, economics, etc.

Advantages

- (i) **High quality visual display :** They are mostly in coloured form and in good quality paper which gives the advertised product nice depiction and appeal.
- (ii) **Longer life:** They are usually read at leisure and there are less chances of advertisements going unnoticed as compared to newspaper advertisements. Magazines have longer life than newspapers.
- (iii) **Specific advertisements for specific audience:** An organisation can be selective in placing its advertisement based on the selective readership of the audience. As magazines service specific demographic variables as well as specific class of people

(general public, business, etc.), marketers can reach a particular segment basis its business strategy.

- (iv) **Reliability:** Magazines are considered more reliable and credible based on its respective field.

Limitations

- (i) **Lesser flexibility :** They have less flexibility as compared to newspapers. The content to be advertised needs to be sent to the publishers well in advance within specific timelines.
- (ii) **Lesser frequency:** Unlike newspapers, advertisements in magazines can be done weekly, fortnightly, and so on. For example, a sales advertisement for few days cannot be done in a magazine. The advertisement can be done in magazine with higher frequency for "reminder advertising".
- (iii) **Some waste circulation:** It sometimes lacks regional selectivity as advertisement done in a national magazine may not appeal to all the regions in which the magazine is circulated.
- (iv) **High cost :** It is more costly as compared to newspapers, etc.

B) Electronic Media

Electronic media is media that put into use electronics to deliver any content. Many people tend to confuse this media with static media which is created electronically but eliminates electronics when it comes to accessing the content. All media that use electronic media require a modern encoding of the content. They are various types of this media. That is the television, radio, DVDs, Fax and so forth. However, different media have advantages and disadvantages of using them and electronic media is not unlike. Check out the risks and benefits of using electronic media.

Advantages of Electronic Media

1. Electronic media is fast.
2. It has contributed maximally to turning the world into a global village. That means people easily access information about various parts of the world.

3. This media is cost-effective hence manageable than the static media.
4. Electronic media allows easy management of global operations.
5. Electronic media is a perfect media of communication since these media allows the exchange of ideas instantly.
6. It impacts the public more since it is interesting when compared to print media.
7. Through electronic media, people access worldwide entertainment.
8. It simplifies information by using easier language to communicate.
9. These electronic media are available to many people.
10. They are environmentally friendly since these media are paperless.
11. It makes information accessible anywhere via your computer.
12. Electronic media allows communication at all times via laptops and mobiles.
13. This media encourages people to understand and appreciate other cultures in the world.
14. It delivers information on high-accuracy hence fewer
15. Electronic media create awareness on different world-wide issues.
6. In the case of misinformation, electronic media may ruin the reputation of innocent people.
7. Some countries extra depend on other developed nations for the network.
8. Due to less information filter, electronic media tend to overlook important issues.
9. Some media conclusions on different topics are misleading.
10. Electronic media may spread unnecessary information which may lead to disputes and chaos.
11. It may be fast, but the content may lack depth.
12. In case of minimal news, some TVs and radios settle for negative approaches of things to keep them going.
13. Electronic media has superseded old newspapers and has put them out of work.
14. Television houses may spread confidential government issues which may lead to risks.
15. Some media content revealed via DVDs are age cautious hence risk our kid's moral values.

c) Other Media

1. Outdoor Advertising

Outdoor advertising is referred to as literally "out of door". It is out of the business or home premises. It is also known as "mural" or "indirect advertising". This type of advertising is aimed at catching the attention of the passer-by in course of their outdoor activity. It includes – posters, electric/neon signs, sky writing, sandwich men, transit displays, and painted displays.

Posters and placards are pasted on road sides, railway stations, or bus stands. These are usually made of thick paper sheets, wooden or metal plate. The message is usually in big letters and attention seeking that can be read from a distance.

Electric/Neon signs are permanent on a place and utilise attractive light effects. These are placed in places where large number of people gather in the evening or night.

Sky lighting is utilised to advertise the message across the sky by way of balloons, search lights, small

Disadvantages of Electronic Media

1. Cost of development is high, especially when establishing TV media houses.
2. Electronic media is prone to pending message delivery at times.
3. Electronics technology changes now and then. Therefore, keeping up is impossible for some countries.
4. Some electronic media may misinform the public.
5. The language barrier makes some local television channels inaccessible.

aircrafts, or giant kites. The airplane pilots utilise smoke or illuminations for communicating the message. These have short life and not much utilised.

Sandwich men move from street to street carrying posters or messages dressed in colourful and bright costumes. The men or women who do this job are sandwiched between posters, etc. and shout slogans to attract attention towards the posters.

Transit displays are referred to all kinds of displays used in buses, trains, taxis, tuk-tuk, and any kind of transportation vehicle.

Advantages

- (i) **Geographic selectivity:** Changes can be done as required to target a particular segment.
- (ii) **Longer life:** The outdoor advertising like displays, etc. stay unless removed by the advertiser.
- (iii) **Flexibility:** High flexibility to highlight the local address and names of sellers, middlemen, etc. A marketer can have different message for different locality or region.
- (iv) **Low cost:** The cost is low as compared to television, cinema or magazine advertising.

Limitations

- (i) **Limited exposure:** There is limited audience who get exposure to the outdoor message.
- (ii) **Non-selective demographically:** People of all age groups, social, economic, etc. background get exposed to the same message. For example, an outdoor advertising meant for young women will serve no purpose for men, older women, and children.

2. Direct Mail

It refers to all forms of printed advertising delivered directly to potential buyers by post. These can take different forms like post cards, envelop enclosures, booklets and catalogues, sales letters, gift-novelties, package inserts, store publications.

Envelop enclosure can be a circular, stuffer, or a folder. These are bunch of papers posted to buyers.

These are sent with the purpose of generating reader's interest in the product.

Booklets and catalogues contain detailed information about the products and their prices. Booklet has limited number of product while a catalogue is much larger and carries details of wide range of products. Gift novelties like pens, wallets, calendars, etc. are imprinted with the sales message of the address along with the name and address.

Advantages

- (i) **Audience selectivity:** The marketer can clearly define and target its prospective buyers.
- (ii) **High flexibility:** The message can be easily altered and changed as required as the designing and delivering of the message is in the hands of the marketer. Unlike newspaper, television ads where message delivery and frequency is to be pre-booked.
- (iii) **Option of personal touch :** Some messages can be directly addressed to the receiver like sales letters, etc.
- (iv) **Effective:** The marketer can make the message and delivery as effective as possible as there is no competition or clutter.

Limitations

- (i) **High cost:** The cost of sending individual messages is higher as compared to a message communicated via newspapers, etc.
- (ii) **Post being considered junk :** Nowadays people in metros receive lot of post from different organisations. People tend to consider most of it as trash and show less interest.

3. Display advertising

In this advertising, the sellers display the products in shop windows, counter displays, shelf displays, floor displays, etc. It is aimed at generating interest and impulse buying especially when most of the stores have "self-service" options.

For this to be an effective tool, the advertisers need to ensure that the products are displayed artistically in the shop window, on the shelves, counters, cupboards, racks, stands, etc. The industrial goods as well as consumer goods are displayed in showrooms for customer inspection and education.

The products should be regularly rearranged to generate interest and give a feel of freshness to the buyers.

4. Trade shows, Exhibitions and Fairs

These are organised on large scale wherein various manufacturers and traders sell their products to the buyers who attend the trade show or exhibition. The manufacturers buy or rent a space for demonstration of products which are very reasonable as compared to other advertising rates. The sellers give out free brochures or sample of products to the people. It benefits the buyers to a great extent as they get the opportunity of inspecting the product from among a variety available.

In international exhibitions, traders from different parts of the world assemble at one place.

5. Internet advertising

Internet advertising has gained lot of momentum in recent times as most of the regions in the world have access to internet. Advertisers look for the most accessed websites to advertise their products. The internet sites take fees for giving space on their web page. The cost of preparing an internet advertisement is also less as compared to television, etc.

Advantages of Internet Advertising

High flexibility of giving personal touch, can be made as interactive as possible, less costly as compared to television advertising, magazine advertising, etc.

Limitations of Internet Advertising

Not everyone accesses internet, internet challenges in developing countries, frustrating for some visitors, culturally and linguistically different regions will need to have advertising message accordingly created.

2.3 MEDIA PLANNING – FREQUENCY, REACH AND OUTCOME

Q3. Define media planning, also explain steps in development of media plan.

Ans :

The word **Media** came from the Latin word “Middle”. Media carry message to or from a targeted audience and can add meaning to the message.

Media Planning, in advertising, is a series of decisions involving the delivery of message to the targeted audience. Media Plan, is the plan that details the usage of media in an advertising campaign including costs, running dates, markets, reach, frequency, rationales, and strategies.

Steps in Development of Media Plan

1. Market Analysis

Every media plan begins with the market analysis or environmental analysis. Complete review of internal and external factors is required to be done.

The target audience can be classified in terms of age, sex, income, occupation, and other variables. The classification of target audience helps media planner to understand the media consumption habit, and accordingly choose the most appropriate media or media mix.

2. Establishing Media Objective

Media objectives describes what you want the media plan to accomplish. There are five key media objectives that a advertiser or media planner has to consider - reach, frequency, continuity, cost, and weight.

i) Reach

Reach refers to the number of people that will be exposed to to a media vehicle at least once during a given period of time.

ii) Frequency

Frequency refers to the average number of times an individual within target audience is exposed to a media vehicle during a given period of time.

iii) Continuity

It refers to the pattern of advertisements in a media schedule. Continuity alternatives are as follows:

- **Continuous:** Strategy of running campaign evenly over a period of time.
- **Pulsing:** Strategy of running campaign steadily over a period of time with intermittent increase in advertising at certain intervals, as during festivals or special occasions like Olympics or World-Cup.
- **Discontinuous:** Strategy of advertising heavily only at certain intervals, and no advertising in the interim period, as in case of seasonal products.

iv) Cost

It refers to the cost of different media

v) Weight

Weight refers to total advertising required during a particular period.

3. Determining Media Strategies

Media strategy is determined considering the following:

i) Media Mix

From the wide variety of media vehicles, the advertiser can employ one vehicle or a mix suitable vehicles.

ii) Scheduling

It shows the number of advertisements, size of advertisements, and time on which advertisements to appear.

- **Seasonal Pulse:** Seasonal products like cold creams follows this scheduling.
- **Steady Pulse:** According to this scheduling one ad is shown over a period of time, say one ad per week or one ad per month.
- **Periodic Pulse:** A regular pattern is followed in such scheduling, as in case of consumer durable, and non durable.

- **Erratic Pulse:** No regular pattern is followed in such scheduling.
- **Start-up Pulse:** Such scheduling is followed during a new campaign or a launch of a new product.
- **Promotional Pulse:** It is for short time, only for a promotional period.

iv) Creative Aspects

Creativity in ad campaigns decides the success of the product, but to implement this creativity firm must employ a media that supports such a strategy.

v) Flexibility

An effective media strategy requires a degree of flexibility.

vi) Budget Considerations

In determining media strategy cost must be estimated and budget must be considered.

vii) Media Selection

It covers two broad decisions - selection of media class, and selection of media vehicle within media class.

4. Implementation of Media Plan

The implementation of media plan requires media buying. Media Buying refers to buying time and space in the selected media. Following are the steps in media buying:

- **Collection of information:** Media buying requires sufficient information regarding nature of target audience, nature of target market, etc.
- **Selection of Media/Media Mix:** Considering the collected information and ad-budget, media or media mix is selected which suits the requirements of both - target audience and advertiser.
- **Negotiation:** Price of media is negotiated to procure media at the lowest possible price.
- **Issuing Ad - copy to media:** Ad-copy is issued to the media for broadcast or telecast

- **Monitoring performance of Media:** Advertiser has to monitor whether the telecast or broadcast of ad is done properly as decided.

- **Payment :** Finally, it is the responsibility of advertiser to make payment of media bills on time.

5. Evaluation and Follow-up

Evaluation is essential to assess the performance of any activity. Two factors are important in evaluation of media plan:

- How successful were the strategies in achieving media objectives?
- Was the media plan successful in accomplishing advertising objective?

Successful strategies help build confidence and serve as reference for developing media strategies in future, and failure is thoroughly analyzed to avoid mistakes in future.

Q4. Explain the factors to be considered in the media selection decision process.

Ans :

Generally media strategies involves the following criteria.

1. The media mix

Many products more than one media to be employed in transmitting the message and depend on several factors that determine the type of combination of media to be used like, objectives sought, features of product, & size of "Budget. Media mix will coverage increased.

2. Target market coverage

The media stratum Aim is to cover the full market or Target market. But every media should cover entire target market.

3. Geographic coverage

The objective is giving importance to certain geographic area More than other due to higher demand.

4. Scheduling

The primary objective of scheduling is to time promotional efforts. So that they will coincide with the highest potential Buying times.

5. Continuity

Continuous pattern of Advertising like every day, every week, month e.g. food products.

Continuity Advantages

- dis Adv
- Remainder
- Over exposer
- cover buying cycle
- high cost
- Allows media priorities
- Ltd. media allocation

6. Reach VS Frequency

Whether to have the message received by more people (reach) or by few people more often (frequency) is an important decision to taken the differences between (Exposure-No exposure - No.of explain)

Some vehicles convey certain moods where special interests like. Travelling, beautifying houses etc one highlighted in specific magazines put the reader in the particular mood. Ex. film magazines sports, etc.

7. Flexibility

Media effectiveness also depend in its flexibility, to copy with Rapid changing market environment flexibility needed to address the following.

- Market opportunities
- Market Threats
- Availability of media.

8. Budget considerations

Cost estimating is important in media strategy to arrive at lower. Cost of least waste. There are the costs applicable.

Relative Cost

Refers to the relationship between the price paid for the Advertising time or space. The size of the audience delivered. This is used to compare media vehicles. This cost is important to managers because Mgr's must try to optimize audience delivery within budget constraints.

Determining the Relative Cost

- Cost per thousand (cpm)

$$\text{cpm} = \frac{\text{cost of ad space}}{\text{circulation}} \times 1000$$

- Cost per rating points (CPRP)

$$\text{CPRP} = \frac{\text{cost of commercial time}}{\text{program rating}}$$

- Daily Inch Rate - for News papers, column rate

Budget methods may also

- % of sales method
- Objective task method
- Affordability method
- Competitive party method.

2.4 ADVERTISING APPEALS

Q5. What is Advertising Appeal? Describe different types of advertising appeal.

Ans :

Advertising Appeal is an igniting force which stimulates the customer mindset towards the product or services. It is not the only factor in the marketing mix which initiates a consumer for buying the product but it is certainly one of the advertisers' most important creative strategy decisions involves the choice of an appropriate appeal.

Advertising appeals are designed in a way so as to create a positive image of the individuals who use certain products. Advertising agencies and companies use different types of advertising appeals to influence the purchasing decisions of people.

There are three types of appeals:

1. Rational or Informational Appeal
2. Emotional Appeal
3. Moral Appeal

1. Rational or Informational Appeals

This is generally product oriented appeal, highlights the functional benefits like- quality, economy, value, or performance of a product. Following are different types of rational appeals:

i) Feature Appeal

Advertisements based on such appeal are highly informative, provides information of product attributes or features that can be used as the basis for rational purchase decision. Technical and high involvement product often uses this appeal.

ii) Competitive Advantage Appeal

Such appeal is used to compare the product with the competitor's product directly or indirectly and advertiser try to present his product superior than competitor's product on one or more attributes.

iii) Favourable Price Appeal

Here price offer is considered as the dominant point of the message.

iv) News Appeal

Some type of news or announcements about product or company dominates the advertisement.

v) Product Popularity Appeal

Product popularity is considered as the dominant point of advertisement by highlighting the increasing number of users of brand or the number who have switched to it.

vi) High Quality

Some products are preferred for their quality not merely because of their taste or style, such products are advertised by highlighting the quality attribute in advertisement.

vii) Low price

Many people prefer low priced goods. To target such audience products are advertised by highlighting the low price tag of the product.

viii) Long Life

Many consumers want product of durable nature that can be used for a long period, in advertisement of such product durability is the dominant point of the message.

ix) Performance

Many advertisements exhibit good performance of product.

x) Economy

Many customers consider savings in operation and use of product, for example in case of automobile the mileage is considered while selecting the brand or model.

xi) Scarcity

Another appeal that is occasionally used is scarcity. When there is a limited supply of a product, the value of that product increases. Scarcity appeals urge consumers to buy a particular product because of a limitation.

xii) Other Rational Appeals

Other rational appeals include purity, more profits, time saving, multifunction, more production, regular supply and availability of parts, limited space required, artistic form, etc. that can make advertising effective.

2. Emotional Appeals

An emotional appeal is related to an individual's psychological and social needs for purchasing certain products and services. Emotions affects all type of purchase decisions. Types of emotional appeals are as follows:

i) Positive Emotional Appeal

Positive emotions like- humour, love, care, pride, or joy are shown in advertisements to appeal audience to buy that product. For example- Jonson and Jonson baby products.

ii) Negative Emotional Appeal

This includes fear, guilt, and shame to get people to do things they should or stop.

iii) Fear

Fear is an emotional response to a threat that expresses some sort of danger. Ads sometimes use fear appeals to evoke this emotional response and arouse consumers to take steps to remove the threat. For example- Life Insurance

iv) Anxiety

Most people try to avoid feeling anxious. To relieve anxiety, consumers might buy mouthwash, deodorant, a safer car, get retirement pension plan.

v) Humour

Humour causes consumer to watch advertisement, laugh on it, and most important is to remember advertisement and also the product connected with humour. For example- Happydent, and Mentos.

3. Moral Appeals

Moral appeals are directed to the consumers' sense of what is right and proper. These are often used to exhort people to support social and ethical causes. Types of Moral Appeal are as follows:

- Social awakening and justice
- Cleaner and safe environment
- Equal rights for women
- Prohibition of drugs and intoxication
- Adult literacy
- Anti-smuggling and hoarding
- Protection of consumer rights and awakening

4 Other Type of Appeals**i) Reminder Appeal**

Advertising using reminder appeal has the objective of building brand awareness. For example- IPO

ii) Teaser Advertising

Advertisers introducing a new product often use this appeal. It is designed to build curiosity, interest and excitement about a product or brand. For example- Ponds ad of Saif & Priyanka

iii) Musical Appeals

Music is an extremely important component in advertising. It captures the attention of listeners. For example- Docomo, Airtel

iv) Transformational Appeal

The idea behind this appeal is that it can actually make the consumption experience better. For example- Ambay products

v) Comparison Appeal

In this appeal a brand's ability to satisfy consumers is demonstrated by comparing its features to those of competitive brands. For example- Tide & Surf

vi) Direct Appeals

Direct appeals clearly communicate with the consumers about a given need. These extol the advertised brand as a product which satisfies that need.

vii) Indirect Appeals

Indirect appeals do not emphasize a human need, but allude to a need.

2.5 SETTING ADVERTISING OBJECTIVES**Q6. Discuss about setting advertising objectives.**

Ans :

Process of Setting Advertising Objectives

The advertising objectives must flow from prior decisions on target market, market positioning, and marketing mix.

1. Informative Advertising

It is heavily used in the pioneering stage of a product category, where the aim is to build primary demand.

Ujala commercial, where the ad talks about how different it is from the age old "neel" by talking about its solution contents and showing how different your clothes look when washed with Ujala.

2. Persuasive Advertising

It is generally used when the product is in the competitive stage, where the company's objective is to build selective demand for a particular brand.

Whirlpool ice magic positions itself as being a quick icemaker and was the first one of its kind to use this as a marketing platform.

3. Reminder Advertising

It is very important to use these when the product is in the maturity stage. They are intended to remind people to purchase your brand.

Thums up, Coke, Pepsi ads all these ads no more are shown to create awareness or persuasion because people are already aware of their presence and already have chosen the brand of their choice. These are just reminder ads to keep the brand or the company fresh in the minds of the consumers or have the brand top of mind.

4. Reinforcement Advertising

It seeks to ensure the buyers that they have made the right choice by purchasing your brand.

Hamara Bajaj advertisements make the owner of the two wheelers of Bajaj proud of their possession by giving it a patriotic positioning.

2.6 ADVERTISING MESSAGE**Q7. Explain about advertising message.**

Ans :

The underlying message or point that the customer should get upon seeing the ad is called the advertising message.

Advertising Message Structure

Most advertising messages share common components within the message including:

1. The Appeal

This refers to the underlying idea that captures the attention of a message receiver. Appeals can fall into such categories as emotional, fearful, humorous, and sexual.

2. Value Proposition

The advertising message often contains a reason for customers to be interested in the product which often means the ad will emphasize the benefits obtained from using the product.

3. Slogan

To help position the product in a customer's mind and distinguish it from competitors' offerings, advertisements will contain a word or phrase that is repeated across several different messages and different media outlets.

Advertising Message Testing

Before choosing a specific message marketers running large advertising campaigns will want to have confidence in their message by having potential members of the targeted audience provide feedback. The most popular method of testing advertising for the marketer (or their ad agency) is to conduct focus groups where several advertising messages are presented. On the Internet, advertising delivery technology allows for testing of ads by randomly exposing website visitors to different ads and then measuring their response

2.7 ADVERTISING BUDGET

Q8. Explain the concept of advertising budget.

Ans :

Advertising budget is a plan or expenditure to be incurred on the advertising campaign. Advertisement budget is a functional budget and setting the goals and objectives in terms of income and expenditure on advertising during a special period. The expenditure may be to meet the present

expenses as well as future expenditure. In advertising budget, budget decision explain the budget strategies and programmes.

Advertising budget converts advertising plan into money. Like any other investment in a capital asset, an effective advertising campaign may increase the figure sales, though, in the concept of accounting, it is still considered advertisement campaign may increase the figure sales, though, in the concept of accounting, it is still considered to be a business expense. In the most elementary form, it states the properly advertising expenditure and informs and suggests the company management of the anticipated cost of executing the advertising plan.

Definition of Advertising Budget

"Advertising budget is an estimated amount an organisation decides to invest in its promotional expenditures over a period of time. An advertising budget is the money a company set aside to accomplish its marketing objectives."

It is difficult to measure the effect of advertising on business sales. Advertising is just one of the variables that affects sales in a period of time. As a percentage of sales, advertising expenditure varies from business to business. Because of such complications it is very difficult for business organisations to decide the size of advertising budget. There are various approaches that can be used to set advertising budget.

Objectives of Advertising Budget

A business that does not have a budget or a plan will make decisions that do not contribute to the profitability of the business because managers lack a clear idea of goals of the business. A budget serves five main objectives which are as follows:

1. Communication
2. Coordination
3. Planning
4. Control
5. Evaluation

1. Communication

In the budgeting process, managers in every department justify the resources they need

to achieve their goals. They explain to their superiors the scope and volume of their activities as well as how their tasks will be performed. The communication between superiors and subordinates helps affirm their mutual commitment to company goals.

2. Coordination

Different units in the company must also coordinate the many different tasks they perform. For example, the number and types of products to be marketed must be coordinated with the purchasing and manufacturing departments to ensure goods are available. Equipment may have to be purchased and installed. Advertising promotions may need to be planned and implemented. And all tasks have to be performed at the appropriate times.

3. Planning

A budget is ultimately the plan for the operations of an organisation for a period of time. Many decisions are involved, and many questions must be answered. Old plans and processes are questioned as well as new plans and processes. Managers decide the most effective ways to perform each task. They ask whether a particular activity should still be performed and, if so, how. Managers ask what resources are available, and what additional resources will be needed.

4. Control

Once a budget is finalised, it is the plan for the operations of the organisation. Managers have authority to spend within the budget and responsibility to achieve revenues specified within the budget. Budgets and actual revenues and expenditures are monitored constantly for variations and to determine whether the organisation is on target. If performance does not meet the budget, action can be taken immediately to adjust activities. Without constant monitoring, a company does not realise it is not on target until it is too late to make adjustments.

5. Evaluation

One way to evaluate a manager is to compare the budget with actual performance. Did the manager reach the target revenue within the constraints of the targeted expenditures? Of course, other factors, such as market and general economic conditions, affect a manager's performance. Whether a manager achieves targeted goals is an important part of managerial responsibility.

Preparation of Advertising Budget

Advertising budget is prepared by advertising manager in consultation with marketing-manager of the company. The advertising budget preparation process involves the following main steps :

1. Setting Advertising Objectives
2. Determining Tasks to be Performed to Achieve Advertising Objectives
3. Preparing Advertising Budget
4. Approval
5. Allocation of Advertising Budget
6. Monitor and Control

1. Setting Advertising Objectives

Before deciding on advertising budget, the advertising manager must be clear about advertising objectives. These objectives should be clearly defined in quantitative terms so that amount of advertising budget can be decided for achieving these objectives. Main advertising objectives can be to achieve the desired level of sales, to enhance market share by specific percentage, to increase awareness regarding product and its uses, to develop preference for our product and to convince the customers to buy our product. These objectives will help the advertising manager to determine and to allocate the ad budget.

2. Determining Tasks to be Performed to Achieve Advertising Objectives

After identifying advertising - objectives, the next step is to determine tasks, activities, strategies, functions to be performed to achieve the advertising objectives. These tasks may include; selection of media, selection of

advertising-agency, designing of advertisement copy, deciding frequency of advertisement, timing of advertisement, quantum of space to be taken in print media, etc.

This requires a good knowledge of various activities of an effective advertising campaign. While determining the activities to be performed the advertiser keeps in mind the activities done last year and activities of competitive concerns.

3. Preparing Advertising Budget

After identifying various activities to be done to achieve advertising objectives, the next step is to find the cost of all such activities. Total cost of all such activities is the amount required for advertising-budget. To keep the budget flexible, certain amount in the form of provision for contingencies is added to the total cost.

4. Approval

After preparing advertising budget, it is sent to top- management through marketing manager for necessary approval. In large organisations, this proposed ad-budget is evaluated, reviewed and scrutinised by high-powered-budget committee before submitting it to the top-management for final approval. Top- management will see if the budget is affordable, need based and justified. Top-management can impose ceiling on proposed budget and send it back to budget-committee for necessary review. If it finds the budget justified and within affordable limit, then it will pass the budget.

5. Allocation of Advertising Budget

After the budget is approved by the top management, the next step is to allocate it. Allocation means dividing the advertisement budget on different products and activities. Advertising budget is allocated on various product-lines, product items, media, sales-territories, advertising research, etc. It involves determining which market, product; promotional element will receive how much of the amount of funds appropriated.

Advertising-allocation depends upon company's policies, competitors strategies, nature of tasks required to achieve advertising objectives, stage of product life-cycle, market size, company's promotional plans, charges of advertising agency, etc.

6. Monitor and Control

After allocation of advertising budget, it is essential to have an adequate monitoring and control over it. In control, actual expenditure is compared with planned expenditure. In case actual expenditure is more than planned expenditure, then corrective-actions are taken and responsibilities are fixed to ensure cost control over advertising-budget. Monitoring and control of ad- budget is necessary to make maximum-utilisation of funds, to reduce wastage in ad-expenses and to increase efficiency in various advertising activities. Advertisement effectiveness is monitored and evaluated in the light of the budget appropriated.

Factors that are Considered in Determining the Advertising Budget

1. Corporate Objectives

Using the objective task method, linkage between advertising expenditure and corporate objective will be established. The advertising expenditure varies depending upon corporate philosophy and priorities. For example in India, we find that public sector corporations such as BEST or the Mahanagar Telephone Nigam Ltd spend less on advertising than private sector companies such as Reliance Industries or Tata Industries.

2. The Product Life Cycle

This has a very important influence on the ad budget and companies use the brand history method for deciding how to spend on the product.

3. The Budgeting Period

Usually companies have a yearly budget but some may prepare long term budget that match the long-term objectives.

4. The Competitors Strategies

Product categories, which have stiff competition, witness a greater expenditure on advertising. For example, in India television manufacturers spend more than the manufacturer of ear buds. (manufactured mainly by Johnson & Johnson). When competitors increase their advertising expenditure others are forced to follow them.

5. Affordability

While the affordability level depends upon the advertisers priorities ceilings on how much to spend is fixed by the advertisers in order to avoid overspending.

6. Crisis management

Even the best-laid plans can be affected by the changes in the marketplace. Advertisers have to keep aside contingency funds that can be used to tackle unexpected market challenges.

7. The type of product

Consumer products need more advertising than industrial products. Among consumer products shopping items such as toothpaste, shampoo and soaps need to be advertised consistently in order to maintain their brand position. Such products will have a higher budget appropriation.

8. Importance of middlemen

In product categories where middlemen or retailers have to push the product, manufacturers may prefer to spend more on dealer commission than advertising. For example Sumeet washing machines and kitchen mixers and food processors are not advertised heavily. This is because the brand name Sumeet is familiar to consumers who have accepted the product image of quality and after sales service. The company prefers to use retailers to push the brand. In most common durables such as televisions, VCRs, microwave ovens and so on, the influence of retailers is very strong. Unlike impulse purchase products such as chewing gums, chocolate and ice cream, which therefore use more of advertising.

9. Scope of the Market

If the advertiser wants to approach the national market his budget has to be much more than that required for local or regional market.

10. The quality of the campaign

When the advertising campaign is striking and is unusually creative, it is immediately noticed by consumers. In this case the advertisers need not spend on buying media, time and space. To compensate on poor quality campaign an advertiser may have to spend more on media, in order to enjoy the same degree of visibility. For example the Cherry Blossom ad, which used a Charlie Chaplin look a like, was a striking television commercial that immediately gained attention.

2.8 EVALUATION OF ADVERTISING EFFECTIVENESS**Q9. What are methods of measuring evaluation of advertising effectiveness?**

Ans :

Methods of Measuring Advertising Effectiveness

1. Message Evaluations

Message evaluation techniques are used to examine the creative message and the physical design of the advertisement, coupon or direct-marketing piece. Message evaluation procedures include the study of actors in advertisements as well as the individuals who speak in radio ads. A message evaluation program is designed to consider both the cognitive components associated with an ad cues as well as the peripheral (emotions, attitudes). Message evaluations can be done by following methods.

i) Concept Testing

Concept testing is aimed at the actual content of the ad and the impact that content has on potential customers. Many advertising agencies conduct concept tests before spending money to develop an advertisement or

promotional piece. The most common procedure used for concept testing is a focus group.

ii) Copy Testing

Copy testing is a means of measuring the communication value of advertising. As a diagnostic tool rather than an evaluative tool, copy testing can be instrumental to the creative development process.

iii) Recall Tests

There are several tests to measure recall of print ads. Perhaps the best known of these are the Ipsos-ASI Next Print test and the Gallup and Robinson Magazine Impact Research Service (MIRS). Recall tests have been classified into two classes - aided recall and unaided recall.

iv) Recognition Tests

A recognition test is a format in which individuals are given copies of an ad and asked if they recognize it or have seen it before. Those who say they have seen the ad are asked to provide additional details about when and where the ad was encountered (For example, specific television program, the name of the magazine, the location of the billboard, etc.).

v) Attitude and Opinion Tests

Many of the tests used to measure advertisements are designed to examine the attitudinal components. Attitude tests deal with both the cognitive and affective reactions to an ad. They are also used to solicit consumer opinions. Opinions are gathered from surveys or focus groups. They can also be obtained as part of a mall intercept plan or even in laboratory settings.

2. Behavioural Evaluation

Behavioural Evaluation deals with people's behaviour, i.e., insights that what people think and feel. Effectiveness of ad depends upon whether it is able to increase the sales or not. So an effective promotions evaluation should involve the study of both message and

behavioural elements. Three criteria of behavioural measures are as follows:

i) Sales and Redemption Rates

Now it is easier to monitor sales performance than past due to technological advancement. The high degree of retail sales data automation enables to monitor the collected information from thousands of store locations in near to real time basis. Use of scanner and Universal product codes data, increases the effectiveness of sales evaluation. The National Retail Data Monitor receives data daily from 10,000 stores, including pharmacies that sell health care products. These stores belong to national chains that process sales data centrally and utilize universal product codes and scanner to collect sales information at the cash register. Scanner data makes it possible for companies to monitor sales and help both the retailer and manufacturer discover the impact of particular marketing programme.

ii) Test Markets

Before launching national or international marketing campaign, company examines the effects of marketing effort on small scale that is called test markets. By test markets, several elements of marketing communication programmes can be evaluated. The launch of product depends upon success in test market. It is used to assess advertisements, promotions and premiums, pricing and tactics and new products.

iii) Purchase Simulation Test

By purchase simulation test, customer intention for purchase is recorded. Consumer can be asked in several ways if they would be willing to buy products. For example, they would be asked about purchase intentions at the end of laboratory experiments, however, intentions are self-reported and tend not to be an accurate predictor of future purchase behaviours.

Importance of measuring the Effectiveness of Advertising**1. It acts as a Safety measure**

Testing effectiveness of advertising helps in finding out ineffective advertisement and advertising campaigns. It facilitates timely adjustments in advertising to make advertising consumer oriented and result oriented. Thus waste of money in faulty advertising can be avoided.

2. Provides feed back for remedial measures

Testing effectiveness of advertising provides useful information to the advertisers to take remedial steps against ineffective advertisements.

3. Avoids possible failure

Advertisers are not sure of results of advertising from a particular advertising campaign. Evaluating advertising effectiveness helps in estimating the results in order to avoid complete loss.

4. To justify the Investment in Advertising

The expenditure on advertisement is considered to be an investment. The investment in advertising is a marketing investment and its objectives should be spelt out clearly indicating the results expected from the campaign. The rate and size of return should be determined in advance. If the expected rate of return is achieved in terms of additional profits, the advertisement can be considered as effective one.

5. To know the communication Effect

The effectiveness of the advertisement can be measured in terms of their communication effects on the target consumers or audience. The main purpose of advertising is communicated the general public, and existing and prospective consumers, various information about the product and the company. It is therefore desirable to seek post measurements of advertising in order to determine whether advertisement have been seen or heard or in other words whether they have communicated the theme, message or appeal of the advertising.

6. Compare two markets

Under this procedure, advertising is published in test markets and results are contrasted with other. Markets – so called control markets – which have had the regular advertising programme. The measurements made to determine results may be measurements of change in sales, change in consumer attitudes, changes in dealer display. and so on depending upon the objectives sought by the advertiser.

Q10. How to conducting Research to Measure Advertising Effectiveness?

Ans :

An advertising campaign depends on various parameters, so the company should devise a mechanism to measure the effectiveness of these advertising programmes in terms of these parameters. Conducting research to measure advertising effectiveness includes these basic and essential decisions:

1. Identify the Test Variables

Marketers must track customers' reactions to marketing messages to measure marketing effectiveness.' The first step in measuring the effectiveness of a promotional campaign is to identify the variables that need to be measured and to define the outcomes that are to be achieved by each of these variables. Some of the variables that are considered for measuring the effectiveness of a ad campaign are:

i) Message Variables

The message conveyed should be strong enough to attract the attention of buyers. The message should also be clear, and should help the customers to evaluate the product. At the same time, the message should be able to persuade the customer to make a purchase. For example, ICICI Prudential, a private life insurance company in India, uses the tag-line 'Suraksha... Zindagi ke har kadam par' which conveys the importance of insurance products. It has been observed that some messages have

high recall, but still do not influence the sales of the product.

ii) Source Variables

The source of the message delivery should be credible as well as attractive for the receiver of the message. For example, when Cadbury's, the chocolate manufacturer faced the worm controversy in India in October 2003, its sales dropped by 10-15%. Cadbury's changed its packaging and got the famous film star Amitabh Bachchan to endorse the product. For customers, Amitabh Bachchan is credible person and he also has a huge fan following in India. In six months, sales bounced back to normal.

iii) Delivery Channels

Apart from testing the message and source, the delivery channel should also be tested. The selected media class for the delivery of the message should have a good reach as well as the ability to persuade target customers. Decisions regarding the media sub-class (print or electronic or outdoor) and the specific vehicle (Times of India or Hindu) should be tested. The location and duration of a promotion also affects its effectiveness.

2. Decide on the Timing of the Test

Any ad campaign goes through various stages of production - concept generation, rough copy, pre- finished art, finished art, commercial pre-testing and market testing. Advertisers can test the effectiveness of campaign at any stage. If testing is performed at the end of every stage and the feedback is implemented in the next stage, the resulting campaign will be more effective. Tests are divided broadly into two categories - pre-test and post-test - depending on when the tests are performed:

i) Pre-Test

The evaluation of a ad campaign before it is executed in the market is called a pre-test. From the pre-test, the marketer is able to judge whether it is worth

spending money for the execution of the campaign. If the campaign fails to deliver the desired results during the pre-test, the execution of the promotional campaign can be stopped or revised to make it more effective. The feedback obtained during the pre-test gives marketers valuable insights.

But there are a few disadvantages associated with pre-tests. In a pre-test the material used for campaign is presented using mock-ups, storyboard or animation, and these may not create the same impact as in the actual environment. Additionally, if there is a time delay between the testing and execution of the campaign, then the whole exercise will lose its relevance. Theatre test, portfolio test and on-air test are some of the forms of pre-tests.

ii) Post-Test

Tests conducted to find out whether ad campaigns have met the desired objectives or not after the campaigns have been released in the market are called post-tests. The results obtained from post-tests can be used in the following ad campaign. These tests are more costly and time-consuming as compared to pre-tests but also give more accurate results as they are conducted under real market conditions. Post-tests include recall (aided and unaided) tests, recognition tests, tracking studies, etc.

3. Decide on the Location of the Test

The place where the testing is performed affects the outcome of the test. The surrounding environment has an effect on the response of the respondent. Tests conducted in a controlled environment are called laboratory tests, while those conducted in a natural environment are called field tests:

i) Laboratory Test

In this test, a number of respondents are invited to a particular place to participate

in the testing process. They are shown the test commercials or participate in test campaigns and their responses (verbal or non-verbal) are noted. In these tests the environment and the information to be delivered is controlled by the researcher. Several alternative tests can be conducted at the same time on the same group of respondents. The disadvantage of these tests is the possible bias of the respondents - as they are aware they are being tested they might give false opinions just to please the researcher. Also the environment is too artificial without any distractions so the respondent tends to pay more attention than in normal situations.

ii) Field Test

In this test, first the respondent is exposed to the promotional campaign, and after this, the tests are conducted. Field tests study the effects of repetition, programme content and the presence of competitive messages. The major disadvantage, i.e., the artificial environment of laboratory tests, is eliminated in the field test. But in field tests the researcher cannot control the entire test. The respondent is exposed to other information also and forms his own opinion. As the research is conducted in the field it is more prone to diversion from competitors. These tests also require more resources like time and money.

Q11. Write a note on advertisement evaluation techniques. Explain Pre-Testing, Concurrent Testing, and Post Testing.

Ans :

In today's advertising world, every firm invests heavily on advertisement for making their products or services known to the target audience and to arouse the interest of target audience in firm's products or services. Advertising is done with some predefined objectives- to generate awareness about product, to arouse interest in product, to change the attitude of audience towards product,

to stimulate desire for product, or to make them buy the product.

Advertising is of no use if the defined objectives of communication is not achieved. So, it is necessary to evaluate the effectiveness of advertisement at different level, starting from creation of ad-copy to running of ad on media, and also after execution of ad to know to what extent the objectives are achieved.

Types of Test

Following are the types of test applied in advertisement evaluation:

1. Pre-Testing
2. Concurrent Testing
3. Post Testing

1. Pre-Testing

Pre-Testing follows the universal law "Prevention is better than cure". Advertising can be pretested at several points in the creative development process. Pre-Testing helps the advertiser to make a final go or no go decision about finished or nearly finished advertisement. Pre-Testing method refer to testing the potentiality of a communication message or ad-copy before printing, broadcasting, or telecasting. Following are the types of pre-testing methods:

A) Qualitative Methods of Pre-Testing

- **Focus Group:** Focus group involve exposing the ad to a group of 8 to 12 respondents. Focus groups are used with surprising frequency for making final go or no go decision. A moderator facilitates the discussion and walk s the group through a series of issues that are outlined in discussion guide.
- **In-depth Interview:** In-depth interview involve one on one discussion with respondents. Interviews are very effective when a researcher has a good idea of critical issues but does not have a sense of the kind of responses one will get. This method can be effectively used to generate new ad concepts and ideas.

- **Projective Techniques:** In this technique the respondent is instructed to project himself into the situation and verbalize the thoughts. projective technique can be very effective for evaluating ad concepts and for generating new ad concepts. But, it cannot be used for making final decisions.

B) Quantitative Methods of Pre-Testing

- **Checklist Method:** Checklist method is used to test the effectiveness of ad-copy. The purpose of this method is to ensure that all elements of the ad-copy are included with due importance in the advertisement. As it is a pre-test method any omitted element of ad can be included in the copy before release of the advertisement.
- **Consumer Jury Method:** This method involves the exposure of alternative advertisements to a sample of jury or prospects. This test is designed to learn from a typical group of prospective customers. Advertisements which are unpublished are presented before the consumer jury either in personal interviews or group interviews and their reactions are observed and responses are recorded.
- **Sales Area Test:** Under this method advertising campaign is run in the markets selected for testing purposes. The impact of the campaign is evaluated by actual sales in the selected markets. The market with high sales is considered the best market for effective sales campaign. In other markets suitable changes are made in the advertising campaign.
- **Questionnaire Method:** It is a list of questions related to an experiment. The draft of an advertisement along with some relevant questions is to be sent to a group of target consumers or advertising experts. Their opinions are collected and analyzed to find out whether the proposed advertisement is satisfactory or not.

- **Recall Test:** Under this method, advertising copies are shown to a group of prospects. After few minutes they are asked to recall and reproduce them. This method is used to find out how far the advertisements are impressive.

- **Reaction Test:** The potential effect of an advertisement is judged with the help of certain instruments, which measure heartbeats, blood pressure, pupil dilation etc. Their reactions reveal the psychological or nervous effects of advertising.

- **Readability Test:** All the listeners of advertisements cannot read it equally. So respondents are drawn from different socio economic and geographical backgrounds. This method is used to find out the level of effectiveness when an advertisement is read.

- **Eye Movement Test:** The movements of eyes of the respondents are recorded by using eye observation camera when advertisements are shown to them in a screen. This helps to find out the attention value of advertisement.

2. Concurrent Testing

Concurrent testing is evaluated throughout the whole advertisement execution process. Tests are conducted while audience is exposed to different type of media. Following are the types of concurrent testing methods:

- **Consumer Diaries:** Diaries are provided to a selected customers. They are also informed to record the details of advertisements they watch, listen or read. The diaries are collected periodically. The result obtained from such a survey reveals the effectiveness of advertisement.
- **Co-incidental Surveys:** This method is also called as co-incidental telephone method. Under this method, samples of customers are selected and calls are made at the time of broadcast of the advertisement programme. The data obtained and analyzed will give a picture about the effectiveness of an advertisement.

- **Electronic Devices:** Now day's electronic devices are widely used to measure the effectiveness of an advertisement. They are mainly used in broadcast media. These are auto meters, track electronic units etc.

3. Post Testing

Post testing is done to know- to what extent the advertising objectives are achieved. Following are the types of post testing methods:

- **Recognition Test:** Recognition test involves the ability of viewers to correctly identify ad, brand, or message they previously exposed to. The types of recognition test are:
- **Starch Test:** The Starch test is applied only to print ads that have already run. The interviewer shows each respondent a magazine or newspaper containing the ads being tested. For each ad the interviewer asks the respondents to reply to ad related questions.
- **Bruzzone Test:** The Bruzzone test is conducted through mail surveys. Questionnaires containing frames and audio scripts from television commercials are sent to respondents and respondents are asked whether they recognize the ad and brand.
- **Recall or Impact Test:** The recall test is designed to measure the impression of readers or viewers of the advertisement. If a reader has a favorable impression of the advertisement, he will certainly retain something of the advertisement. The measures of interest would be obtained by interviewing the readers or viewers or listeners, days after the advertisement or commercial is appeared in the newspaper, or on T.V. Interviewer asks the readers or viewers to answer some ad related questions, and in response to the question asked, the reader reveals the accuracy and depth of his impression.

2.9 METHODS AND REGULATION OF ADVERTISING IN INDIA

Q12. What are the methods of advertising in India?

Ans :

The advertising budget of a business is typically a subset of the larger sales budget and, within that, the marketing budget. Advertising is a part of the sales and marketing effort. Money spent on advertising can also be seen as an investment in building up the business.

Budgeting Methods

There are several allocation methods used in developing a budget. The most common are listed below :

1. Percentage of Sales method
2. Objective and Task method
3. Competitive Parity method
4. Market Share method
5. Unit Sales method
6. All Available Funds method
7. Affordable method

It is important to notice that most of these methods are often combined in any number of ways, depending on the situation. Because of this, these methods should not be seen as rigid but as building blocks that can be combined, modified, or discarded as necessary. Remember, a business must be flexible ready to change course, goals, and philosophy when the market and the consumer demand such a change.

1. Percentage of Sales Method

Due to its simplicity, the percentage of sales method is the most commonly used by small businesses. When using this method an advertiser takes a percentage of either past or anticipated sales and allocates that percentage of the overall budget to advertising. But critics of this method charge that using past sales for figuring the advertising budget is too conservative, that it can stunt growth. However, it might be safer for a small

business to use this method if the ownership feels that future returns cannot be safely anticipated. On the other hand, an established business, with well-established profit trends, will tend to use anticipated sales when figuring advertising expenditures. This method can be especially effective if the business compares its sales with those of the competition (if available) when figuring its budget.

2. Objective and Task Method

Because of the importance of objectives in business, the task and objective method is considered by many to make the most sense and is therefore used by most large businesses. The benefit of this method is that it allows the advertiser to correlate advertising expenditures with overall marketing objectives. This correlation is important because it keeps spending focused on primary business goals.

3. Competitive Parity Method

While keeping one's own objectives in mind, it is often useful for a business to compare its advertising spending with that of its competitors. The theory here is that if a business is aware of how much its competitors are spending to advertise their products and services, the business may wish to budget a similar amount on its own advertising by way of staying competitive.

4. Market Share Method

Similar to competitive parity, the market share method bases its budgeting strategy on external market trends. With this method a business equates its market share with its advertising expenditures. Critics of this method contend that companies that use market share numbers to arrive at an advertising budget are ultimately predicating their advertising on an arbitrary guideline that does not adequately reflect future goals.

5. Unit Sales Method

This method takes the cost of advertising an individual item and multiplies it by the number of units the business wishes to sell.

This method is only effective, of course, when the cost of advertising a single unit can be reasonably determined.

6. All Available Funds Method

This aggressive method involves the allocation of all available profits to advertising purposes. This can be risky for a business of any size it means that no money is being used to help the business grow in other ways.

Yet this aggressive approach is sometimes useful when a start-up business is trying to increase consumer awareness of its products or services. However, a business using this approach needs to make sure that its advertising strategy is an effective one and that funds which could help the business expand are not being wasted.

7. Affordable Method

With this method, advertisers base their budgets on what they can afford. Of course, arriving at a conclusion about what a small business can afford in the realm of advertising is often a difficult task, one that needs to incorporate overall objectives and goals, competition, presence in the market, unit sales, sales trends, operating costs, and other factors.

Q13. What do you mean by advertising regulation? Also write a note on advertising self-regulation.

Ans :

Advertising Regulation

In today's world of cut throat competition, advertisement plays an important role in brand building and informing public about available products so that they can make informed choice among different products or brands.

On one side advertising carries several responsibilities, but on the other side advertising is accused of encouraging materialism and consumption, of stereotyping, of causing us to purchase unnecessary, of using sex to sell, of taking advantage of children, of manipulating our behaviour; contributing to downfall of our value system.

In order to protect consumer interest and to monitor and control advertising a number of different regulatory bodies are established. Many countries have an Advertising Standard Authority to ensure advertising claims are truthful, not exaggerated or misleading; or to protect particular groups like children.

Meaning of Advertising Regulation

Advertising regulation refers to the laws and rules defining the ways in which products can be advertised in a particular region. Rules can define a wide number of different aspects such as ad placement, timing and content.

Advertising Regulations in different countries

1. **United States** : False advertising and health related ads are regulated most.
2. **Sweden and Norway** : Domestic ads that target children are prohibited.
3. **Some European Countries** don't allow sponsorship of children programs, no ads are targeted to children under the age of twelve.
4. **United Kingdom** : Tobacco ads on television, bill boards, or at sporting events is banned.
5. **India** : Alcohol and Tobacco ads are banned.

Self Regulation

The word 'Self' refers to the actor. Here the actor can be a company or a group of companies acting collectively. 'Regulation' refers to what the actor is doing. Regulation has three components.

1. Legislation - to define appropriate rules,
2. Enforcement - igniting actions against violators,
3. Adjudication - decision on violation and imposing an appropriate sanction.

The term 'Self Regulation' means the company or the industry rather than the government is doing regulation. In self regulation it is not necessary that government involvement lacks entirely. One or two components of regulation are taken over by the industry other remains with the government.

2.10 MISLEADING AND DECEPTIVE ADVERTISING

Q14. Discuss about misleading and deceptive advertising.

Ans :

Under the Consumer Protection Act 2007, advertising is seen as misleading if it involves false, misleading or deceptive information that is likely to cause the average consumer to act in a way they might otherwise not. Advertising may also be considered misleading if important information that the average consumer needs to make an informed decision is left out. Misleading advertising covers claims made directly to consumers by manufacturers, distributors and retailers, as well as in advertisements, catalogues, websites etc.

Examples of Misleading Advertising

1. A false claim about the characteristics of the goods or service, e.g. : a product is a different colour, size or weight to what is advertised.
2. The price or way the price is calculated is misrepresented, e.g. : products are advertised at sale prices, but turn out not to be.
3. The way the goods or service are supplied is misrepresented, e.g. : free delivery is advertised, but the delivery actually involves some sort of fee or charge.
4. Any aspect about the advertiser is misrepresented, e.g. : the business is presented as being a member of a trade association, when they are actually not.
5. The advertisement creates a false impression about a product or service, even if the information given is correct.
6. Any important information is hidden or left out.

Who considers misleading and deceptive ad complaints

Agencies in Australia which take complaints and consider whether advertising is misleading and deceptive, include the Australian Competition and Consumer Commission (ACCC) and Ad Standards. Some complaints are also taken to court.

The ACCC administers and enforces the Australian Consumer Law in particular Schedule 2 of the Competition and Consumer Act 2010 - misleading or deceptive conduct. Consumers can make written complaints to the ACCC if they think they have been misled.

Ad Standards takes complaints only about food advertising and environmental claims which may mislead consumers. These complaints are considered by the Ad Standards Community Panel which applies industry endorsed self-regulatory Codes in its considerations.

Ad Standards also administers the work of the Ad Standards Industry Jury which adjudicates truth in advertising disputes between competitors as an alternative to court proceedings.

Fair Trading and Consumer Protection Agencies

Complaints about the following can also be directed to State/Territory consumer protection agencies:

1. Advertisements that do not comply with Commonwealth law or the relevant State/Territory law.
2. Misleading or deceptive advertising.
3. Misrepresentation in advertising, which is likely to cause damage to the business or goodwill of the competitor.
4. The exploitation of community concerns in relation to portraying a product or service as benefiting the environment, if it does not.
5. Advertisements which make claims about the Australian origin or content of products in a manner which is misleading.

Short Question and Answers

1. Outdoor Advertising

Ans :

Outdoor advertising is referred to as literally "out of door". It is out of the business or home premises. It is also known as "mural" or "indirect advertising". This type of advertising is aimed at catching the attention of the passer-by in course of their outdoor activity. It includes – posters, electric/neon signs, sky writing, sandwich men, transit displays, and painted displays.

Posters and placards are pasted on road sides, railway stations, or bus stands. These are usually made of thick paper sheets, wooden or metal plate. The message is usually in big letters and attention seeking that can be read from a distance.

Electric/Neon signs are permanent on a place and utilise attractive light effects. These are placed in places where large number of people gather in the evening or night.

Sky lighting is utilised to advertise the message across the sky by way of balloons, search lights, small aircrafts, or giant kites. The airplane pilots utilise smoke or illuminations for communicating the message. These have short life and not much utilised.

Sandwich men move from street to street carrying posters or messages dressed in colourful and bright costumes. The men or women who do this job are sandwiched between posters, etc. and shout slogans to attract attention towards the posters.

Transit displays are referred to all kinds of displays used in buses, trains, taxis, tuk-tuk, and any kind of transportation vehicle.

2. Advertising Appeal

Ans :

Advertising Appeal is an igniting force which stimulates the customer mindset towards the product or services. It not the only factor in the marketing mix which initiates a consumer for buying the

product but it is certainly one of the advertisers' most important creative strategy decisions involves the choice of an appropriate appeal.

Advertising appeals are designed in a way so as to create a positive image of the individuals who use certain products. Advertising agencies and companies use different types of advertising appeals to influence the purchasing decisions of people.

3. Advertising message

Ans :

The underlying message or point that the customer should get upon seeing the ad is called the advertising message.

Advertising Message Structure

Most advertising messages share common components within the message including:

1. The Appeal

This refers to the underlying idea that captures the attention of a message receiver. Appeals can fall into such categories as emotional, fearful, humorous, and sexual.

2. Value Proposition

The advertising message often contains a reason for customers to be interested in the product which often means the ad will emphasize the benefits obtained from using the product.

3. Slogan

To help position the product in a customer's mind and distinguish it from competitors' offerings, advertisements will contain a word or phrase that is repeated across several different messages and different media outlets.

4. Advertising budget

Ans :

Advertising budget is a plan or expenditure to be incurred on the advertising campaign. Advertisement budget is a functional budget and setting the goals and objectives in terms of income and expenditure on advertising during a special period. The expenditure may be to meet the present expenses as well as future expenditure. In advertising budget, budget decision explain the budget strategies and programmes.

Advertising budget converts advertising plan into money. Like any other investment in a capital asset, an effective advertising campaign may increase the figure sales, though, in the concept of accounting, it is still considered advertisement campaign may increase the figure sales, though, in the concept of accounting, it is still considered to be a business expense. In the most elementary form, it states the properly advertising expenditure and informs and suggests the company management of the anticipated cost of executing the advertising plan.

5. Pre-Testing

Ans :

Pre-Testing follows the universal law "Prevention is better than cure". Advertising can be pretested at several points in the creative development process. Pre-Testing helps the advertiser to make a final go or no go decision about finished or nearly finished advertisement. Pre-Testing method refer to testing the potentiality of a communication message or ad-copy before printing, broadcasting, or telecasting. Following are the types of pre-testing methods:

Qualitative Methods of Pre-Testing

- **Focus Group:** Focus group involve exposing the ad to a group of 8 to 12 respondents. Focus groups are used with surprising frequency for making final go or no go decision.

A moderator facilitates the discussion and walk s the group through a series of issues that are outlined in discussion guide.

- **In-depth Interview:** In-depth interview involve one on one discussion with respondents. Interviews are very effective when a researcher has a good idea of critical issues but does not have a sense of the kind of responses one will get. This method can be effectively used to generate new ad concepts and ideas.
- **Projective Techniques:** In this technique the respondent is instructed to project himself into the situation and verbalize the thoughts. projective technique can be very effective for evaluating ad concepts and for generating new ad concepts. But, it cannot be used for making final decisions.

6. Budgeting Methods

Ans :

There are several allocation methods used in developing a budget. The most common are listed below :

1. Percentage of Sales method
2. Objective and Task method
3. Competitive Parity method
4. Market Share method
5. Unit Sales method
6. All Available Funds method
7. Affordable method

It is important to notice that most of these methods are often combined in any number of ways, depending on the situation. Because of this, these methods should not be seen as rigid but as building blocks that can be combined, modified, or discarded as necessary. Remember, a business must be flexible ready to change course, goals, and philosophy when the market and the consumer demand such a change.

7. Advertising Regulation

Ans :

In today's world of cut throat competition, advertisement plays an important role in brand building and informing public about available products so that they can make informed choice among different products or brands.

On one side advertising carries several responsibilities, but on the other side advertising is accused of encouraging materialism and consumption, of stereotyping, of causing us to purchase unnecessary, of using sex to sell, of taking advantage of children, of manipulating our behaviour; contributing to downfall of our value system.

In order to protect consumer interest and to monitor and control advertising a number of different regulatory bodies are established. Many countries have an Advertising Standard Authority to ensure advertising claims are truthful, not exaggerated or misleading; or to protect particular groups like children.

Meaning of Advertising Regulation

Advertising regulation refers to the laws and rules defining the ways in which products can be advertised in a particular region. Rules can define a wide number of different aspects such as ad placement, timing and content.

8. Electronic Media

Ans :

Electronic media is media that put into use electronics to deliver any content. Many people tend to confuse this media with static media which is created electronically but eliminates electronics when it comes to accessing the content. All media that use electronic media require a modern encoding of the content. They are various types of this media. That is the television, radio, DVDs, Fax and so forth. However, different media have advantages and disadvantages of using them and electronic media is not unlike. Check out the risks and benefits of using electronic media.

UNIT III

Sales Management: Importance, types of Selling, difference between Selling and Marketing, Sales Activities, Selling Skills, Selling Strategies, Selling Process, Sales Planning Process, Sales Forecasting Methods, Sales Budgeting Process. Sales Force Management - Recruitment and selection, training, sales force motivation, compensation, sales force control and evaluation.

3.1 SALES MANAGEMENT - IMPORTANCE

Q1. What is sales management and explain the importances of sales management?

Ans :

Sales management is a business discipline which is focused on the practical application of sales techniques and the management of a firm's sales operations. It is an important business function as net sales through the sale of products and services and resulting profit drive most commercial business.

Sales Management being a part of Marketing Management focuses on management of all sales activities including Sales promotion, Product Advertisement, Promotion, Pricing, Product Distribution product merchandising. Sales Management directly relates to the Sales Personnel who are involved in Sales activities. Managing Sales personnel including hiring, training, assigning and monitoring the sales force efforts followed by paying and motivating them.

Importance Sales Management

Sales department is that part of the company which brings profit. It is very important to manage the sales department so that the organisation can attain success. Sales management is important for following reasons:

1. Achieves Broad Organisational Objectives

Sales management accomplishes the broad organisational objectives. Maximization of profit, growth in sales, and growth in business are the broad objectives that are achieved

by the sales department by managing sales personnel, developing sales plans, preparing the sales budget, setting up the sales territories and quotas, etc.

2. Helps in Decision-Making and Formulating Strategies

Sales management plays an important part in decision-making process of top management. It provides the necessary information related to market such as sales potential, competition level, competitor's strategies, knowledge about consumers, information regarding intermediaries, and many more.

3. Helps to Face Competition

Sales management helps the top level managers to formulate various competitive strategies to deal with the competition in the market.

4. Ensures Customer Satisfaction

It is important for any organisation to ensure that their customers are satisfied. Sales management facilitates various ways that help in satisfying the customers, such as, communicating with customers at regular basis, understanding their needs, tastes and preferences, etc. By maintaining the relationship with customers and satisfying their needs, the organisation can achieve competitive advantage.

5. Promotes Goodwill of the Institution

Sales management believes in maintaining good relations with the customers which in turn improves the image of company in the market. It also helps in growing the sales volume as well as in the overall growth of the organisation.

6. Manages Sales Personnel

Since, in current scenario, buyers are the most powerful entities in market, it becomes important for the sales management to manage the sales personnel so that they can win over the buyers. Sales management guides and motivates the sales personnel to persuade the customers to make a purchase.

7. Helps in Managing Sales Force Effectively

Sales management helps in managing the operations of sales force effectively. Sales management monitors various aspects such as sizing the sales force, recruitment, selection, training, etc.

8. Useful in Promoting Foreign Trade

Sales management broadens the scope of an organisation's sales coverage. It takes the sales to international level which encourages foreign trade. It helps the organisation to explore new markets and achieve international standards.

9. Creates Employment Opportunities

Sales management converts the planning done by the marketing management which requires sufficient number of sales personnel. This creates the opportunities for employment.

10. Helps in Controlling Selling Expenses

Sales management controls the unnecessary expenses on various activities by setting the quota and routing the sales activities. It ensures better utilizations of fixed selling expenses, which helps to increase the efficiency.

3.1.1 Types of Selling

Q2. What are the types of selling?

Ans :

The diverse nature of the buying situation means that there are many types of selling job: selling varies according to the nature of the selling task. Figure shows that there is a fundamental distinction between order-takers, order-creators, and order-getters. Order-takers respond to already committed customers; order-creators do not directly receive orders since they talk to specifiers rather than buyers; whereas order-getters attempt to persuade customers to place an order directly.

There are three types of order-takers: inside order-takers, delivery salespeople and outside order-takers. Order-creators are termed missionary salespeople. Finally, order-getters are either frontline salespeople consisting of new business, organisational or consumer salespeople, or sales support salespeople who can be either technical support salespeople or merchandisers. Both types of order-getters operate in situations where a direct sale can be made. Each type of selling job will now be discussed in more detail.

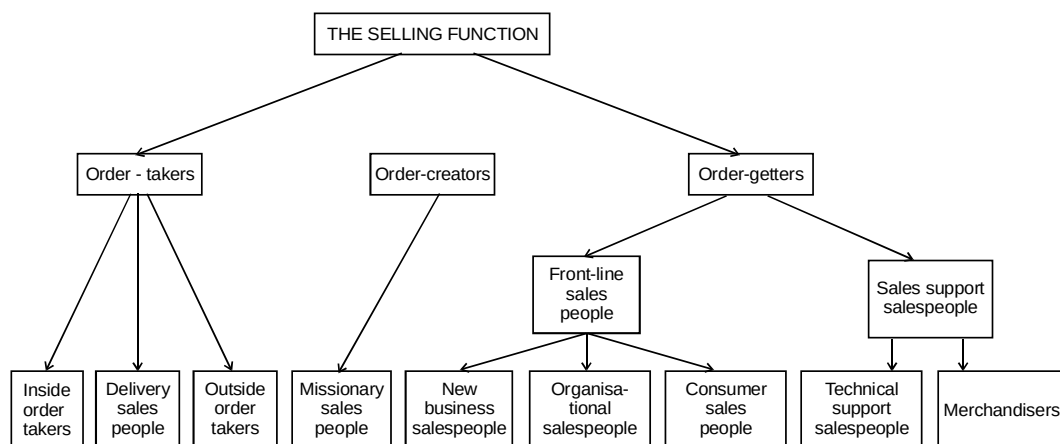


Fig.: Types of Selling

A) Order-takers**1. Inside order-takers**

Here the customer has full freedom to choose products without the presence of a salesperson. The sales assistant's task is purely transactional - receiving payment and passing over the goods. Another form of inside order-taker is the telemarketing sales team who support field sales by taking customers' orders over the telephone.

2. Delivery salespeople

The salesperson's task is primarily concerned with delivering the product. In the UK, milk, newspapers and magazines are delivered to the door. There is little attempt to persuade the household to increase the milk order or number of newspapers taken: changes in order size are customer driven. Winning and losing orders will be dependent on reliability of delivery and the personality of the salesperson.

3. Outside order-takers

These salespeople visit customers, but their primary function is to respond to customer requests rather than actively seek to persuade. Outside order-takers do not deliver and to a certain extent they are being replaced by more cost efficient telemarketing teams.

B) Order-creators**Missionary salespeople**

In some industries, notably the pharmaceutical industry, the sales task is not to close the sale but to persuade the customer to specify the seller's products. For example, medical representatives calling on doctors cannot make a direct sale since the doctor does not buy drugs personally, but prescribes (specifies) them for patients. Similarly, in the building industry, architects act as specifiers rather than buyers, and so the objective of a sales call cannot be to close the sale. Instead, in these situations the selling task is to educate and build goodwill.

C) Order-getters

The final category, called order-getters, consists of those in selling jobs where a major objective is to persuade customers to make a direct purchase. These are the frontline salespeople.

1. New business salespeople

The task is to win new business by identifying and selling to prospects (people or organisations who have not previously bought from the salesperson's company).

2. Organisational salespeople

These salespeople have the job of maintaining close, long-term relationships with organisational customers (i.e. industrial buyers, buying for resale and institutional buyers - e.g. the latter of whom typically sell to educational establishments, the police service and local authorities). The selling job may involve team selling where mainstream salespeople are supported by product and financial specialists.

3. Consumer salespeople

These people sell physical products and services such as double glazing, security equipment, cars, insurance and personal pension plans to individuals. Much selling in this category tends to be 'one-off' and salespeople are generally rewarded through commission. Therefore, the impetus to attain an order is paramount and it is this category that has attracted much criticism in terms of 'high pressure' being put on customers to make a purchase.

4. Technical support salespeople

This group of order-getters provides sales support to frontline salespeople. Where a product is highly technical and negotiations are complex, a salesperson may be supported by product and financial specialists who can provide the detailed technical information required by customers. This may be ongoing as part of a key account team or on a temporary basis with the specialists being called into the selling situation as and when required.

5. Merchandisers

These people provide sales support in retail and wholesale selling situations. Orders may be negotiated nationally at head office, but

sales to individual outlets are supported by merchandisers who give advice on display, implement sales promotions, check stock levels and maintain contact with store managers.

D) Selling as a career

The subdivisions of the sales roles just outlined give an idea of the range of sales positions that are available. Generally, there is much less personal pressure involved in being an order-taker than an order-maker and a prime attribute for an order-maker is a pleasant, non-combative personality. However, the opportunity for higher rewards belongs to order-takers as their remuneration normally rests on some kind of commission or bonus where payment is linked to the amount of orders they take. It is an acknowledged fact that in many business situations the opportunity to earn really high incomes at a relatively young age is present in this kind of situation.

With such a large range of selling situations and positions in sales, it is not possible to provide a specific prescription of the qualities required for a successful sales career. There is no definitive test or selection procedure that can be used to distinguish between successful and less successful salespeople and apart from 'trying it out' there is no way of knowing if a person is suited to a career in sales. However, there are a number of key qualities that are generally recognized as being important:

1. **Empathy and an interest in people:** Such a skill will help in more accurately identifying customers' real needs and problems in terms of thinking oneself into the other person's mind and understanding why the customer feels as he or she does.
2. **Ability to communicate:** This means an ability to get a message across to a customer and, more importantly, an ability to listen and understand. The skill of knowing when to stop talking and when to listen is essential.
3. **Determination:** Although the salesperson must be able to take no for an answer, this should not come easily to someone who

wants to succeed in selling. It is a fact that customers might say no when they really mean maybe, which can ultimately lead to yes. Determined salespeople have a need and a will to succeed and success can mean closing a sale.

4. **Self-discipline and resilience:** Most salespeople spend much of their time unsupervised and apart from seeing customers, they are alone. As part of their job they can expect setback, rejections and failures. A sales person thus needs to be both self-disciplined and resilient to cope with these facets of the sales task.

3.2 DIFFERENCE BETWEEN SELLING AND MARKETING

Q3. What are the difference between selling and marketing?

Ans :

Many people often use the words 'marketing' and 'selling' as synonyms. In fact, these two terms have different meanings in marketing management. As understanding of the differences between selling and marketing is necessary for marketing professional to be a successful marketing manager.

Selling is an action which converts the product into cash, but marketing is the process of meeting and satisfying the customer needs. Marketing consists of all those activities that are associated with product planning, pricing, promoting and distributing the product or service. Selling focuses on the seller needs whereas marketing concentrates on the needs of the buyer.

Selling is the modern version of Exchange under the barter system. When the focus is on selling, the company management thinks that after production of the product has been completed. It is the task of the sales department to sell whatever the production department has manufactured. Aggressive sales methods are justified to this goal and customer's actual needs, and satisfaction on for granted.

But marketing is a wide and all-pervasive activity to a business firm. The task commences with identifying consumer needs and does not end, till feedback on consumer activities which comprises production, packaging, promotion, pricing, distribution and then the selling. Consumer needs become the guiding force behind all these activities. Profits are not ignored, but they are generated on a long run basis. The distinction between selling and marketing are summarized in the following table:

Distinction between Selling and Marketing

S. No.	Selling	Marketing
1.	Emphasis is on the product.	Emphasis is on the customer wants.
2.	Company first makes the product and then figures out how to sell it.	Company first determines customer wants and then figures out to make it.
3.	Management is sales volume oriented	Management is profit oriented.
4.	Profit through Sales Volume.	Profits through Customer Satisfaction.
5.	Planning is short-run-oriented, regarding today products and markets.	Planning is long-run oriented regarding new products, tomorrow's markets, and future growth.
6.	Let the buyer be aware	Let the seller be aware
7.	Product first then customer	Customer first then the product

3.3 SALES ACTIVITIES

Q4. What are the modern sales activities?

Ans :

Today, a salesforce must have a wide range of skills to compete successfully. Gone are the days when salespeople required simple presentational and closing skills to be successful. Today selling requires a wide array of skills, which will be identified in the next section. In this section we discuss the characteristics of modern selling. Salespeople who don't understand these characteristics will be ill-equipped to tackle their jobs.

Characteristics of Modern Selling

The characteristics of modern selling are given in Figure.

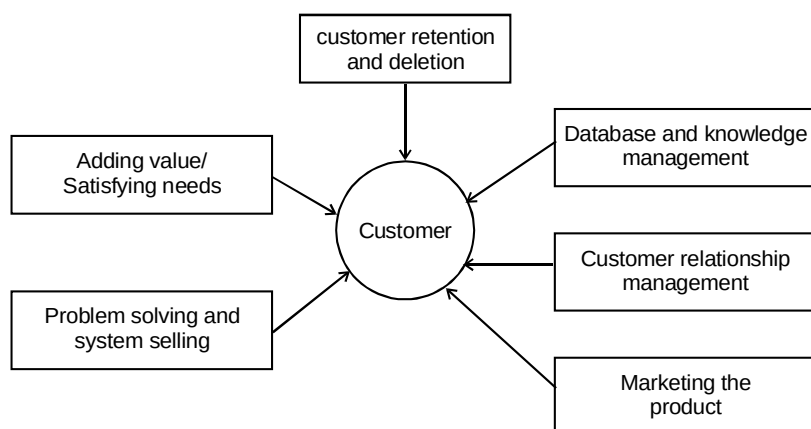


Fig.: Characteristics of Modern Selling

1. Customer retention and deletion

Many companies find that 80 per cent of their sales come from 20 per cent of their customers. This means that it is vital to devote considerable resources to retaining existing high volume, high potential and highly profitable customers. Key account management has become an important form of sales organisation because it means that a salesperson or sales team can focus their efforts on one or a few major customers.

At the other end of the spectrum, companies are finding that some small customers actually cost the organisation money. This is because servicing and distribution of products to those customers may push costs beyond the revenue generated. Larger companies may have to change to telemarketing and/or the Internet as a means of servicing these small customers or drop them altogether.

2. Database and knowledge management

The modern salesforce needs to be trained in the use and creation of customer databases, and how to use the internet to aid the sales task (e.g. finding customer and competitor information). In the past salespeople recorded customer information on cards and sent in orders through the post to head office. Today, technological advances such as email, mobile phones and video conferencing have transformed the way knowledge is transferred. Laptops mean that salespeople can store customer and competitor information, make presentations and communicate with head office electronically. Furthermore, information supplied by the company, such as catalogues and price lists, can be held electronically.

3. Customer relationship management

Customer relationship management requires that the salesforce focuses on the long-term and not simply on closing the next sale. The emphasis should be on creating win-win situations with customers so that both parties to the interaction gain and want to continue the relationship. For major customers, relationship management may involve setting up dedicated teams to service the account and maintain all aspects of the business relationship.

4. Marketing the product

The modern salesperson is involved in a much broader range of activities than simply planning and making a sales presentation. Indeed, face-to-face presentations can now sometimes be replaced by information presented on web pages and by email attachments that give the customer up-to-date information on many topics quicker, more comprehensively and in a more time-convenient manner than many face-to-face interactions. The role of the salesperson is expanding to participation in marketing activities such as product development, market development and the segmentation of markets, as well as other tasks that support or complement marketing activities such as database management, provision and analysis of information, and assessing market segments.

5. Problem solving and system selling

Much of modern selling, particularly in business-to-business situations, is based upon the salesperson acting as a consultant working with the customer to identify problems, determine needs, and propose and implement effective solutions. This approach is fundamentally different from the traditional view of the salesperson being a smooth fast-talker who breezes in to see a customer, persuades the customer to buy and walks away with an order. Modern selling often involves multiple calls, the use of a team-selling approach and considerable analytical skills. Further, customers are increasingly looking for a systems solution rather than the buying of an individual product. This means, for example, that to sell door handles to a company like Ford a supplier must not only be able to sell a door system which includes door handles as well as locking and opening devices but also have a thorough knowledge of door technology, and the ability to suggest to Ford solutions to problems that may arise.

6. Satisfying needs and adding value

The modern salesperson must have the ability to identify and satisfy customer needs. Some customers do not recognise they have a need. It is the salesperson's job in such situations to stimulate need recognition. For example, customers may not realise that a machine in the production process has low productivity compared to newer, more technologically advanced machines. The salesperson's job is to make customers aware of the problem in order to convince them that they have a need to modernise the production process. In so doing, the salesperson will have added value to the customer's business by reducing costs and created a win-win situation for his or her company and the customer.

3.4 SELLING SKILLS

Q5. What are the selling skills of sales manager?

Ans :

The skills that are critical for the success of a sales manager are :

- **People Skills** : The people skills include the sales manager's abilities to motivate, lead, communicate, and coordinate effectively with the people around him/her. The ability to develop team-oriented relationships is important. With respect to salespeople, the sales manager should understand their individual needs and skills, and carry out coaching or mentoring to improve performance.
- **Managing skills** : For managing the salesforce, the sales manager should have administrative or managing skills like planning, organising, controlling, and decision making. These skills can be learn by attending management development programmes.
- **Technical skills** : These are specific tasks or function such as training, selling, negotiating as well as the ability to use computers (or information technology skills) and problem-solving abilities in the specific industry discipline.

3.5 SELLING STRATEGIES

Q6. What are the selling strategies of sales manager?

Ans :

The major components of marketing strategy and the position of personal selling (or sales) strategy within the marketing communication strategy. The key elements of a marketing strategy are :

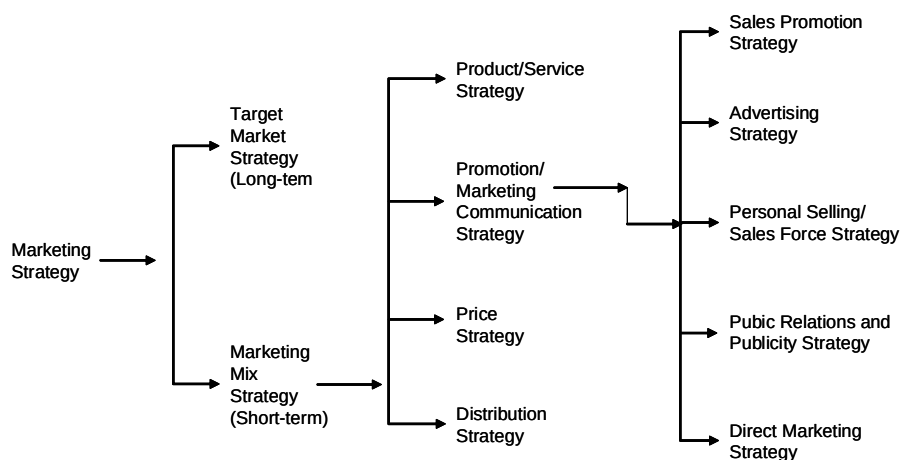


Fig.: Marketing and Sales Strategies

- a) Target market strategy, and
- b) Marketing-mix strategy.

a) Target Market Strategy

Target market strategy includes evaluating various market segments (or groups of customers) and deciding how many and which market segments to target.

b) Marketing Mix Strategies

The marketing-mix consists of a set of marketing tools the company uses to achieve its marketing objectives in the target market. McCarthy classified these tools into four broad groups that he called four Ps of marketing—product, promotion, price, place (of distribution).

Out of the four marketing-mix strategies shown in figure above, the promotion or marketing communication strategy has five components:

- (i) Sales promotion,
- (ii) Advertising,
- (iii) Personal selling,
- (iv) Public relations and publicity, and
- (v) Direct marketing.

Many companies consider either advertising or personal selling as the main tool and other components such as sales promotion, public relations, publicity, and direct marketing, as supplemental tools. However, a better approach is to move towards “integrated marketing communications.”

Parts of Sales Strategy

Sales managers are responsible for strategic decisions at the account (or specific customer) level. Sales strategies are developed for each specific customer. However, the strategic decisions are typically made by arranging individual customer (or accounts) into similar categories or groups.

There are four parts of a sales strategy :

- 1. Classification of accounts,
- 2. Relationship strategy,

- 3. Selling methods, and
- 4. Channel strategy.

1. Classification of Accounts

Within a target market segment, the accounts or specific customers, are classified into different customer groups. All customers within a target segment are not same. Some customers may have a good relationship with competitors, a few customers may have large sales potential and other customers may require medium or low value of the company's products or services. Let us consider an example of a business marketing company.

A precision steel tube manufacturing and marketing company had targeted automotive segment as one of the target segments. Within the auto segment, it classified the customers into three different customer groups :

- Class 'A' : High sales and profit potential
- Class 'B': Medium sales and profit potential
- Class 'C' : Low sales and profit potential, including prospective customers and customers who have good relationship with competitors.

The company developed different sales strategy for each of these customer groups, as well as for each 'A' class customer.

2. Relationship Strategy

Buyers and sellers, particularly in business markets, have some kind of business (or working) relationship. At the one end of the relationship range is the transactional relationship and at the other end, it is a partnering or collaborative relationship. In between these extremes are value added or solutions relationships, which are intermediate type of relationships.

- a) Transactional Relationships :** Transaction-oriented customers show less loyalty to a particular supplier. They

switch suppliers for lower costs. Sales managers would consider such customer for transactional relationship. In addition, customers who have low sales and profit potential, as well as those customers who have excellent relationship with competitors are the right customers for transactional relationship. Such customers are many and are offered low prices, less services, and low commitments.

b) Value-added Relationship : These customers have medium sales and profit potential. The focus of sales people is on complete understanding of present and future problems or needs of the customer, and offering better solutions or meeting those needs better than the competitors. For instance, a paint manufacturing company invited three material handling firms to offer solution to their material handling requirement for the newly built factory near Mumbai. The order was placed on the supplier who offered the best solution at competitive prices with an effective pre and post-sales services.

c) Collaborative Relationship : In a collaborative or partnering relationship between a buyer and a seller, the aim is to build long-term, and mutually satisfying relations. The foundations of collaborative relationship is commitment and trust. Both the buyer and the seller should accept that the relationship is so important that it deserves maximum efforts to continue with it. Even though the sales people want to select the customers with high sales and profit potential for partnering relationships, it is equally important that such customers also wish to have a collaborative relationship with the supplier firms.

Customers who are chosen for collaborative relationships are typically few in numbers and the cost of serving them is high. A good

example of collaborative relationship is found in automotive industry, in which most two and four wheeler manufacturers have partnering relationships with some selective vendors of components.

3. Selling Methods

Sales people should use different selling methods to suit different relationship strategies. The different methods of selling (or selling approaches) are explained. These are:

- (i) Stimulus response method,
- (ii) Formula method,
- (iii) Need-satisfaction method,
- (iv) Team selling method, and
- (v) Consultative selling method.

The selection of the selling method for a specific type of relationship is an important part of strategic sales.

4. Channel Strategy

A strategic issue in the sales strategy is to select an appropriate channel (also called marketing channel, distribution channel, or trade channel) and for covering selling efforts, it is called sales channel. Sales managers should ensure that accounts (or specific customers) and group of customers receive effective and efficient sales coverage.

The various sales channels available to firms for covering selling efforts to individual customers are :

- i) The company sales force,
- ii) Industrial distributors or dealers,
- iii) Manufacturer's representatives, independent representatives, or agents,
- iv) Telemarketing,
- v) The internet,
- vi) Brokers and commission merchants.

The selection of a suitable sales channel may be decided by a buyer or a seller. If the selling organisation has made available the channel that suits the buying firm, the sales channel facilitates or makes easy the selling process. But, if the sales channel provided by the selling firm is not convenient to the buyer, the selling firm may not make the sales.

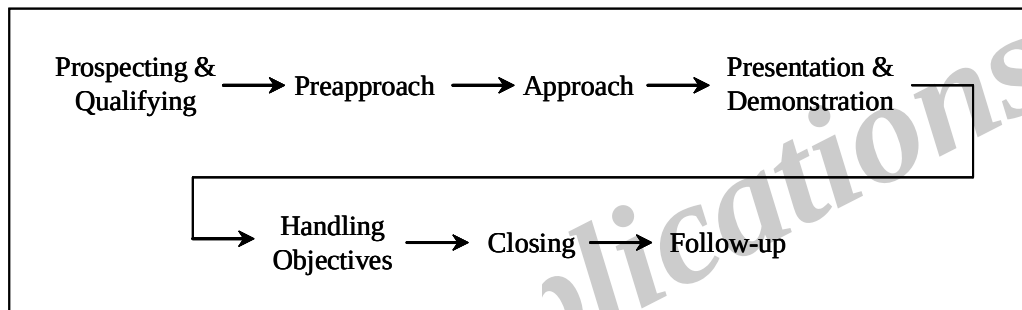
3.6 SELLING PROCESS

Q7. Explain about selling process in marketing.

Ans :

The selling process consists of several steps that the sales person must master. These steps focus on the goal of getting new customers and obtaining orders from them. However, most sales people spend much of their time maintaining existing accounts and building long term customer relationship.

Major Steps in Effective Selling



1. Prospecting and Qualifying

The first step in the selling process is prospecting - In this stage identifying qualified potential customers. They can ask for current customers for referrals. They can cultivate referral sources, such as suppliers, dealers, non competing sales people and bankers.

2. Pre-approach

During this step, sales person should learn as much as possible about the organization and buyers. The sales person can consult standard industry and online sources and others to learn about the company. We can divide categories wise.

3. Approach

During this step, the sales person should know how to meet and greet the buyer and get to relationship off to a good start. This step involves the salespersonal appearance, opening lines and follow-up remarks. The opening lines should be positive to build good will from the beginning of the relationship. In all stages of the selling process, listening to the customer is crucial.

4. Presentation and Demonstration

During the presentation stage, salesperson tell the product story to the buyer, presenting customer benefits and problems Presentation about:

- Methods of payment
- Benefits of the product
- Benefits of customers

- To AIDS model
- Presentation through – Words, Pictures, Actions etc.

Every presentation should be attract the customers and motivate to people.

5. Handling Objectives

Some times customers raise some objectives to the product. The objections may be psychological or logical. General logical resistance or objections may pertain to price, product transport, payment system of the company. The salesman has to answer these objects and overcome the customer's resistance. He should break the objections.

6. Closing

After handling the prospects objections, the sales person tries to close the sales. He should be expert to close the sales talk at the right moment and ask for the order. He should know the closing signal, including physical actions, statements or comments.

7. Follow-up

The last step in the selling process follow-up is necessary, If the sales person want to ensure customer satisfaction and repeat business. Right after closing, the sales person should complete details on delivery time, purchase problems. After sales service is a good example of follow-up action. The follow-up action also provides feedback to the salesman because it gives him a change to evaluate his actions and persuasions.

Although the above steps of the selling process are essential in spirit. These may not always be followed. This could be partly.

- The selling situation involved in orders.
- The first three steps of process are generally not applicable as the sales person.
- The sellers market of the product.

3.7 SALES PLANNING PROCESS

Q8. Discuss about sales planning process.

Ans :

A company should carry out research before formulating a sales plan. To start with, it should collect past sales data from sales records and organize it into various categories like product, territory and customer groups. The sales manager should then study economic conditions that may influence the company and the Industry.

Once the manager has adequate data relating to past sales and the economic situation, he or she should take operational decisions on the development of the sales plan. Decisions relate to the timing of the year when the plan would be developed, place of the meeting and members who would participate.

The sales planning process consists of the following basic steps.

Steps in Sales Planning Process

- (A) Setting objectives
- (B) Determining operations to meet objectives
- (C) Organizing action
- (D) Implementation
- (E) Measuring results against standards
- (F) Re-evaluating and control

(A) Setting Objectives

The first step of the planning process is to decide and formulate sales objectives for the sales force. The sales manager requires accurate information to set sales objectives. A situational analysis followed by an environmental audit provides the information necessary to determine sales objectives.

(B) Determining Operations to Meet Objectives

After objectives are decided, sales strategies to achieve objectives have to be formulated. Sales strategies are operations, which organize and direct sales activities that help achieve objectives. A strategy must be prepared to accomplish each objective

formulated. Strategies must be defined in terms of logic, feasibility and practically. All the strategies are defined and combined to form a master plan, which makes for easy review by sales manager as well as by top management. The sales manager must develop sales strategies in relation with overall corporate or marketing strategy. The importance of linking both these strategies can be better understood by comparing possible variations in a sales strategy with respect to corporate strategy. An organization typically adopts a 'build', 'hold', 'harvest' or 'divest' corporate strategy.

If the organizational strategy is a 'build' marketing strategy, which focuses on increasing sales volumes, the sales manager must then design a sales strategy that focuses sales force activities on current and new accounts to increase sales of various products. The sales force has to adopt a relationship marketing approach and collect market information as a source of competitive intelligence.

(C) Organizing for Action

Once sales objectives are identified with the help of sales strategies, the sales manager must devise ways to organize the objectives into tactics. Development of tactics involves identifying steps and taking decisions on operational aspects. It includes answering questions like,

Which customers to target?

Which products to highlight among the entire product range?

What are the apparent market trends?

What is the sales department's present condition?

Is the present compensation plan suitable?

What is the compensation average in the industry?

What are the different ways to introduce a new product into the market?

The sales manager should communicate the importance of planning to all sales personnel, gain the support of top management, arrange for training programmes or workshops for all personnel and finally garner sufficient resources to implement the action programmes. Decisions on quota setting and budget compilation aspects are also taken in this stage of the planning process.

Tactics are used as short-term action plans depending on the current need of the organization. Increasing profits through a skimming strategy or focusing on sales promotion while introducing a new product are examples of short-term tactics.

(D) Implementing

The role of sales manager in implementation is two-fold - first, it includes developing strategies and delegating responsibilities to sales personnel and second, it involves coaching each individual to develop similar plans for his or her territory.

Developing Strategies

In this step, the sales manager has to decide on responsibilities to be assigned and the ways to support each salesperson. They must complement the sales plan and the corporate objectives. Dividing tasks to be accomplished in a time sequence format ensures timely implementation of plans.

(E) Measuring Results against Standards

The basic process of control involves three steps : (1) Establishing standards (2) Measuring performance against these standards and (3) Reevaluating and correcting variations from standards. For the sake of convenience, we have discussed steps 1 & 2 in this section. Step 3 is discussed in the subsequent section.

Sales managers need performance standards to measure results obtained from implementing the sales plan. Different performance measures can be taken and related to set performance standards to assess the effectiveness of the sales plan. Sales volumes, selling costs, market share, profit margins and rate of sales force attrition are some frequently used performance measures. Usually, industry averages, past sales force performance or present managerial expectations are used as standards to evaluate results. Objectives set by sales managers are considered the best performance standards as they are based on corporate objectives, current forecasts and budgetary support.

(F) Reevaluating and Control

The process of re-evaluation can begin midway during implementation of the sales plan or at the end of the process. All programmes have to be monitored constantly and consistently over varying periods of time for effective control and to

ensure that overall organizational objectives are met at the end of the year. For example, if the company objective is to increase sales by Rs. 10 crores, then one must monitor and ensure that at least Rs. 2.5 crores in sales volumes is achieved every quarter.

Adjustment in sales objectives or strategies or tactical changes are undertaken in this stage of the planning process. A thorough reanalysis of planning assumptions and the practicality of the planning approach is also done at this stage. Sales control will be more effective with the aid of a sales audit.

3.8 SALES FORECASTING METHODS

Q9. What is sales forecasting? and Explain about sales forecasting methods.

Ans :

Sales forecasts are common and essential tools used for business planning, marketing, and general management decision making. A sales forecast is a projection of the expected customer demand for products or services at a specific company, for a specific time horizon, and with certain underlying assumptions.

Meaning of Sales Forecast

Sales Forecasting is the process of estimating what your business's sales are going to be in the future. The sales forecast is a prediction of expected sales for a specified period. It is an estimate for sales in rupee or units for a specified future period. In other words, it is basic tool for anticipating the nature of future sales or sales prediction.

Definitions of Sales Forecast

According to Cundiff and Still, is "an estimate of sales during a specified future period which period is tied to a proposed marketing plan and which assumes a particular set of uncontrollable and competitive forces".

According to Stuits, "A sales forecast is an estimate of the amount or unit for a specified future period under marketing plan or programme".

According to American marketing Association "forecasting is an estimate of sales in dollars or physical units for a specified future period under a proposed marketing plan or program and

under an assumed set of economic and other forces outside the unit for which the forecast is made. The forecast may be for a specified item of merchandise or for an entire line."

Objectives of sales forecasting

1. **To set the sales target:** The primary purpose of sales forecasting is to establish sales performance goals for the organization. To get the real and accurate picture of sales, forecasting should be first made for small region and then for large territories.
2. **To maintain inventory :** An accurate sales forecasting helps in estimating the amount of raw materials required for future goals. It helps in keeping the inventory up for peak periods.
3. **To regulate manpower requirement :** Appropriate manpower is required for continuous production. A good manpower policy is needed to prevent the shortage of manpower.
4. **To decide plant capacity :** On the basis of sales forecasting the organization can plan the plant with output of desired capacity.
5. **To predict expenses :** It helps in predicting the expenses and planning budget. It is also useful in preparing credit policy of the company. It is also required for uninterrupted supply of input resources.

Importance of Forecasting

1. **Production :** The production of a product will be planned according to its demand.
2. **Purchasing :** It will tell whether some new machines, tools need to be purchased. It will also tell the amount of raw material needs to be purchased for future demand.
3. **Human Resources :** It projects the number of manpower required for the future demands.
4. **Finance :** Forecasting will show the amount of finance required to attain the set goals.
5. **Research and Development :** Some product is to be added in the production line or whether the existing product needs modification.

6. **Marketing** : It will show the revenue which can be expected and how much is the budget for advertising of the product. This can help you to reach new customers.

Periods of Sales Forecasting

The period depends upon the purpose for which it is to be made. The forecasting can be classified on the basis of time period

1. **Long range forecasting** : It is generally a period of from 1 to 5 years but can go from 10 to 15 years in some cases.
2. **Medium range forecasting** : The forecasting is from 3 months to 1 year.
3. **Short range forecasting** : The period can be one week, two weeks or a couple of months.

Methods of Sales Forecasting

1. Survey Method

The survey method is based on the opinion of buyers and consumers. It is useful with respect to industrial products but not as far as consumer goods are concerned. According to this method, a company first of all selects potential buyers/consumers. It then collects their opinions for forecasting.

2. Expert Opinion

According to this method, a company invites the opinions of executives and consultants who are acknowledged experts in studying sales trends. On the basis of their opinions, it forecasts future sales. This estimate is also made on the basis of past performance. However, the method suffers from the drawback of not taking into consideration changes in the future business environment.

3. Market Studies Method

This method is commonly used by marketers for consumer goods. It is also known as the Market Test Method. A market test provides data about consumers and the marketing mix. Some people use this method as a market experiment method. According to this method, market experiments are conducted

on changing consumer behaviour, prices, advertising expenditure, etc. This method lets the management know how people might actually buy the product in question.

4. Sales Force Opinion Method

This method estimates the buyers intentions from experienced personnel in the sales force. They can easily forecast for their respective territories. Territory-wise forecasts are consolidated at the branch level and the branch level forecasts are consolidated at the corporate level. This method can be used only when the firm has competent high-calibre sales personnel.

5. Statistical Methods

Statistical methods are considered to be superior techniques of sales forecasting because their reliability is higher than that of other techniques. Some commonly used statistical methods are given below:

a) Trend Method

This method provides a rough trend of the forecast on the basis of past experience. It does not, however, take into account the changing environment. It is a simple method for business forecasting on the basis of past performance.

b) Graphical Method

According to this method, sales data are plotted on graph paper and a graph is drawn for a number of years. This is a simple and inexpensive method.

c) Time Series Method

This method is used for long periods duly taking into account cyclical changes, seasonal variations and irregular fluctuations." A time series may be defined as a collection of magnitudes belonging to different time periods, of some variable or composite variables, such as production of steel, per capita income, gross national product, price of tobacco, or index of industrial production."

The Time Series Method shows the future trends of sales. The various techniques that can be used for determining these trends are :

- Freehold or Graphical Method
- Semi-average Method
- Moving Average Method
- Method of Least Squares.

i) Freehold or Graphical Method: This is the simplest method for obtaining a straight line. A trend line is fitted by freehand to know future sales,

ii) Semi Average Method : According to this method, data are divided into two parts, preferably with the same number of years.

iii) Moving Averages Method : According to this method, a trend is determined by moving averages. Therefore, out of the averages such as 3-yearly moving, 5-yearly moving and 7-yearly moving average, the five-yearly moving average will be computed as follows :

$$\frac{A + B + C + D + E}{5}$$

iv) Least Squares Method : This method is most commonly used in practice.

$$yc = a + bx$$

d) Regression Analysis

This branch of statistical theory is popularly used on the principles of sciences. It helps to determine the relationship among various variables. According to Ya-uin-chou, "Regression analysis attempts at establishing the 'nature of the relationship' between variables, that is, to study the functional relationship between the variables and thereby provide a mechanism for prediction, or forecasting."

3.9 SALES BUDGETING PROCESS

Q10. Discuss about sales budgeting process.

Ans :

A sales budget is a financial plan depicting how resources should best be allocated to achieve the forecasted sales. The purpose of sales budgeting is to plan for and control the expenditure of resources (money, material, people and facilities) necessary to achieve the desired sales objectives.

Sales forecast and sales budget are related in that if sales budget is inadequate the sales forecast will not be achieved and if sales forecast is increased sales budget must be increased accordingly. It also acts as a means of evaluating and planning sales effort. It aims at attaining maximum profits by direct efforts on most profitable segments, customers and products.

Purpose of Sales Budget

It serves three basic purposes :

1. Planning tool

In order to achieve goals and objectives sales managers plan by outlining essential costs to be incurred. This helps in profit planning and act as a guide for achieving objectives.

2. Instrument of coordination

Budget acts as an instrument of coordination. Selling is one of the functions of marketing and needs support from the elements of marketing mix. Budgets also help in integrating other functions of like sales, finance, production and purchase.

3. A tool for control

Comparison between budgeted and actual costs result in the analysis of factors causing variations and enables the sales manager to spot problem areas or plan better for expected outcomes. Variance analysis helps in improving insight of sales manager and enables to define and develop realistic sales budget in future with minimal variance.

Sales Budget Process

1. Review Situation

Sales management reviews past, present, and future (budget period) past helps to actual reference, present future helps to under changing marketing environment and expected reference.

2. Communication

Sales management communication in writing to all field office regarding formats, guidelines, assists and time about all three budgets.

3. Subordinates budgets

First time field sales managers prepares sales budget for their respective sales territory and submits it to reporting manages and upwards to national sales manager who prepares the companies proposed sales budget by combining the received budget.

4. Approval of the sales budget

In consultation with marketing head; National sales manager prepares 2/3 alternative proposals of sales budget and make presentation to top management.

5. Other department

Final sales budget is given to other department to prepare their budget and Approval sales budget is broken down into each sales territory quarterly and monthly. A/c's department prepares cash budget and profit budget based on sales revenue information given by sales department and expenses budget given by other departments.

Types of Budget

There are a number of budgeting types to choose from. Kraft uses a mix of the following:

1. Zero based budgeting

In a dynamic business it often makes sense to 'start afresh' when developing a budget rather than basing ideas too much on past performance. This is appropriate to Kraft because the organisation is continually seeking to innovate. Each budget is therefore

constructed without much reference to previous budgets. In this way, change is built into budget thinking.

2. Strategic budgeting

This involves identifying new, emerging opportunities, and then building plans to take full advantage of them. This is closely related to zero based budgeting and helps Kraft to concentrate on gaining *competitive advantage*.

3. Rolling budgets

Given the speed of change and general uncertainty in the external environment, shareholders seek quick results. US companies typically report to share-holders every three months, compared with six months in the UK. Rolling budgets involve evaluating the previous twelve months' performance on an ongoing basis, and forecasting the next three months' performance.

4. Activity based budgeting

This examines individual activities and assesses the strength of their contribution to company success. They can then be ranked and prioritised, and be assigned appropriate budgets.

Methods of Sales Budgeting

1. Affordable Method

What is affordable? Many companies set the promotion budget at what they think the company can afford. This method is used by firms dealing in capital industrial goods. Also companies having small size of operation make use of this method.

2. Percentage of Sales Method

Most companies set their sales budget as a specified percentage of sales (either current or anticipated). Mass selling goods and companies dominated by finance are major users of this method.

3. Competitors Parity Method

This method is used by large size companies facing tough competition. It presumes knowledge of competitors' activities and resource allocation.

4. Objective and Task Method

This method calls upon marketers to develop their budgets by identifying the objectives of sales function and then ascertaining the selling and related tasks to achieve objectives. Later the cost of each task/activity is calculated to arrive at the total budget. Adjustment to task or budgets can be made.

5. Zero Base Budgeting

A process in which sales budget for each year is initiated from zero base thus justifying all expenditure and discarding all conventions and rules of thumb. Its-limitation is that it is. Very elaborate and time consuming process.

3.10 SALES FORCE MANAGEMENT**Q11. Write about sales force management.**

Ans :

Sales personnel are the company's link to the customers. To the customer, sales person is the company. Salesperson gives information about the customer to the company. Any company's survival and existence depends on the market and hence the sales force which maintains that link deserves the deepest thought in terms of setting objectives for it, strategy for it and structuring it.

Sales Force Objectives

The marketing department develops sales force objectives in coordination with the sales department. These objectives may be qualitative or quantitative. Qualitative objectives are long-term while quantitative objectives are short-term in nature. The following are some qualitative objectives of a sales force:

- Effective time management - managing sales calls, sales presentations and closing the sale within a reasonable time frame.

- Possessing sufficient knowledge - about the company, its products, policies, competitors and customers.
- Maintaining efficient Customer relations - provide assistance and advice on product usage and give all such information that may be needed by the customer.
- To project an attitude and appearance that will please customers.
- To secure all relevant market information that may be needed by the company.

The following are some quantitative objectives of a sales force :

- Increase the market share of the company and subsequently manage and- retain it.
- The number of sales calls made per day and the number of days worked.
- Sell the optimum mix of the company's products, to achieve maximum profitability.
- Generate a certain number of new accounts in a specified time. . Minimize sales expenses.
- Procure a certain quantum of business from a certain number of clients.

It is essential for a sales force to achieve both quantitative and qualitative objectives. These objectives help the management to assesses the performance of the salespeople and identify weaknesses of individual salespersons and help overcome them.

3.11 RECRUITMENT AND SELECTION OF SALES FORCE**Q12. Discuss about recruitment of sales force.**

Ans :

The recruitment and selection of sales personnel varies from company to company depending on the type of sales personnel which the company is going to need. An engineering company

will need sales personnel who are very strong in their technical education. Such as machinery sales, engineering companies etc.

The recruitment and selection of sales department is generally done by seniors in the sales department itself. Such as Sales managers, Sales region managers and others.

Sequence of Recruitment of Sales Personnel

Finding a good sales person is difficult at the best of times, particularly of your business is in a low profile or unglamorous industry or industry segment. Recruitment is also a costly and time consuming process. Business owners need to be focussed on the process and on the desired outcomes. Here are some tips.

1. What are your goals

To orchestrate a successful recruitment program you must first develop a game plan. You must be clear in your mind as to the areas, either demographic or geographic, where you want to develop sales. Write down the opportunities, the products involved, the potential for profitable growth in that area, and the support processes that you need to put in place to sustain the new recruit. Prepare a clearly written job description including the wages, the benefits, commissions and bonuses that your business can afford to pay.

2. Develop an "ideal employee" profile

Know whom you are looking for before you find them. The new person has to fit the culture of your business, and, in a small business, must be a team player. Selling ability is important but education levels, literacy and numeracy are equally important factors.

Determine the level of experience you are looking for. This is where many businesses make their first mistake. Industry experience is one thing, but is that experience transferable to your situation and most importantly, can they sell? A common ploy is to poach from a competitor.

While this can be successful it may also backfire unless you have really have done your homework. If you want to hire good

sales people, the best strategy is to recruit and hire based on talent and attitude and teach them the necessary skills.

3. Recruitment process. Recruitment and interviewing is daunting and time consuming. An important decision is whether to advertise yourself or go through an agency. Going through an agency can be beneficial, if you can find a good one.

4. The interview : A good interview will follow the 80/20-rule and allow the recruit to speak 80 percent of the time. Remember, an interview is as stressful for the candidate as it is for yourself and even for a good salesperson the hardest thing to sell is yourself. Prepare a comprehensive series of questions for the candidate that are relevant to the position and the desired attributes, and have a clear idea of the type of answers that you are looking for and write their answers down.

Use of clear criteria removes emotion from the selection process and allows you to be more objective. An important tip is to get them to sell to you and use some lifelike situations to push back and see whether they will fight for the sale or merely crumble. Find out what motivates them. Money should be on the list.

5. Selection : It costs over \$100000 a year to maintain a full-time external sales representative and it can cost you a great deal more if you make the wrong choice. A new sales person is a big investment and you can't afford to settle for 2nd best.

Using psychometric testing, it can help to take some of the mysticism out of the salesperson's abilities and limitations but should not be solely relied upon.

6. Retention : Retention strategies are probably the most important part of the recruitment process. Selling is a tough job and salespeople need all the support that you can muster or they will quickly become de-motivated. Make sure the salesperson understands the Key Performance Indicators required to succeed and any other metrics you will use to judge their performance.

Sources of the Recruitment

There are five main sources of recruitment:

1. Advertisements
2. From inside - the company's own staff
3. Recruitment agencies
4. Educational institutes
5. Competitors and other industries
6. Friends and Relatives
7. Previous Staff
8. Selection of Key Executives from Outside

1. Advertisements

Advertisements are both a source of recruits and a method of reaching them. Newspapers, magazines and trade journals are the most widely used media for advertisements which ordinarily produce large numbers of applicants in a very short time and at a low cost. However, this factor may be offset by the increased expense of carefully screening the large number of prospects. Also, the average number of applicants may be of questionable character.

The following are a few good advertisements for recruitment of sales force:

- i) Manikchand Group recruitment for sales force.
- ii) Time multimedia recruitment for sales force.

2. From Inside - The Organisation's Own Staff

The advantage of this source is that the candidate is familiar with the working of the company and its products. The company also knows the candidate much more intimately than any outsider or external candidate.

3. Recruitment Agencies

Recruitment agencies provide bio-datas of potential candidates for a fee. Normally, these agencies screen applicants for their suitability to various levels of sales positions. If the

agency is selected carefully and good long-term relations are established with it, it pays in the long run.

4. Educational Institutions

This source includes management institutes, universities and technical institutes. This source is used for placement at the entry level. Recruits from educational institutions are more easily adaptable than their more experienced counterparts. The advantage of recruiting from institutes is that candidates are likely to be intelligent and possess the required technical qualifications.

5. Competitors and Other Industries

The advantage of this source is that the salesperson knows the market and its customers. Also the ability of the salesperson may be known to the recruiting company thus reducing the risk because the candidate is well acquainted with market trends and customers.

6. Friends and Relatives

Friends and Relatives can also be hired if they meet the necessary qualifications required for the job. It generates more confidence between employees when some known person is taken for the job. He can be relied upon.

7. Previous Staff

Many times previous staff which has served the organisation is willing to return. It may be either that he finds it more convenient to work with the old employer now or he is not adjusting with his present employer. Such cases may be considered carefully and if they meet the requirements then can also be considered for selection.

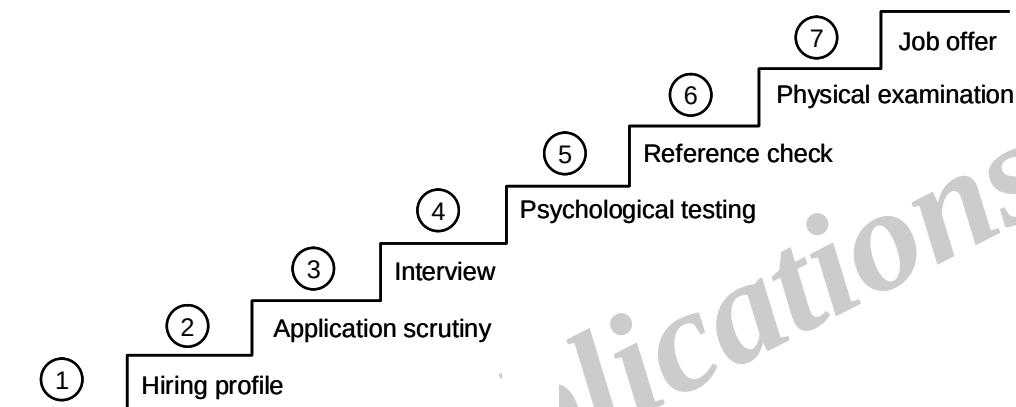
8. Selection of Key Executives from Outside

Nowadays organisations are trying to bring top executives from outside. The idea is to give a new look to the organisation and bring some famous name in the field. Such an approach is successful in some cases, while in many cases these selections are found unsuitable or good for a limited period only.

Q13. What is the Selection Procedure for Sales Force?**Ans :**

Selection, as the name implies, involves picking and hiring a few people from the total number of candidates applying for the sales job. Selection is done by comparing the requirements of a job with the applicant's qualifications. The selection includes pertinent information on a recruit's mental abilities, physical characteristics, experience, personality and personal background. To collect that information, firms may incorporate the use of assessment centres and several selection tools including applications, resumes, interviews, testing, references and physical examination.

The following are some common steps in any selection process:

**1. Hiring Profile**

The aim of the recruitment process is to attract a number of qualified candidates. The sales manager must be careful here not to go to either extreme. The sales manager should develop a hiring profile system.

2. Application Scrutiny

The sales manager can now review the completed forms he has received. The main purpose of scrutinising applications is to identify those candidates who fit the job specification and can be called later for an interview and testing sessions.

3. Interview

The interview is the most used but least scientific of the various tools of selecting employees. A salesperson has to face three or four interviews before the final selection. The personal interview is used to determine if a person is right for the job. It can bring out personal characteristics that no other selection tool is capable of revealing. In sales, different approaches are used in an attempt to elicit useful information. The approach used will depend on the sales manager's personality, training and work experience.

(a) Types of Sales Interviews: Interviews differ, depending on the number of questions that are prepared in advance and the extent to which the interviewer guides the conversation. There are two types of interviews, (1) Structural interview or guided interview, and (2) Informal or unstructured interview.

(b) Procedure of an Interview: The following steps are generally involved in an interview procedure:

- a) Reviewing background information
- b) Preparing a question plan
- c) Conducting the interview
- d) Concluding the interview.

4. Psychological Testing

A psychological test is designed to measure such skills and abilities in a salesperson as are found to be essential for successful job performance.

Some important tests are: knowledge tests, ability tests, aptitude tests and simulation exercises.

- a) **Knowledge Tests:** Tests measuring knowledge or information regarding, sales job.
- b) **Ability Tests:** Ability or proficiency tests are those which measure the skills and abilities already present in the candidate at the time of testing.
- c) **Aptitude Tests:** These tests measure whether or not an individual has the capacity or latent ability to learn a given job quickly and efficiently.
- d) **Simulation Exercises:** A simulation exercise is a test which duplicates many of the operations and problems confronting the sales job.

5. Reference Check

An organisation cannot be sure if it has all the information on an applicant until his/her references have been thoroughly checked. Reference checks allow an organisation to secure information not available from other sources. References are usually checked while the application form is being processed and before the final interview takes place. References from teachers and former employees are generally more helpful than other types of references.

6. Physical Examination

Physical examination reveals whether or not a candidate possesses the required stamina,

strength and tolerance needed under hard working conditions. The basic purpose of a physical examination is to place selected candidates on jobs which they can handle without any delay on health grounds.

7. Job Offer

When all other steps have been completed in the selection process, the company must decide whether or not to hire such an applicant. The applicant's goal and ambitions must be matched against present and future opportunities, challenges and other types of rewards that are offered by the job and company. A decision to hire is followed by a formal offer with no unspecified details or surprises; the terms should be in writing for the protection of both the recruit and the company. Some companies require that all new salespeople sign contracts containing all important job-related information.

3.12 TRAINING OF SALES FORCE

Q14. Discuss about training of sales force.

Ans :

The purpose of sales training is to achieve improved job performance. In the absence of training, job performance improves with experience. Training substitutes for job experience so that trained sales personnel achieve high job performance levels faster.

The overall efficiency of a company's personal selling operation is influenced by the state of relations with customers and prospects. The sales force plays a crucial role in moulding and maintaining these relations. Contrasted with inexperienced sales personnel, experienced sales personnel maintain better continuing relations and make better impressions on prospects. Sales training contributes by accelerating the process of learning through experience.

Aim of Training

There may be a number of sales training programmes. It is desirable that before any training programme is imparted, its aim is clearly defined; whether the idea is to train the salesperson so that

he may represent the company better in the market, or want higher turnover from him or to make him aware of new products that the organisation is going to launch. The defining of training aim will ease the planning of sales force training and bring better results. It will also help to evaluate the whole programme at a later date.

Managing the Sales Training Process

Sales training is expensive and sales managers should take special care to ensure that time and money are wisely spent. The sales training process consists of three phases as shown in Fig. below.

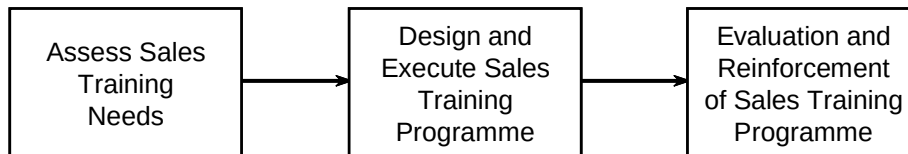


Fig.: Sales Training Process

1. Assess Sales Training Needs

The purpose of assessing the training needs is to understand the specific goals of training for individual salespeople, such as improving product knowledge, selling techniques, or relationship building. However, often the need for sales training becomes obvious only after knowing the declining salesforce performance. Instead of reacting to solve the problems of salesforce performance, the role of sales training should be to prevent problems on a proactive basis.

Capability gaps arise when the salesforce does not have the required knowledge, skills, or capabilities to become successful on the job. Sales training exists to overcome deficiencies and to make salespeople continuously successful.

Sales managers should assess the training needs for both: newly hired sales trainees, and experienced (regular or existing) salespeople. For example, new salespeople may need training in sales techniques, whereas experienced salespeople could need training in negotiating skills. In addition, some companies, who use team selling approach for major customers, the training needs of selling teams should be considered.

Methods used for Assessing Training Needs

Some of the methods used to decide the training needs are:

- a) **Sales manager's observation:** Field sales managers spend a lot of time in the field working with the salespeople. These first level sales managers observe the need for particular sales training, based on specific shortcoming (or deficiency) of the salesperson.
- b) **Salesforce survey:** To identify the training needs of the salespeople, it is important to conduct salesforce survey, as an independent activity or combined with other sales activities like sales reports. However, if field sales managers and their salespeople disagree on the training needs, it is better to discover this disagreement and find a solution before designing the sales training programme.
- c) **Customer survey:** Some companies, where personal selling is the key element of their sales and marketing strategy, customer survey to identify sales training needs is very much recommended. The customer survey also helps to understand customer expectations, the company salespeople's competencies, as compared to that of other salespeople in the same industry. This practice is followed at 3M².

- d) **Performance testing:** Some companies test knowledge and skills of salespeople by conducting performance testing of salespersons on a regular basis. Sales trainers evaluate the performance of salespersons on presentation skills, product knowledge, customer relationship management and so on to determine training needs.
- e) **Job description:** It was mentioned that job description statement would be useful not only recruitment and selection, but also for sales training and evaluation of salesforce. Job description mentions clearly the duties, responsibilities, and the key tasks or key result areas of the salespeople. It is, therefore logical tool to be used in assessing the training needs, particularly by a new company.
- f) **Salesforce audit** As a part of marketing audit or sales audit, some companies use salesforce auditor for assessing training needs of salespeople. Generally it was conducted once in a year. The salesforce audit asks question on the training programmes about its adequacy, contribution, and revision.

2. Designing and Executive Sales Training Programme

After the first phase of assessing the sales training needs, the second phase of designing and execution of the sales training programme is considered. There are five decisions a sales manager has to take while planning on a sales training programme. These decisions are summed up to the popularly known one word called ACMEE (aims, content, methods, execution, evaluation) as shown in Figure.

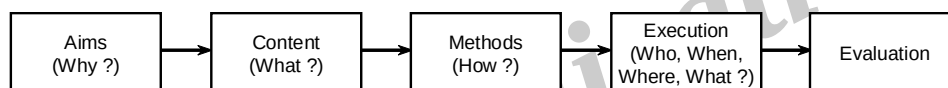


Figure : ACMEE Method of Sales Training Programme Decisions

The first three parts of ACMEE and organisational decisions relate to the design aspects of the sales training programme. This consists of aims (or objectives), content, methods, organisational decisions of the training programme. Balance two parts represent execution and evaluation, as shown in Fig.

Designing the Sales Training Programme

Steps involved in sales training programme

A) Aim of Training

Defining the specific and general aims of a training programme is the first step in training. General aims are translated into specific aims phrased in operational terms. These can be defined in two ways :

- i) Identify initial training needs.
- ii) Continuing sales training programmes.
- i) **Identifying Initial Training Needs :** The initial training needs of sales training programme can be identified by the analysis of three main factors.
 - **Job Specification :** The qualifications needed to perform the job are detailed in job specification. The set of job specifications needs scrutinising for clues to the points on which new personnel are most likely to need training.
 - **Trainee's Background and Experience :** The gap between the qualifications in the job specifications and those a trainee already has represents the nature and amount of training needed. But it is not always practical to adjust training precisely to individual differences and time and money are saved by putting all recruits through identical programmes.

- **Sales-related Marketing Policies :** The analysis of sales related marketing policies is also necessary to determine initial sales training needs because the differences in products, markets and their selling practices and policies determines the differences in training programmes.

- ii) **Identifying Continuing Sales Training Programmes:** The identification of continuing sales training needs means to identify training needs of experienced sales personnel which are felt due to changes in market, product, marketing policies, procedures, organisation and even in the sales personnel itself.

B) Content of Training

The content of training is not the same for all the sales training programmes. It varies from company to company because of differences in products, markets, company policies, trainees' ability and experience and organisational size. Every initial sales training programme comprises mainly four areas: product data, sales technique, markets and company information.

- i) **Product Data :** Product training depends on the nature of the product if the product is highly technical then they will devote more than half of their programme to product training, if the product is non-technical, then minimal amount of product training is required. But in all the cases the sales person should know about the products, their uses and applications to serve customers' information needs.
- ii) **Sales Technique :** There are two views in this context. Some sales managers believe that if an individual has an attractive personality, good appearance, voice and reasonable intelligence and knows the product, he will sell it easily. But the predominant view is that new sales personnel need basic instruction in how to sell. This view is reflected in most of the companies.

- iii) **Markets :** The sales person needs to know who the customers are, their particular locations and particular products in which they are interested. Not only this, the sales person should also know about their buying habits, motives and their financial condition. But the training in this context should not be stagnant, it should be continuous because markets are always changing.

- iv) **Company Information :** The company should essentially inform the sales person about the company's pricing policy, product services, spare parts and repairs, credit extension and customer relations.

To boost the employee morale and job effectiveness, the company should also provide information to the sales personnel about their selection procedure, training programmes, compensation, incentive systems, advancement requirements and opportunities, savings and retirement plans, medical and insurance plans.

C) Sales Training Methods

The selection of appropriate training method for a training programme depends on the content of training. Few of the important and appropriate methods of sales training are: lecture, conference, demonstration, replaying, case-discussion, impromptu discussion, gaming, on-the-job training, programmed learning, correspondence courses.

1. **The Lecture :** Lecture is the method of learning through instructions from trainer to trainee. Trainees mainly watch and listen, although some versions of lecturing permit questions.

Advantages

- a) It is more economical as compared to other methods.
- b) It is the only method to cover the desired training content if initial sales training is brief.
- c) It is the only practical way to handle instructions when the training group is too large but it can also provide training appropriately to smaller training groups through summary of major topics.

Disadvantages	Advantages
a) Teaching is emphasised more than learning. b) Only one-way communication between trainer and trainee prevails.	a) Participants learn easily because they involve themselves in game play. b) Players develop skills in identifying key factors influencing decisions. c) Games have built-in information feedback features.
2. Personal Conference : The personal conference is an unstructured and informal method. It varies with the personalities of the trainer and the trainee and the topics discussed. The trainer and trainee jointly analyse problems such as effective use of selling time, route planning and call scheduling and also handling unusual selling problems.	Limitations a) Some minimum amount of time is required for playing, usually, three to four hours, which is not sufficient to provide desired learning experience. b) Since the game designs are based on ordinary decision making process their rules often prevent play on unusual or novel approaches. c) Poorly designed games may actually hinder instead of helping.
3. Demonstration : The demonstration method of training is where sales managers plan and carry out a real selling call on a customer or prospect with the salesmen they are training present as silent observers. The method is most appropriately used for training new salesmen.	
4. Role Playing : In this method first the trainer describes the situations and different personalities involved. Then the trainee is asked to play the role of those personalities in different situations. At the end both the trainer and trainee appraise each player's effectiveness and suggest how performance of each has been improved.	7. On-the-Job Training (Coach and-pupil Method) : In this the salesmen are coached and instructed by skilled co-workers or by supervisors or by the special training instructor. They learn the job by personal observation and practice as well as occasionally handling it. This method involves three steps. First, the coach who is an experienced sales person begins by describing particular selling situations, explaining various techniques and approaches. Next, accompanied by pupil, the coach makes actual sales call, discussing each with the trainee afterward. Then, under coach supervision trainee makes sales calls, each one being followed by discussion and appraisal.
5. Case Discussion (Learning by Doing) : The case is a set of data (real or fictional, written or oral). Miniature description and summary of such data presents issues and problems calling for solutions or action on the part of trainee. When the trainees are given cases to analyse, they are asked to identify the problem and to recommend tentative solutions through group discussions.	
6. Gaming Simulation : This method is somewhat similar to role playing with a unique feature that it uses highly structured and contrived situations based on reality and players receive information feedback.	8. Programmed! Learning (Teaching by Machine Method) : Programmed instruction involves a sequence of steps which are often set up through the central panel of an electronic computer as a guide in the performance of a desired operation or service of operation.

It involves breaking down information into meaningful units and then arranging these in a proper way to form a logical and sequential learning programme or package for use with the machine.

But programmed instructions have not been widely adopted for sales training due to their high cost of operation and other constraints.

9. **Correspondence Courses :** Companies with highly technical products and small but widely deployed sales forces use correspondence courses to acquaint experienced sales people with new product development and applications.

It is most appropriate as an interim training method when trainees are scattered geographically but are assembled periodically for lectures, seminars, role playing and other instructions.

3. Evaluation of Training Programmes

Execution or implementation of a sales training programme is the most tedious part of the sales training process. Preparation of training time table, arranging internal and external trainers, making travel arrangements of participants, arranging the conference hall and teaching aids (like multi-media projector, sound system), and many other details have to be arranged. It is important to pay attention to the details in order to ensure successful execution of the sales training process. A list of all activities helps in proper implementation of the training programme.

The actual performance or execution of the training programme as per the time table may not take more time as compared to the other stages or steps described earlier. An effective sales trainer makes a final check on all the activities one or two days prior to commencement of the training programme. This is a good practice, as it gives sufficient time to take corrective actions on some activities (like one of the trainer unable to take his/her session due to some personal emergency).

As the training programme gets going, the sales trainer should monitor the progress of the trainees. Feedback from the sales trainees should be obtained before, during and at the end of the programme on various issues, including effectiveness of the trainers, and the arrangements of the training programme.

Evaluation of Sales Training Programme

Well-trained salespeople are a crucial part of any successful business. Highly-trained, knowledgeable salespeople produce large volumes of business by developing relationships with decision makers and solving client problems. There are a plethora of sales training programs out there that claim to turn even novices into expert salespeople. Being able to evaluate sales training programs is vital to efficiently managing sales employees.

1. Productivity

Whether the sales person is brand new, or a veteran who can close any deal open for discussion, the number one driving factor of sales success is productivity. Some training programs focus specifically on increasing productivity - generating more leads, uncovering more prospective clients and making more sales pitches. A training program that focuses on productivity should be evaluated by the increase in participant productivity following the program.

2. Closing Ratio

Once a sales force reaches work saturation - all working time is spent on sales production activities - then managers should focus on improving closing rates to increase the number of clients in each salesperson's book of business. Training programs on closing may discuss strategies for uncovering objections or buying psychology among other topics. Evaluate these programs by the change in closing ratio of participants from before and after the program.

3. Sales Volume

Another target that sales managers focus on is total sales volume. Programs that focus on increasing sales volume may identify common, unidentified needs to which

salespeople can sell to improve volume per customer. Others may touch on how to close larger cases, or how to prospect for high-need clients. As with other types of sales programs, evaluate based on the change in participants' metrics from before and after the program.

4. Cost Efficiency

Ultimately, any training program must be evaluated for its return on capital. Establish baseline profitability for each salesperson. Calculate how much it will cost to send each person to the program, and set a desired return on investment. Figure out how much, in dollars, each salesperson will have to contribute to profitability to provide the desired return. Track the salespeople's numbers after the program to show the actual return on capital, and compare the rate of return to the rates of return on other potential investments.

3.13 SALES FORCE MOTIVATION

Q15. Explain about sales force motivation.

Ans :

Motivation is the force within us that directs our behaviour. Motivation is unique to every individual. A sales manager may adopt different methods to motivate his sales force. He should examine individual needs and use them as the basis for motivating his salespersons.

Dimensions of Sales Motivation

1. **Intensity:** It is the magnitude of mental and physical effort put in by a salesperson for his or her activity or goal. As this inner drive becomes more intense, more effort will be put in by him.
2. **Persistence:** It is the extension of effort over time. This works when first dimension 'intensity' is high and so the person has high persistence to expend the needed effort for the time period. In such a case, the person is said to be highly motivated.
3. **Direction:** It implies that the individual can choose how his or her efforts will be spent. Salespeople who are highly competitive and have high intensity and persistence will

attempt to determine what activities are required to reach that goal and direct their behaviour.

Reasons for Motivating Sales persons

As a member of a sales force, salespersons are targets for sales management efforts aimed at welding them into an effective selling team. Four aspects of the salesperson's job as discussed below affect the quality of his/her performance. Each aspect is an important reason why most sales personnel require additional motivation to perform their jobs satisfactorily.

Importance of Motivation

It has been estimated that about 10 to 15 per cent of salespeople are self-motivated, requiring little external incentives. They are ambitious and self-starters. However, the majority of salespeople are not adequately motivated, requiring encouragement and incentives from the management. The company management recognises the importance of sales management and salesforce, because the financial performance of the company depends upon the achievement of sales volume objective, which is the primary responsibility of sales management. Sales managers find the task of motivating salespeople difficult and important due to the following factors:

1. changes in marketing environment
2. conflicting company objectives
3. unique nature of the sales job
4. separate motivational package.

1. Changes in marketing environment

Marketing environmental factors, such as demographic, economic, technological, political-legal, and social-cultural, change continuously. Sales managers find it difficult to develop an effective mix of salesforce motivational methods in the changing marketing environment. The incentive scheme may become ineffective due to the recession in the economy, or a change in technology. For example, a technology change from jelly-filled telecom cables to fiber-optic cables will make selling jelly-filled cables very difficult.

2. Conflicting company objectives

Salespeople are required to achieve the company objectives and goals, such as sales volume, profits and customer satisfaction. Sometimes these objectives conflict. For instance, a customer is satisfied if the salesperson confirms matching the competitors price with the company price. However, the company management is unable to do so, because by bringing down the company's price to the level of the competitor's price, the company can not achieve the profit objective (in fact, it will make a huge loss). The salesperson is frustrated that after putting a great amount of efforts, the order from the customer is lost to a competitor and he is unable to achieve the sales quota and the incentive. With widely varying objectives, developing an effective motivational mix is difficult.

3. Unique nature of the sales job

This is an important factor. Salespeople usually work alone and their working hours are irregular. They are often away from home. They have an inferior status in relation to the purchase officer. While many customers are polite and considerate in their business dealings with salespeople, some buyers are bad mannered. Salespeople often face hostile and competing salespersons. In many cases salespeople do not have the authority to do what is needed to get a business, and therefore, they sometimes lose large orders for which they had worked very hard to get. As a result, salespeople usually need more motivation than other employees do to reach the expected performance levels.

4. Separate motivational package

Salespeople have individual characteristics that influence their motivations. Ideally, the firm should develop a separate motivational package for each salesperson. However, this approach will have practical problems in an organisation. A solution to this problem is to develop a motivational mix that is relevant for all salespeople, but it should also appeal to the different individual needs. For instance,

newer salespeople are sensitive to the achievement of sales quotas and financial incentives. More established sales people look for promotions and recognition.

Q16. What are the Motivational Theories to Sales People?

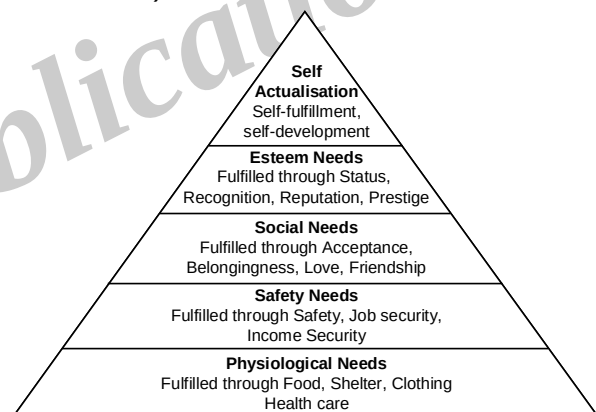
Ans :

1. Maslow's Need Hierarchy Model

Abraham H Maslow developed a conceptual framework and defined a person's effectiveness as the function that matches man's opportunity with the appropriate position in the hierarchy of needs.

He assumed that the process of motivation is directed towards the achievement of the satisfaction of needs.

Maslow identified basic five level needs (Figure below)



- **Physiological Needs :** Basic needs which relate to the maintenance of human life like shelter/ food, clothes, etc.
- **Safety Needs :** These include safety as well as security, i.e., the assurance of maintaining a given economic level through job security/provident fund/ insurance/etc.
- **Social Needs (love and belongingness) :** These correspond to affection and affiliation because man being a social animal is interested in companionship, belonging etc. Organisation can influence these needs through supervision, communication, work group etc.

- **Ego/Esteem and Status Needs** : Need for power, achievement, status, independence, competence etc. Ego needs are further divided into two parts:
- **Self-esteem**: This includes competence, knowledge, independence, etc.
- **Esteem of Others**: This includes reputation, status, recognition. These needs are infinite and when not fulfilled result in inferiority, weakness and helplessness.
- **Self-actualisation**: It involves realising one's potential for continued self-development and for being creative.

Salient Features of this theory are

- Urge to fulfil needs is a prime factor in motivation.
- Human needs are complex, multiple and interrelated.
- Human needs can be arranged in a hierarchy.
- Needs will be fulfilled in successive order from lower to higher, i.e., no higher need will act as an activator for motivation until the preceding lower need is fulfilled.
- As soon as one need is fulfilled, another need emerges.
- A satisfied need does not help in motivation. Rather, unsatisfied needs are motivational stimulators. Need hierarchy levels are interdependent and overlapping.

2. Herzberg's Motivation-hygiene Model (Two-Factor Theory)

Herzberg extended the work of Maslow to develop his theory. He conducted a widely reported motivational study on about 200 accountants and engineers employed in and around Pittsburgh, Pennsylvania.

The subjects in the study were given the following directions by an interviewer "Think of a time when you feel exceptionally good or exceptionally bad about your present job or a previous one. Tell me what happened?" Responses obtained by this method were interesting and fairly consistent.

Reported good feelings were associated with job experiences and contents and reported bad feelings were associated with surroundings or job contexts.

Herzberg concluded that job satisfiers are related to job contents which act as 'motivators' and are thus called as 'Motivational Factors'. On the other hand, job dissatisfiers are related to job contexts. Their presence provides no motivation but their absence causes dissatisfaction. Therefore, they are called 'Dissatisfiers or Hygiene Factors'.

DISSATISFIERS/HYGIENE FACTORS	MOTIVATIONAL FACTORS
1. Company policy and administration	1. Achievement
2. Technical supervision	2. Recognition
3. Interpersonal relation with (a) Supervisors (b) Peers (c) Subordinates	3. Advancement
4. Salary, job security	4. Work itself
5. Personal life, status	5. Possibility of growth
6. Working conditions	6. Responsibility

Salient features of this theory are

- Feelings of unhappiness or dissatisfaction were due to the environment or job context whereas feelings of happiness were due to job contents.
- It is necessary to maintain hygienic factors at a specific level because their absence leads to dissatisfaction.
- While the absence of motivational factors does not affect performance, their presence definitely leads to improvement in the performance.
- The above stated factors are unidimensional i.e. they flow only in one direction.
- The key to job satisfaction and high performance lies in job enrichment.
- Herzberg said that today's motivators are tomorrow's hygiene factors because they stop influencing the person's behaviour when they are obtained.

3. Vroom's Expectancy Model

This theory assumes that a person's motivation to exert efforts depends upon his expectations for success. Vroom based his theory on three concepts: expectancy, instrumentality, and valence.

Expectancy

This concept refers to the person's perception of the relationship between effort and performance. It points out to what extent a person expects (or hopes) that increased efforts will lead to superior performance. The relevance of the concept to sales situation is presented in figure. Examples of efforts of a salesperson include more sales calls on customers and longer working hours. Superior performance in sales situation means increase in sales, higher level of customer satisfaction, and increase in number of new customers.

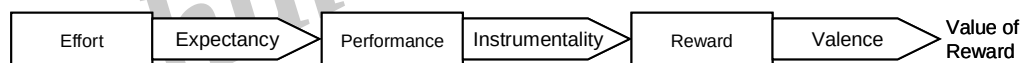


Fig.: Vroom's Expectancy Theory of Motivation

Instrumentality

This concept refers to the person's perception of the relationship between performance and reward. It shows the degree to which a salesperson believes that higher performance will lead to some kind of reward. For instance, the reward may be increase in salary, recognition, or promotion.

Q17. Discuss about Motivation through incentives / effective Mix of motivational tools.

Ans :

The needs of individuals serve as driving forces in human behaviour. In the context of these needs, management tries to govern the behaviour of employees in satisfying their needs. Incentives means the objects which are perceived to satisfy needs of employees.

According to Dr. Earnest Dichter: "Incentive is stimulus or a reason for producing action. Almost all of the human motivations can serve as incentives anxiety, worries, fear, hope, prestige, money, security and so on. All are actual or potential incentives in our daily life". Thus, incentive is a stimulus for more work. It incites action, motivates the people to do more and more work to increase their efficiency and to learn techniques of work.

Types / Classification Of Incentives

Incentives can be classified as follows :

- (i) Positive and Negative Incentives.
- (ii) Individual and Group Incentives.
- (iii) Financial and Non-financial Incentives.

(i) Positive and Negative Incentives

Incentives which induce an employee to work more are positive incentives. Positive Incentives exercise good effect on the morale and efficiency of the employees. The examples of positive incentives are appreciation, recognition and promotions.

Negative incentives incite the production by creating feelings of fines, fear and punishment. Negative incentives motivate an individual to restrain from doing something e.g. avoiding breakages, absenteeism etc.

(ii) Individual and Group Incentives

Individual incentive means any incentive scheme which is applied on personal basis or individual to individual basis.

Group incentives are given to the group as a whole, to the departmental staff or to all employees working within the organisation. The examples of group incentives are profit-sharing, co-partnership, annual bonus. Sales conventions and Sales conferences are the group motivation devices. The salesman can actively participate in such conferences. Such participation helps to promote team work and useful in raising morale of salesman.

(iii) Financial and Non-financial incentives

These are powerful motives of their own scheme etc.

(a) Financial incentives: They has become a means to satisfy the physical needs of daily life as well as obtaining social position and power. Primary needs are food, shelter, clothing, etc. Since money has the exchange values, these they can have in exchange of money. Money becomes a basic incentive for individuals. The organisations offer salaries which become incentives for

individuals to join the organisation. The remuneration structure should be such that it motivates the present and prospective employees of the organisation. The financial incentives are useful to get best out of an individual. The financial incentives may be classified into two parts, viz. individual and collective.

(i) Individual Financial Incentives: Individual incentives include all such plans which induce an individual to achieve higher output to earn higher financial rewards. The basic assumptions behind individual incentive is that an individual will be motivated for higher output to earn more money which satisfies needs of individuals.

(ii) Collective Financial Incentives: Collective incentives help to motivate individuals collectively. The basic idea of collective incentives is the same as above, however, the employees are given these collectively. The examples are-bonus, profit-sharing, pension plan etc.

(b) Non-Financial incentives: Financial Incentives are useful for motivating employees to do higher work. However, individuals have different needs which they wish to satisfy while working in the organisation. All types of needs cannot be satisfied by money alone. Thus, management provides financial as well as non-financial incentives to motivate people in the organisation. The emphasis of non-financial incentive is to provide psychological and emotional satisfaction rather than financial satisfaction. For example, if an individual gets promotion in the organisation, it satisfies him psychologically more, that is he gets better status, more challenging job, authority etc., than financially though he gets more pay in addition to promotion. The non-financial incentives can be classified into three parts viz.

(i) **Individual non-Financial Incentives:** Individual incentives which motivates people on individual basis. The various forms of individual incentives are as follows:

1. **Status :** Status is the ranking of people in the society. In the case of organisation, status is the ranking of positions, rights and duties in the formal organisational structure. High status helps to motivate the people to work hard to do more work.
2. **Promotion :** Promotion is defined as a movement to a position in which responsibilities and prestige are increased. Promotion helps to satisfy the needs, money, prestige, status etc. Promotion helps to motivate people.
3. **Responsibility and Challenge :** Challenging and responsible jobs are preferred by many people than monotonous and less responsible jobs. The challenging and more responsible jobs should be provided by the management.
4. **Enjoyable and Interesting Job :** The job must be made enjoyable and pleasant and interesting. Such job will allow the employees to satisfy their natural instincts which will develop interest.
5. **Recognition of work :** Recognition means acknowledgement with a sense of appreciation of work. The employees in the organisation feel that their work

should be recognised by others. Recognition of work induces employees to work hard and to accept more responsibilities.

6. **Security of Job :** Job security and stability also play an important role. If job is secured, an employer will demonstrate more efficiency.

(ii) **Collective Non-Financial Incentives:** Employees work in groups. Their efficiency, aspirations, behaviour norms and standards depend upon groups. If the group is efficient, an employee becomes more efficient. Therefore, group incentives are also important. Some of the collective non-financial incentives are as follows:

1. **Social Importance of Work :** Socially acceptable work is always preferred. If the society gives importance and praise to the work, people like to perform.
2. **Team Work :** Team spirit should be encouraged by the management so that co-operation and co-ordination becomes possible. Team work is a coordinated action towards achievement of task. Team spirit helps to maximise efforts to attain objectives of the organisation.
3. **Competition :** Competition is one of the ways of providing incentives. Self-competition too helps to improve own performance. In such cases, in addition to money, there should be recognition, appreciation, praise of work etc. There should be healthy competition, otherwise frustration will be developed among the staff.

4. **Informal Groups :** Some kind of affiliation is developed amongst people while working together. The creation of informal groups helps to provide social satisfaction to 'employees at working place. People feel to achieve a sense of belongingness and security. The management should encourage development of informal groups.

(iii) **Institutional Non-Financial Incentives:** There is correlation between incentives and environmental factors in the organisation. The main reason behind motivation of employees to produce better results, is conducive and congenial atmosphere of the organisation. The following incentives are institutional non-financial incentives.

1. **Human relations :** In order to develop a sense of belongingness amongst employees, to improve their efficiency and to treat them as human beings, proper policy towards human relations is necessary. Under this policy, there is emphasis on providing greater satisfaction (physiological and psychological) by creating healthy environment in the organisation, so that employees can work efficiently.
2. **Communication :** Communication is a two-way process. It is the lifeblood of an organisation. In the case of big and complex organisations, greater specialisation and division of work is required. The activities are divided into various parts

and subparts to share the information which can be done through communication. Proper communication helps to motivate employees in a proper way.

3. **Morale\building :** Morale is the attitudes of individuals and groups towards work environment and towards voluntary co-operation to the full extent of their ability in the best interest of organisation. High level of morale brings high productivity. High morale of employees depends on the various facilities provided to them for satisfying their physiological and psychological needs, the latter being more important. The management should take efforts to measure employees' morale. If morale-level is low, the analysis of factors should be made and proper action should be taken.

4. **Discipline :** Discipline is obedience, application, behaviour and respect shown by employees. It is employees' self-control to meet standards and objectives of the organisation. The management has primary responsibility of developing and maintaining discipline. It maintains discipline by applying standards in a consistent, fair and flexible manner. This provides employees to act in a particular direction. In the case of inconsistent behaviour, a disciplinary action may be taken.

3.14 SALES FORCE COMPENSATION

Q18. Discuss about sales force compensation.

Ans :

Compensation plans for the sales force are designed to achieve several objectives. Some of these are: to assist the company in meeting its sales projections, to bring the earnings of the sales force to desired levels and to reward individual salespersons in direct proportion to their efforts and performance.

Objectives of Compensation Plan

A good compensation plan should consider objectives from the company's viewpoint and also the salesperson's viewpoint. Sales managers should recognise that some of the management objectives may conflict with the salesperson's objectives. We first consider objectives from the company's viewpoint.

A) The Company's Viewpoint

The company wants to attract, retain, and motivate competent salespeople. A good compensation plan should attract and keep top-quality salespeople. It should also motivate salespersons to reach and exceed their sales goals. In a study of sales and marketing executives, 70 per cent reported that their compensation plans were effective or very effective in motivating the salespeople.

- 1. To control salespeople's activities:** The compensation plan should offer incentives to control several key activities of salesforce, such as selling, prospecting, payment collection, and customer relationship building. Of course these key tasks will vary from company to company. For instance, Compaq computer's sales managers use 20 to 40 per cent of their salespeople's compensation on individualized sales objectives and goals, like improving specific customers' relationship or introducing a new product.
- 2. To be competitive, yet economical:** Most companies want to keep their

salespeople's expenses at the same level as those of the competitors. At the same time, the company wants its compensation plan economical. It is difficult to balance these two objectives.

- 3. To be flexible:** A good compensation plan should be flexible to adapt to new products, volatile markets, and differing territory sales potential. Some companies use individualized compensation plans, in which each salesperson is allowed to choose what percentage of his or her compensation is fixed (that is, straight salary) and what percentage should be variable (that is, commission based).

B) The Salesperson's Viewpoint

We now consider objectives from the salesperson's viewpoint.

- 1. To have regular and incentive income:** The salesperson wants the compensation plan to provide a regular income every month that is fixed and secured against any problems or emergencies. If the salesperson is sick and cannot work for a period of time, or if the sales are down due to various factors, he/she should get some fixed salary to take care of living expenses. An extra reward, in addition to fixed income, should be included in the compensation plan to produce above overage performance.
- 2. To have a simple plan:** The compensation plan should be simple for salespeople to understand easily. Even most company management prefer to have a simple compensation plan. This objective may be in conflict with the objective of flexibility.
- 3. To have a fair payment plan:** The compensation plan should ensure fair or just payment to all salespeople. This can be done by selecting those factors which can be measured and controlled by salespeople.

Designing an Effective Sales Compensation Plan

Designing (divising, or developing) a new compensation plan, or revising an existing plan consists of a number of steps, as shown in Fig, which is also considered as a framework.

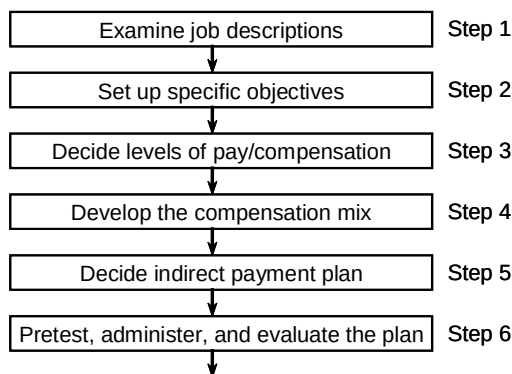


Fig.: Framework for Designing an Effective Sales Compensation Plan

1. Examine job descriptions

The first step is to examine the existing job descriptions, which were prepared earlier in the staffing process, for all sales positions. Various sales positions, such as missionary salespeople sales engineers, and driver salespeople are called horizontal positions or jobs. There may be vertical positions like sales trainee, senior salesperson, and key account executive. Each of these positions needs a separate job description, with detailed job responsibilities and key performance standards, to decide how much the company should pay.

2. Set up specific objectives

An effective compensation plan should have specific objectives for the salespeople. These salesforce objectives should be derived from the company's sales and marketing objectives. Also, sales managers should include those specific objectives over which salespeople have maximum control, such as number of sales calls made to 'A' and 'B' class customers, selling expenses, and new customers developed. Achievement of objectives like customer satisfaction and sales volume depend on various factors, such as product

quality, pricing policy, after-sales services (if needed) in relation to competitors and therefore, salespeople have some control but not maximum control. Besides, the specific objectives should be those that can be measured by the company, like filing expenses, sales volume, and number of sales calls made.

3. Decide levels of pay or compensation

It is an important task to decide levels of pay for various sales positions. A level of pay means the average pay or money earned by the salespeople per year (or per month). The level of compensation or pay should be competitive to attract and retain good quality salespeople. Firms decide the levels of pay based on the following factors.

- The levels of pay for similar sales positions in the industry,
- The levels of pay for comparable jobs in the company, and
- Education, experience, and skills required to do the sales job. When the information on the average levels of pay in the industry is obtained, it should be checked if indirect pay or benefits, such as pension and insurance, are included or not. The company should also consider the cost of living in different metros, cities, and towns. In some companies, company-wide job evaluation programmes are done, which are used to establish compensation levels for sales positions.

The annual pay or income levels varies to a large extent between industries, within the same industry, and sometimes within the same company. The supply/demand balance varies across industries. In high growth industries, such as computer software, demand exceeds supply and therefore, the pay levels are high. Another factor driving pay levels is industry profitability. High-profit industries can afford to pay more and low profit industries pay less.

4. Developing the compensation mix

One of the key tasks in designing an effective sales compensation plan is to develop the compensation mix or the method by which the salespeople will be paid. The most widely used elements of compensation mix are: salaries, commissions, bonuses, and benefits or indirect monetary benefits, such as paid vacation (or leave travel assistance), sickness (or medical reimbursement), pensions, accident and life insurance, which are also called as fringe benefits, perquisites, or perks. Usually, expense allowances or reimbursements, which include travel, lodging, dining, and customer entertainment, are not included in the compensation plan.

5. Decide indirect payment plan

Indirect payment plan, which is also called fringe benefits, perquisites, or perks, range from 25 to 40 per cent of the total sales compensation package. These are medical reimbursements and payments, group life insurance, travel insurance, accident insurance, pension plan, social security (or provident fund), profit sharing, paid vacations (or leave travel allowance), and so on. Fringe benefits help satisfy safety and security needs, although some (such as payment of social club fees and automobile) contribute to fulfillment of higher-order needs like esteem needs. They help prevent job dissatisfaction, but do not add to job satisfaction. Most companies provide some of these benefits in order to remain competitive with other companies in the industry. Indirect payments or benefits help in attracting applicants. These benefits give a degree of security to salespeople and make them loyal to the company.

6. Pretest, administer, and evaluate the compensation plan

These are explained briefly as follows :

- a) Pretesting:** Before a new (or proposed) compensation plan is adopted, the company should pretest and evaluate it. Pretesting the proposed compensation plan is a simulation exercise that can be done on a computer.

However, to understand how much harder the salesforce would work and to know its impact on salesforce activities, some companies pretest the proposed compensation plan on one or more branch sales offices for adequate duration (of 6 to 12 months) in order to evaluate to what extent the company's sales and marketing objectives are achieved. Pretesting should be done with the involvement of all concerned people like salespersons, sales managers, human resources and finance executives.

- b) Administering:** The company should introduce the proposed or new compensation plan to salespeople carefully. The new compensation plan should be announced well in advance of the date of implementation.

If the proposed compensation plan is announced at a national or regional sales meeting, the company should explain the reasons for changing the previous plan. Each salesperson should even be asked to calculate the salary, and incentives at the various sales levels. The company should either conduct pretesting in one or more branch sales offices, as mentioned earlier, or carry out field-testing of the plan in a few district sales offices, under actual selling conditions for about six to twelve months.

- c) Evaluating:** After the new plan is established, it should be evaluated on quarterly, half-yearly or yearly basis. Whether the objectives of the compensation plan have been achieved or not is the main question to be answered. If it has achieved the objectives, the plan can continue. If the objectives of the plan are not achieved, the management of the company has to determine if the reasons are related to the compensation plan, in which case some changes need to be carried out. Some companies audit their compen-

sation plans annually. This is a good practice, as it makes certain that the compensation plan is in line with the company's strategic plan.

Methods of Compensating Sales Personnel

Payment of an organization's salespeople has long been an issue marked by trial and error. Many companies have struggled for years to discover just the right formula or approach for compensating salespeople, typically using some form of combination of base pay and performance incentive.

In reality, there are four basic sales personnel compensation arrangements :

1. Straight salary,
2. Straight commission,
3. Salary plus commission and
4. Salary plus performance bonus.

1. Straight Salary

A straight salary compensation plan does not involve any form, obviously, of incentive payment. Salespeople are simply paid a flat hourly, weekly or monthly rate. This approach is often used when salespeople are essentially order takers, sales are the result of a group effort or customer service is critical.

Advantages

Straight salary offers a number of advantages:

1. Sales personnel have a steady and predetermined income level,
2. sales personnel can be more easily directed to perform non sales tasks without loss of income,
3. Teamwork is more likely to occur among sales personnel,
4. Customer service is more likely to be encouraged.
5. Inequities in time required to make a sale are likely to be reduced.

Disadvantages

Several disadvantages are associated with straight salary plans :

1. Sales personnel may exert little or no extra effort in making sales,

2. The proper mix of products may not be marketed because salespeople may focus on types of sales,
3. Straight salary may impede an organization's ability to attract top-notch sales people and
4. A straight salary plan may negatively affect motivation inasmuch as everyone makes the same relative salary.

2. Straight Commission

A straight commission compensation plan rewards sales personnel on the basis of how much they sell of an organization's products or services. The commission is usually stipulated as a percentage of the person's total sales for the period specified. Organizations using such compensation arrangements typically allow sales personnel to draw against future sales commissions.

The theory behind draws against future commissions is sales are often seasonal or cyclical and salespeople should not be punished by wide swings in earnings. A draw thus enables a sales person to smooth out his or her income so it is more consistent from period to period.

Advantages

Straight commission compensation plans offer some significant advantages :

1. An organization is likely to attract results-oriented sales personnel who value a high earnings potential and the freedom of action that may come with it,
2. An organization is able to share its risks and rewards with its salespeople,
3. Straight commission plans tend to quickly eliminate incompetent sales personnel and
4. Commission plans encourage aggressive selling which may be needed in highly competitive industries.

Disadvantages

The disadvantages of a commission-only approach to sales compensation include the following :

1. A commission-only approach encourages salespeople to think of themselves as free agents rather than company employees thereby creating a greater than usual sense of disloyalty to the organization,
2. Dramatic overpayments or underpayments to sales personnel unless the commission percentage is determined with great accuracy--something that may be difficult to do,
3. Salespeople may experience severe fluctuations in earnings from period to period due to variations in sales volumes,
4. Salespeople may be tempted to seek out easy sales rather than cultivate more potentially profitable long-run customers and
5. It may be difficult to open up new territories because of the reluctance of salespersons to perform the necessary missionary sales work.

3. Salary Plus Commission

A salary plus commission plan provides a salesperson with a guaranteed level of income plus an opportunity to exceed this income level by either selling in excess of a specified sales volume or receiving a commission on all sales. The typical salary plus commission plan allocates 60 percent to 80 percent of pay to salary.

Advantages

Salary plus commission provides the following advantages as an approach to sale compensation :

1. It assures sales personnel a guaranteed income,
2. An opportunity is offered to make additional compensation,
3. It establishes a relationship between performance and reward,
4. A salesperson's income does not fluctuate as drastically as it does under a straight commission plan and
5. It allows an organization to attract more salespeople than is usually possible under a straight commission plan.

Disadvantages

Disadvantages of salary plus commission are:

1. Salespeople may not be as aggressive in making sales as they would under a straight commission approach,
2. Mediocre salespeople are not as quickly eliminated as they would be under a straight commission plan,
3. It is sometimes difficult to establish the points at which commissions kick in and
4. Determining the salary rate requires a knowledge of what competing labor market organizations are paying similar salespeople.

4. Salary Plus Performance Bonus

Under this sales compensation arrangement a salesperson is paid a specified salary and then at the end of the sales period a month, a quarter or a year--is paid an additional amount for achieving specified goals.

These goals can include anything the organization wishes to emphasize: number of sales calls made, training of new salespeople, account servicing, quality of sales made, for example.

Often, the performance bonus is in addition to commission. In other instances it may replace commission. Bonus plans are common in technical sales where a salesperson may spend a large amount of time on non-selling activities or in situations where a great deal of time and effort is expended in consummating a sale.

Advantages

Among the advantages claimed for this approach are :

1. The organization can emphasize what it deems important in the sales area,
2. Sales emphases can be changed from year to year,
3. Sales personnel are encouraged to pay attention to both selling and non-selling activities,
4. Rewards are based on accomplishment of objectives.
5. Greater teamwork is encouraged between sales and service personnel.

Disadvantages

The performance bonus approach has the following disadvantages :

1. Bonus objectives may be expressed in subjective terms,
2. There may be no clear-cut formula for calculating bonus achievement,
3. Sales personnel must fully support the established objectives or they may not exert additional effort to accomplish these goals and
4. When used in combination with salary and commission it may be difficult to integrate effectively all three compensation components.

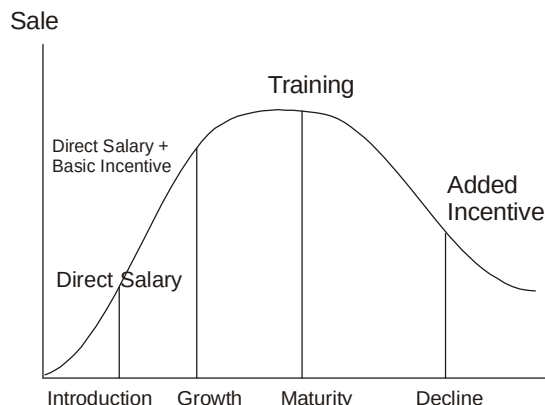
Factors Affecting Sales Compensation Design

Irrespective of the basic structure of compensation, some factors cannot be overlooked while designing a compensation plan for companies.

1. Relation with Product Life Cycle (PLC)

All products undergo various stages of introduction growth, maturity and decline. The selling effort is related to this (PLC) stage.

When the product is in the introductory stage it is difficult to sell the product. Therefore the sales force must be dynamic, enterprising, willing to travel, to be able to establish the product in the market. It should have good knowledge of the product, good communication skills and tremendous willingness and endurance to pursue the goals that are to be achieved. Therefore in the introductory stage direct salary will be on the higher side and indirect benefits may not be introduced.



➤ **Growth Stage :** In this stage the motivation of the sales force has to be maintained. Indirect incentive schemes have to be introduced. Incentives can be linked with achieving targeted quarters. This will help in the growth of the product.

➤ **Maturity :** When the product firmly establishes itself the sales force needs a break. The indirect benefits like training programmes in good environmental locales foreign trips, promotions, basic increase in salary are given. This increases their knowledge and motivates them and gives them a new direction to do the job.

➤ **Decline Stage :** When the sales of the product starts declining then added incentives may be given to generate fresh interest in the product. Efficient product managers who may be concentrating on different products are given added incentive to service the sales of the decline product.

2. Compensation Related with Demographic Characteristics

Different compensation packages are preferred by different sales persons depending upon their demographic characteristics, i.e., age and family life cycle. A bachelor can take high risks, is more enterprising and with high risks high awards are also promised. He can work on a straight commission or incentive scheme only. As one gets married he prefers stability with high basic component. When one gets older one wants more stability and preferably a direct salary.

3. Role of Selling in Marketing Strategy of the Company

By this we mean how much importance is being given to the sales in marketing mix of the company and what pattern is being followed.

4. Competitor's Practises

A lot depends on the competition that is existing in the market. The competition may be pure, monopolistic, oligopolistic or no competition. Accordingly, these factors are also considered and compensation plan may be designed to suit these factors.

3.15 SALES FORCE CONTROL AND EVOLUTION

Q19. Explain about sales force control and evolution.

Ans :

Information for better decision making is supplied to sales and marketing managers by the company - marketing information system (MIS). A marketing information system is developed from internal company records, sales and marketing intelligence system, marketing research, and decision support system (DSS). We shall focus here on sales and marketing intelligence system, which helps a sales manager in getting information for evaluating and controlling performance of salespeople.

Sales and Marketing Intelligence System

Sales and Marketing Intelligence System supplies happening data to a Marketing Information System (MIS). Sales and Marketing managers obtain everyday information about developments taking place in the market from various sources, such as

1. Salespeople
2. Secondary data
3. Discussion with customers and intermediaries
4. Other sources

1. Salespeople

Most salespeople can give a part of their time to collect sales intelligence for analysis by staff personnel. But at the same time they are very busy and often fail to collect and pass on the relevant information about the customers and competitors. It would help if the sales and marketing managers develop a format of the sales report that includes sales intelligence to be collected by the salesforce and give it to the salespeople with proper guidance.

The company must provide incentives, training, and supervision from first-line sales managers to encourage its salesforce on their importance as sales intelligence gatherers. Information obtained from salespeople must be properly understood and absorbed with the information obtained by other sources. Sales managers must also understand that sales and

marketing intelligence is a two-way process. After analysis of the data, relevant information should be communicated back to the salespeople in order to improve their job performance.

2. Secondary Data Sources

Sources such as trade publications, business newspapers, government publications can give information on market conditions and competitors. However, it is important to store only relevant information from the secondary data sources, although there is a temptation to collect a lot of data, some of which may not be useful at all.

3. Discussions with Customers and Intermediaries

This can result in improving the quality of the company's marketing intelligence. Sales managers must move out of their offices regularly, along with sales representatives to meet with their customers and intermediaries. They can themselves get a direct feedback from the customers about the various aspects of the company's performance vis-a-vis their competitors. In addition, the company can motivate retailers, distributors and other intermediaries to send important intelligence on customers and competitors. Some retailers send mystery shoppers to their retail stores to find how their employees treat customers.

4. Other Sources

Some companies obtain competitive intelligence by purchasing competitors' products and asking their industrial engineers to estimate the costs. Competitors' information can also be collected by attending trade shows and stockholders' meetings, reading news about competitors on the Internet and in published reports, and collecting competitors' ads. A company can buy syndicated reports from research firms, which gather consumer-panel data. Some companies have set up a customer advisory panel made up of customers. They hold meetings with its customer advisory panels at regular intervals and discuss various issues like customers' requirements and service quality. These companies gain useful information about customers and the customers' loyalty towards the company increases as they feel the company listens to their views.

Sales Force Expenses Control

Some companies allow full reimbursement to their salespeople for legitimate sales expenses incurred while on the job. Typical reimbursement of salesforce expenses include (1) travel, (2) meals, (3) lodging, (4) entertainment of customers, and (5) telephone. Many companies introduce tight controls on these expenses to ensure proper spending by the salesforce, because of the size of salesforce expenses. Companies have a system of expense plans that reimburses salespeople for their food, lodging, travel, entertainment and any other legitimate expenses incurred while on the job.

The criteria or characteristics of an effective expense plan are :

1. It should be fair to the salesperson. The expense plan should pay for all business activities carried out as per the requirement of the company. The salesperson should neither gain nor lose.
2. The expense plan should be fair to the company. It should control expenses and restrict or eliminate padding of expenses by the salespeople.
3. An effective expense plan should be simple and economical to administer. Expense reports or forms should not have unnecessary details.
4. It should be clear enough to prevent misunderstanding between sales management and salesforce.
5. The expense plan should allow differences in travel expenses among different territories. For instance, cost of travel may be high in 'A' class cities as compared to 'B' class cities.
6. The reimbursement of expenses should be done without much delay, or make an advance payment as "tour advance" to salespersons.

Q20. How to Evolution of Effectiveness of Sales Force.

Ans :

Sales organisations have many goals and objectives. Therefore, many factors need to be analysed to evaluate the effectiveness of a sales

organisation (here the effectiveness means an organisation that gives expected or targeted results consistently). Figure shows four factors or types of analysis that are usually needed to develop a comprehensive model for evaluation of a sales organisation. Each type of analysis can be done in different ways. For example, sales analysis can be done by total sales, sales by territory, sales by products, sales by customers, and sales by salesperson. Actual sales can be compared with sales quotas (or sales goals/ targets), sales of pervious periods, or sales of competitors. Sales analysis should be done at different levels of the sales organisation, such as regions, branches, districts, and territories. Many companies, in a study, use sales analysis for evaluating their sales organisations, but few companies use reports on cost, profit contribution, net profit or return on assets analyses.

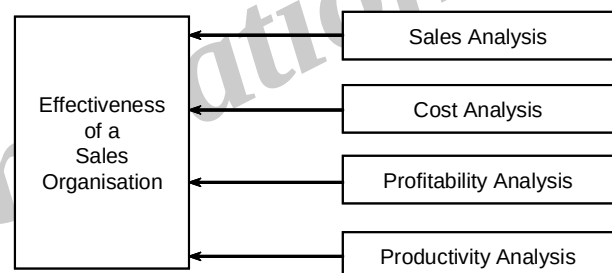


Fig. Effectiveness Model of a Sales Organisation

1. Sales Analysis

Sales analysis is an important factor or element for evaluating the effectiveness of a sales organisation, because the purpose of a sales organisation is to generate sales. Sales analysis detects strengths and weaknesses of the sales organisation of a company.

Sales analysis is described as a detailed inspection of a company's sales data, which includes assimilating, classifying, comparing, and drawing conclusions. All companies collect sales data in the form of customer sales invoices or cash register receipts, which are needed for maintaining their accounting records.

Definition of what is meant by a sale is necessary before starting a sales analysis. The company must decide when a sale takes place

– whether at the time an order is received, shipped (and invoiced), or paid for. Most companies define a sale when an order is shipped or transported and invoiced. The sales organisation should develop an information system based on whatever definition of sale is decided.

Another point companies have to decide is whether to concentrate on sales value (that is, Rupees or Dollars), or sales units (numbers, tonnes). It is often useful to include both sales value and units in a sales analysis, because each one gives different types of evaluative information.

2. Marketing Cost and Profitability Analysis

While sales analysis is useful as one of the factors for evaluating the effectiveness of a sales organisation, for comprehensive evaluation other factors like cost analysis and profitability analysis should also be considered.

Sometimes called as “distribution cost analysis”, marketing cost analysis is the analysis of costs that affect sales volume. The purpose of marketing cost analysis is to determine the profitability of sales (or marketing) control units, like market segments, sales territories, and products. This is done by subtracting the marketing costs from the sales revenue, associated with the sales control units. Marketing cost is a managerial tool that is used for planning and control of a company’s future operations. Often, an analysis of past financial events helps as a guide for future operations.

Companies need to measure the profitability of their territories, customer groups (or market segments), products, distribution channels, and customers. This information will help the management to decide whether any sales and marketing activities or products should be expanded, reduced, or eliminated in future.

Procedure for marketing cost and profitability analysis

The procedure followed for conducting a marketing cost and profitability analysis for a sales organisation includes the following steps: (1) state the purpose of the analysis, (2) identify functional (or activity) expenses, (3) convert (or change) natural accounting expenses into functional expenses, (4) allocate functional expenses to market segments, products, or other marketing/sales units, and (5) prepare the profitability of the marketing/sales units.

3. Productivity Analysis

Productivity is usually measured by ratios between outputs and inputs. For example, sales per salesperson are used by many companies as a measure of productivity. There are other productivity ratios, such as selling expenses per salesperson, sales calls per salesperson, and quotations submitted per salesperson. One main advantage of these productivity ratios is that they can be compared directly across the sales organisation levels within the company and also with other sales organisations. Productivity analysis between different branches within a sales organisation shows specific areas of high and low productivity.

The productivity analysis gives useful information that is not available with sales, marketing cost, and profitability analyses done earlier. Sales profitability and productivity are highly interrelated. Profitability analysis has a financial view, whereas productivity analysis has a more managerial orientation. Improvement in sales productivity should get translated into increase in profitability.

Companies are using some of the following methods, that are focused on increase in sales and internal cost cutting, for improving the productivity:

- Hiring independent sales agents (also called manufacturer’s representatives), who are paid on a straight commission basis.

- Reducing the size of the salesforce.
- Relying on the Internet, telephone, direct mail, and videoconferencing to reach customers.
- Increasing participation in trade shows or exhibitions to present the products to a large number of potential customers within a short duration.
- Using the latest communications and computer technology to help the selling process.

Q21. What is the Procedure for Evaluating and Controlling Salesforce Performance.

Ans :

The steps involved in the procedure or system of salesforce evaluation and control are presented.

Before evaluating the performance, the company management should establish the basic policies. Several studies have generated information on general policies followed by most sales organisations. Some of these policies are as follows :

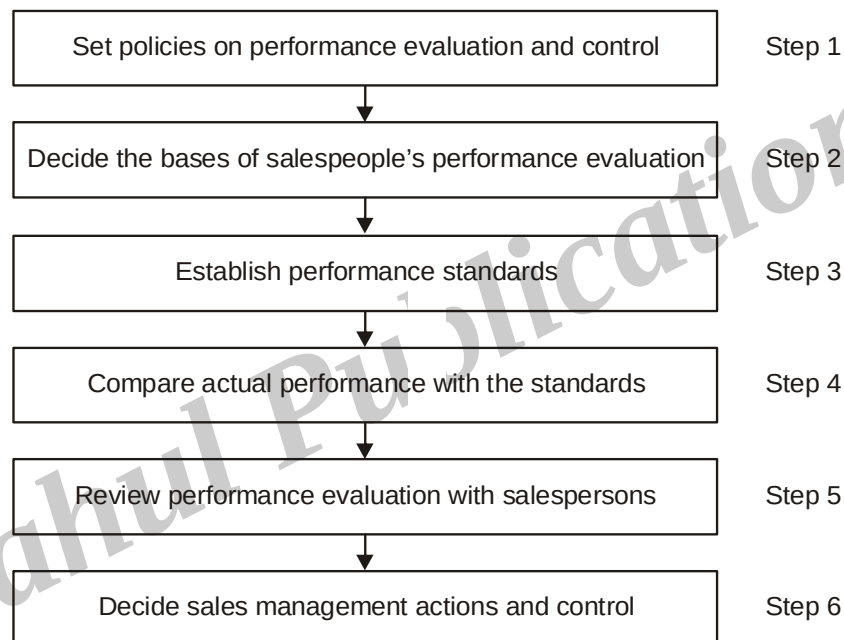


Fig.: Sales force Performance Evaluation and Control Procedure

1. Set policies on performance evaluation and control

- (i) **Frequency of evaluation:** Many sales organisations evaluate salespeople's performance once a year, although some firms conduct evaluations six-monthly or quarterly, and a few firms evaluate salespeople's performance monthly or weekly.
- (ii) **Who conducts evaluation:** Most salespersons' performance evaluations are conducted by the field sales manager (that is, a district or branch manager) who supervises the salespersons. In some firms, in addition, the boss of the field sales manager is also involved in the salesperson's performance evaluation.
- (iii) **Over 25 per cent of companies:** Use an increasingly popular assessment technique, known as 360-degree feedback, involving multiple raters, including sales managers, internal and external customers, team members (in team selling situations), and salespeople. In other words, it involves getting evaluative feedback from an employee, his or her peers, subordinates, superiors, and customers.

(iv) Management by objectives (MBO):

In some companies, the sales manager and the salesperson discuss and agree on the salesperson's specific objectives or goals. They also develop an action plan for the achievement of the objectives or performance standards. Involvement of salespeople in setting their performance standards or quotas increases their commitment and responsibility. The sales manager and the salesperson review actual performance against objectives periodically and take corrective actions.

(v) Sources of information: Most firms use several sources of information in evaluating the salespeople performance. The most important source is sales report, which includes work plans (or call plans), call reports, expense reports, new-business reports, lost business reports, local business and economic condition reports. In addition, computer printouts, supervisory calls, prospect and customer files, customer letters and complaints, customer surveys, and peer feedback are some of the common sources of information.

Some other policies, such as bases of evaluation and review of salesforce performance will be covered when we discuss step 2 and step 5 respectively of Figure.

2. Decide the bases of Salespeople's Performance Evaluation

Before deciding on bases or criteria for performance evaluation of salespeople, a sales organisation should decide whether it will give importance to : (a) outcome (or results)-based viewpoint, (b) behaviour (or activity/ effort) based viewpoint, or (c) both outcome and behaviour-based measures, when evaluating salespeople's performance. Once this general category, out of the three alternatives, is selected, the company can then select the specific criteria or bases for evaluating salespeople.

a) Outcome/result-based viewpoint:

This perspective concentrates on the salesperson's results with little direction or supervision by the sales manager. Outcome or output bases use quantitative criteria, and therefore, they minimise biases and subjectivity of evaluators. They are also relatively easy to measure. For example, sales volume achieved and number of orders received.

However, since this viewpoint considers "results only", it may not give an equal base to compare the performance of one salesperson with that of another salesperson. This is because the salesperson who is assigned a high sales potential territory can achieve the sales goals or quotas easily, compared to another salesperson whose territory sales potential is average or low and therefore, finds it difficult to achieve the sales quotas. Another reason may be the difference in competitors' efforts in different territories. Due to such uncontrollable factors, salespersons' results-based performance may get affected.

b) Behaviour/activity/effort-based viewpoint:

This perspective focuses on the salesperson's behaviour and characteristics, with substantial direction and supervision of the first level sales manager. It uses both quantitative criteria (like number of calls made per day) and qualitative criteria (like product knowledge and customer relations) for evaluating the salesperson's performance. The likely consequences of giving more importance to behaviour-based (as compared to outcome-based) viewpoint are mentioned below, based on a study.

- The salespeople will be more customer-oriented, team-oriented, and professionally competent.
- The salespeople will be more committed to the company.

- The more likely salespeople will accept authority, participate in decision-making, and welcome management performance reviews.
- The more innovative and supportive the culture is likely to be.
- The salespeople will perform better on both selling and non-selling activities.
- The salespeople will perform better on outcome performance criteria (like achieving sales volume quotas).
- The sales organisation will perform better on sales organisation effectiveness criteria (such as, sales volume, profitability, and customer satisfaction).
- The salespeople's job satisfaction will be greater.

The above-mentioned consequences give strong support for inclusion of some behaviour-based criteria. If these are not included and only outcome or result-based criteria are considered, as done by some sales organisations, then salespeople may focus on short-term results (like sales volume) and long-term objectives (like customer relationships) may suffer.

- c) **Both Outcome-based and behaviour-based viewpoints:** From this discussion, one logical conclusion is that sales organisations should use both outcome-based and behaviour-based criteria when evaluating performance of salespeople. The research mentioned earlier, points out that some companies use a hybrid approach (of using both outcome-based and behaviour-based viewpoints) for controlling the salesforce. The hybrid approach has given importance to quantitative results, attitudes, efforts (or activities), paperwork, and supervision. Another research by the same researchers has shown that an evaluation system that gives importance to the behaviour criteria, more

than outcome or results criteria, has many positive effects on the salesperson's overall performance.

3. Establish Performance Standards

Performance standards are generally called sales quotas, which we discussed earlier. Some companies call them as sales objectives, sales goals, or sales targets. Setting performance standards is a difficult, but an important task. Salespeople's actual performance is measured against the performance standards.

Performance standards for quantitative output or results criteria have a close relationship with the company's objectives and goals for territories, regions, branches, products, and salespeople. This is because the sales quotas are derived from the company's sales budget, which depends on the company's sales forecast. As said earlier, performance standards for results are same as sales quotas. However, performance standards for qualitative and quantitative behavioural or activity criteria are difficult to set. For this, companies either carry out "time and duty analysis" of sales jobs or use executive judgment.

Sales managers must ensure that performance standards are fair and reasonable. They should not be too high or too low. If these guidelines are not followed then salespeople will be demotivated and it will have harmful effect on the sales performance. After the standards of performance are established, it is equally important to communicate the same to the salespeople. This will remove misunderstanding about the performance standards against which the actual performance of salespersons are compared.

4. Compare Actual Performance with Standards

In this step, the individual salesperson's actual performance is measured and then compared with the predetermined performance standards. Sales managers can use different methods for measuring the performance of salespeople. Periodically, sales managers are

required to evaluate (that is measure and compare) the performance of each salesperson in a permanent record for the benefit of the salesperson in tracking his or her progress and the review by other sales and marketing managers. For this, various types of rating forms or evaluation methods are used.

Performance Evaluation Methods/Forms

Companies use different forms or methods for evaluating salespeople. Some of the commonly used forms are :

- 1) Graphic rating scales
- 2) Ranking
- 3) Behaviourally anchored rating scale (BARS)
- 4) Management by objectives (MBO)
- 5) Descriptive statements.

Sales managers are supplied with these evaluation or appraisal forms for evaluating each salesperson. No one method or form provides a perfect evaluation. Therefore, it is necessary to understand the strengths and weaknesses of each method so that some of these methods can be combined to produce an effective evaluation system for a sales organisation.

5. Review performance evaluation with salespeople

Once the salesperson's performance has been evaluated, the sales manager should conduct performance review or appraisal session with the salesperson. This is a very challenging part of the sales manager's job, because it can be a very sensitive occasion. The sales manager should contact the salesperson and set a time and place for the performance review meeting. Before the meeting, the salesperson should be asked to review his or her job description and the past performance, by using the company's evaluation forms.

It is important that both salesperson and sales manager should consider performance review as a positive method, which helps the salesperson to solve existing problems and

perform better in future. Thus, both should have positive attitudes towards the review.

Research has indicated that usually salespeople evaluate themselves better than their manager does. The following guidelines are useful when reviewing performance:

- First performance criteria or bases should be discussed.
- The salesperson should be asked to review his or her own performance.
- The sales manager should present his view on the salesperson's review performance.
- Mutual agreement on the performance must be established.
- If disagreements or serious differences of opinion occur, the sales manager should carefully explain the reasons to the salesperson.

The sales manager should now review the evaluation of each criterion, by first reviewing the high ratings of the salesperson and then going down to other ratings. The manager should then summarise the total performance evaluation. Thereafter, the sales manager and the salesperson should develop mutually agreed objectives and action plan for the future period.

Immediately after the review session is over, the sales manager should write a letter to the salesperson restating the performance evaluation results and the objectives for the future period. A copy of this letter should be sent to the sales manager's immediate boss. In today's litigious society, it is important to document such reviews.

6. Decide sales management actions and control

The performance evaluation procedure followed so far gives a very important information about performance of salespeople. It is the responsibility of the sales management to use this information for improving the performance of individual salespeople, sales teams, and the operations

of the sales organisation. Another use of the performance information is to identify problem areas, find the causes of the problem, and decide sales management actions to solve the problems. These steps are discussed below:

(i) Identify the problem areas

The sales manager should review the performance of each salesperson against each performance criterion. The manager should then summarise the results across all salespeople who are supervised by him. This shows whether there are common areas of low performance. For instance, if most salespeople are not meeting their sales quotas, the situation is different than when only one or two salespeople are not achieving their sales quotas.

(ii) Find causes

After identifying the problems, such as poor performance areas, the sales managers should work backward to find the causes of the poor performance. For example, if the problem is that some salespeople have not achieved their sales quotas, then the sales manager should review all factors that contribute to the achievement of sales quotas. Some of these factors that may cause poor sales performance could be less sales calls made, poor coverage of market/customers, and superior performance of competitors on important areas of product quality, service, or pricing.

(iii) Decide sales management actions

After finding the causes of poor performance, the sales manager should decide a suitable action to minimise or remove the cause of the problem, so that in future the salesperson's performance will improve. The sales manager's action, for example, may be to train salespersons on selling and negotiating skills, redesign sales territories, review the compensation plan, or review the company's sales and marketing strategies.

The problems may affect many salespeople or one individual salesperson. The basic approach in deciding the actions of sales

management remain the same. In fact, in many companies step 5 of performance review is combined with step 6 of sales management actions. The sales manager, during the performance review meeting with each salesperson, should analyse the salesperson's performance on each performance criterion, identify the problems and causes, and suggest ways to improve performance in future. However, if a sales person's performance is good, he/she should be rewarded suitably. This is very important to salespeople and the sales organisation.

Q22. What are the Methods of Sales Force Evaluation?

Ans :

Every organization whether it is big or small, have a performance appraisal system to do the rating of their employee's. The basic method of performance appraisal are discussed below:

1. Ranking Method

It is the simplest method of rating system. In this method we give the rank to every employee on the basis of their job performance. In this method all employees are judged on, the factors and they are rated on the overall basis with reference to their job performance instead of individual assessment of traits. In this way the best is placed first rank and the poorest occupies last rank.

2. Graphic Rating Scale

In this method the management places a checkmark on a form next to the word or phase describing the degree of merit for each of several traits such as quality of work, quantity of work, dependability, attitude and so worth. A major drawback of Graphic rating is that the words like "excellent" and "poor" mean different things to different people.

3. Forced distribution Method

In this method rated are distributed along the given scale and fixed percentages of employees are assigned to the best and worst

ends of the scale and to the middle bracket. In this system a five point scale for job performance is used. One end scale represent the best job performance whereas the other end poorest job performance. The basic concept of this system is forced distribution that eliminates any room for subjective judgment on the part of supervisors.

4. Check List Method

In this method a list of statement is prepared which describe the performance of an employee. Each statement have a definite scale rate. The total of this statement gives the merit of an employee.

5. Critical incident Method

In this method every supervisor prepare a record notebook in which all the successful and poor performance of an employee is mentioned. This record is maintained in a special designed notebook. The main problem with this method is that outstanding incident happens so infrequently that individual's appraisal may not vary markedly in any two time periods.

6. Field Review Method

In this method the supervisor are interviewed by an expert belonging to the personnel department. The expert questions to the supervisor to obtain information of each employee and takes a note in his notebook. There is no rating form in this method form. In this method the workers are mainly classified into three categories outstanding, satisfactory and unsatisfactory.

Rahul Publications

Short Question and Answers

1. Sales management

Ans :

Sales management is a business discipline which is focused on the practical application of sales techniques and the management of a firm's sales operations. It is an important business function as net sales through the sale of products and services and resulting profit drive most commercial business.

Sales Management being a part of Marketing Management focuses on management of all sales activities including Sales promotion, Product Advertisement, Promotion, Pricing, Product Distribution product merchandising. Sales Management directly relates to the Sales Personnel who are involved in Sales activities. Managing Sales personnel including hiring, training, assigning and monitoring the sales force efforts followed by paying and motivating them.

2. Distinction between Selling and Marketing

Ans :

S. No.	Selling	Marketing
1.	Emphasis is on the product.	Emphasis is on the customer wants.
2.	Company first makes the product and then figures out how to sell it.	Company first determines customer wants and then figures out to make it.
3.	Management is sales volume oriented	Management is profit oriented.
4.	Profit through Sales Volume.	Profits through Customer Satisfaction.
5.	Planning is short-run-oriented, regarding today products and markets.	Planning is long-run oriented regarding new products, tomorrow's markets, and future growth.
6.	Let the buyer be aware	Let the seller be aware
7.	Product first then customer	Customer first then the product

3. Skills of sales manager

Ans :

The skills that are critical for the success of a sales manager are :

- **People Skills :** The people skills include the sales manager's abilities to motivate, lead, communicate, and coordinate effectively with the people around him/her. The ability to develop team-oriented relationships is important. With respect to salespeople, the sales manager should understand their individual needs and skills, and carry out coaching or mentoring to improve performance.
- **Managing skills :** For managing the salesforce, the sales manager should have administrative or managing skills like planning, organising, controlling, and decision making. These skills can be learn by attending management development programmes.
- **Technical skills :** These are specific tasks or function such as training, selling, negotiating as well as the ability to use computers (or information technology skills) and problem-solving abilities in the specific industry discipline.

4. Meaning of Sales Forecast

Ans :

Sales Forecasting is the process of estimating what your business's sales are going to be in the future. The sales forecast is a prediction of expected sales for a specified period. It is an estimate for sales in rupee or units for a specified future period. In other words, it is basic tool for anticipating the nature of future sales or sales prediction.

Definitions of Sales Forecast

According to Cundiff and Still, is "an estimate of sales during a specified future period which period is tied to a proposed marketing plan and which assumes a particular set of uncontrollable and competitive forces".

According to Stuitts, "A sales forecast is an estimate of the amount or unit for a specified future period under marketing plan or programme".

According to American marketing Association "forecasting is an estimate of sales in dollars or physical units for a specified future period under a proposed marketing plan or program and under an assumed set of economic and other forces outside the unit for which the forecast is made. The forecast may be for a specified item of merchandise or for an entire line."

5. Sales force motivation.

Ans :

Motivation is the force within us that directs our behaviour. Motivation is unique to every individual. A sales manager may adopt different methods to motivate his sales force. He should examine individual needs and use them as the basis for motivating his salespersons.

Dimensions of Sales Motivation

1. Intensity: It is the magnitude of mental and physical effort put in by a salesperson for his or her activity or goal. As this inner drive becomes more intense, more effort will be put in by him.

2. Persistence: It is the extension of effort over time. This works when first dimension 'intensity' is high and so the person has high persistence to expend the needed effort for the time period. In such a case, the person is said to be highly motivated.

3. Direction: It implies that the individual can choose how his or her efforts will be spent. Salespeople who are highly competitive and have high intensity and persistence will attempt to determine what activities are required to reach that goal and direct their behaviour.

6. Maslow's Need Hierarchy Model

Ans :

Abraham H Maslow developed a conceptual framework and defined a person's effective-ness as the function that matches man's opportunity with the appropriate position in the hierarchy of needs.

He assumed that the process of motivation is directed towards the achievement of the satisfaction of needs.

Maslow identified basic five level needs (Figure below)



UNIT IV

Sales Promotion:

Concepts, need, objectives, Personal Selling vs. Advertising, Types of Sales Promotion, Sales Promotion Strategies - Sales Promotion and Product Life Cycle, Cross Promotion, Surrogate Selling, Bait and Switch advertising, Ethical and legal aspects of sales promotion.

4.1 SALES PROMOTION

Q1. Write about sales promotion.

Ans :

Sales promotions are short-term incentives to encourage the purchase or sale of a product or service. Sales promotion includes several communications activities that attempt to provide added value or incentives to consumers, wholesalers, retailers, or other organizational customers to stimulate immediate sales. These efforts can attempt to stimulate product interest, trial, or purchase. Examples of devices used in sales promotion include coupons, samples, premiums, point-of-purchase (POP) displays, contests, rebates, and sweepstakes.

The term Sales Promotion broadly refers to all those promotional activities which are undertaken to stimulate interest, trial or purchase of a product by the end user or other intermediaries in between. Besides advertising and personal selling, all other activities undertaken to promote a product can be classified under sales promotion.

4.1.1 Concept of Sales Promotion

Q2. Explain the concept of sales promotion.

Ans :

Sales promotion consists of diverse collection of incentive tools, mostly short-term designed to stimulate quicker and / or greater purchase of a particular product by consumers or the trade. Where as advertising offers a reason to buy, sales promotion offers an incentive to buy. Sales promotion includes tools for consumer promotion (for example samples, coupons, prizes, cash refund, warranties, demonstrations, contest); trade promotion (for example buying allowances, free goods,

merchandise allowances, co-operative advertising, advertising and display allowances, dealer sales contests); and sales-force promotion (for example bonuses, contests, sales rallies).

Sales promotion efforts are directed at final consumers and designed to motivate, persuade and remind them of the goods and receives that are offered. Sales persons adopt several techniques for sales promotion. Creative sales promotion can be very effective. It is the marketing manager's responsibility to specify promotion objectives and policies.

Definitions of Sales Promotion

According to the Institute of Sales Promotion, "Sales Promotion comprises that range of techniques used to attain sales or marketing objectives in a cost effective manner by adding value to a product or service either to intermediaries or end users, normally but not exclusively within a defined time period. Almost every Company uses Sales Promotion techniques at some stage of the product life cycle since sales promotion techniques provide a strong incentive to BUY!

According to William J. Stanton, "Sales promotion is an exercise in information, persuasion and influence".

According to American Marketing Association, "These marketing activities, other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as display shows and exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine".

According to Philip Kotler, "Promotion encompasses all the tools in the marketing mix whose major role is persuasive communication".

Characteristics of a Successful Sales Promotion

Sales promotion is one of the powerful tools used to achieve various promotional objectives. The following are the important characteristics of a successful sales promotion.

1. Maximum Effect at Minimum Cost

The nature of promotion objective involves achievement of objective by way of sales promotion instead of advertising, then the promotion objective is achieved through minimum cost.

2. Motivates Consumers to Buy Now

Successful sales promotions strive towards purchasing now rather than postponing to future. The role of consumers in this case is to take instant decision to process the transaction further.

3. Offers What the Consumers Want

Sales promotion should never use that strategy which is not desirable by target consumers. They can attract consumers only if the offers are interesting, exciting and valuable to them.

4. The Promotion should be Clear and Uncomplicated

The successful sales promotions have powerful incentive to carry-out the process. There is a direct relationship between subsidiary offer and main offer. The promotion should be clear so that the consumers can understand the promotional offer better. If the promotion is not clear, then the target consumers will not get attracted to the offer made.

5. Promotion should be Highly Visible

The strategy behind making the offer is to attract the target consumers. In this case, the selection of media is crucial. If the promotion is effective, then it results in high visibility and creative qualities.

6. Promotion should Benefit all Concerned

Promotions consist of co-operation of sales force and channel members. These few aspects are motivated to ; greater extent in order to get the promotional efforts successful.

7. Promotion must be Believable and Honest

The foremost aspects of promotion which are crucial to the target consumers are promotion should be both: believable and honest, otherwise, the consumers lose interest in this aspect. The other key aspects which the target consumers look in to promotion are exact details of the product, no exaggerations, respecting public intelligence etc.

8. Promotion must be Legal

Promotion by no means should be illegal. The marketers must carefully analyze the authenticity and legality of promotion prior to announcement in the market.

9. Promotion must be Implemented Efficiently

Few types of promotions comprises of handling houses and premium suppliers. Proper arrangement in this case helps in reducing complexities arising due to involvement of outside parties.

4.1.2 Need of Sales Promotion

Q3. What is need and scope of sales promotion?

Ans :

The various objectives of sales promotion are as follows.

1. To Introduce New Products

To induce buyers to purchase a new product, free samples may be distributed or money and merchandise allowance may be offered to business to stock and sell the product.

2. To Attract New Customers

New customers may be attracted through issue of free samples, premiums, contests, and similar devices.

3. To Induce Present Customers to Buy More

Present customers may be induced to buy more by knowing more about a product, its ingredients, and uses.

4. To Help Firm Remain Competitive

Sales promotions may be undertaken to meet competition from a firm.

5. To Increase Sales in Off Season

Buyers may be encouraged to use the product in off seasons by showing them the variety of uses of the product.

6. To Increase the Inventories of Business Buyers

Retailers may be induced to keep in stock more units of a product so that more sales can be affected.

7. To Develop Patronage Habits among Customers

It can be done by popularising goods and services of the producer among the potential consumers and to motivate them towards larger purchases.

8. To Educate Customers

Educating customers/dealers and salesmen simplifies the efforts of salesforce and motivate them for larger purchase.

9. To Stimulate Sales

Sales promotion can promote larger sales in certain specified segments of market. To stimulate maximum sales on special occasions such as Diwali, religious festivals, and other such occasions.

10. To Facilitate Coordination

Sales promotion can be easily used to facilitate coordination and proper link between advertising and personal selling.

Scope of Sales Promotion

The scope of sales promotion can be visualised in following aspects:

1. Exposure

The important objective is simply to expose an adequate number of target consumers to it. Managers must choose promotional media that will reach adequate number of target co-planning for exposure, marketers should take the following steps:

- i) Define target consumers,
- ii) Determine their numbers,
- iii) Choose the promotion media, and
- iv) Determine the promotion budget needed to acquire the number of exposures.

2. Attention

The term attention refers to the state of focusing one's mind upon something. Marketers are faced with the need to take steps to make their promotion stand-out and say or do something to attract consumer attention.

3. Comprehension

To comprehend is to understand, or to receive communicated knowledge. The objective is achieved when consumers interpret the message in the manner intended by the marketer. Consumers often fail to comprehend promotional message when the messages are poorly designed or simply not able to create interest.

4. Attitude Change

It involves readiness to respond in a particular way. When a message promises a reward, it will change the attitude of the customer. **For example**, a strong cleaning powder or a detergent will increase the chances of attitudinal change.

5. Behaviour/Action

Inducing behaviour or action is especially important in personal selling and sales promotion. Many managers encourage consumers to:

- i) Buy the brand for the first time,
- ii) Continue to buy the brand,
- iii) Buy more of the brand,
- iv) Urge friends to buy the brand,
- v) Visit a retail store.
- vi) See a demonstration of the brand, and
- vii) Try-out the brand.

4.1.3 Objectives of Sales Promotion

Q4. What are the objectives of sales promotion?

Ans :

Sales promotion works as link between advertisement and personal selling. There may be difference in the objectives of the method of sales promotion. However, the common objectives of sales promotion are as follows:

1. To introduce new products

Through sales promotion, new products are presented to prospective customers to persuade them to buy the products. Mostly free samples are distributed. Likewise premium, consumer competition, reduction in price etc. tools can be used. Besides the consumers, middlemen also can be motivated to keep stock of the products.

2. To identify and attract new consumers

The objective of sale promotion is also to identify new customers and attract them towards the firm's products. Different techniques of sales promotion are used at different times to stimulate customers to buy the products. If the business firm feel that the volume of current sales to the present customers is unsatisfactory, the firm tries to identify and develop new customers to sell the products.

3. To encourage more purchase among current customers

The main objective of sales promotion is to increase sales volume. The producers encourage current customers to purchase more through different promotional methods like premium, reduction in price, competition etc.

4. To combat or offset competitors' marketing efforts

A business firm always adopts sales promotion policy so that its products are not sold less than competitors' product in the markets. So, it becomes necessary for the firm to adopt

proper sales promotion policy to offset the effect of competitors' policy in the market, if they try any. Hence the objective of sales promotion is to counter competitors' marketing policy and efforts.

5. To stabilize the fluctuating sales pattern

Fluctuation in demand, especially due to seasonal effect, brings instability in sales volume. In such situation, the producer or business firm can bring stability in sales pattern through sales promotion programs.

6. To increase brand awareness

The other important objective of sales promotion is to increase the total number of customers by increasing brand awareness.

7. Other objectives

The other objectives of sales promotion are as follows:

Increasing consumption

Broadening distribution channel

Educating consumers regarding product improvement.

4.2 PERSONAL SELLING VS. ADVERTISING

Q5. Discuss about Personal Selling vs Advertising.

Ans :

Definition of Advertising

Advertising can be defined as the act of drawing the attention of the target audience, towards a product or service. It is an impersonal, paid message, delivered to the general public with the sole aim of creating demand for the product and thus increasing sales. It has a great role to play in marketing, to make people aware of the product.

The sponsors of the advertisement, have full control over it. The advertising message is aired through various channels like radio, television, magazines, newspapers, posters, billboards, websites, blogs, apps, text messages, social networks, e-mail, etc.

Advertising aims at creating such an image in the minds of the audience, that they are instigated

to purchase that product. The greatest advantage of advertising is its range, i.e. it reaches a large number of people in one go.

Definition of Personal Selling

Personal Selling, as the name signifies, is a promotional tool, where companies use sales force, to increase sales of product and services.

Under personal selling, there is a face to face meeting between the clients or customers and the sales representative, wherein the representatives visit customers personally, so as to transact a sale, by offering and inducing them to make a purchase. Personal Selling involves developing a strong relationship with customers, discovering their needs and providing them such products, which satisfy their needs.

Comparison Chart

BASIS FOR COMPARISON	ADVERTISING	PERSONAL SELLING
Meaning	Advertising is a means of communication, which calls customer's attention towards the product or service, through mass media.	Personal selling refers to a form of promotion, wherein the sales representative sells the product to customers, by directly visiting them.
Communication	One-way communication	Two-way communication
Form	Impersonal form of communication	Personal form of communication
Strategy	Pull strategy	Push strategy
Message	Standardised	Customised
Channel	Mass media	Sales personnel
Time	Conveys message to end number of individual in less time.	Conveys message to a few customers only in relatively high time.
Feedback	Lacks direct feedback	Facilitates direct and instant feedback

4.3 TYPES OF SALES PROMOTION

Q6. Explain about types of sales promotions.

Ans :

Sales promotion tools/types/methods signify all those activities that supplement, co-ordinate and make the efforts of personal selling and advertising more effective. It is non-recurrent in nature which means it can't be used continuously. Sales promotion tools can be broadly classified into three categories which are as follows:

- A) Consumer sales promotion
- B) Dealer/Trade/middlemen sales promotion
- C) Sales force sales promotion

A) Consumer Promotion

Consumer promotions are those that are directed to the consumer. The objective of consumer promotions is to offer the consumer some added benefit to entice him to buy the product. This is normally done in addition to advertising. Whereas advertising has more of a long-term effect on purchase behaviour, consumer promotions have more of a short-term effect.

There are several possible tools that can be used for consumer promotions. Some of the more important ones are explained below.

1. Sampling

This form of consumer promotion is found to be especially useful when one is introducing a product for the first time. It is commonly used in the case of fast moving consumer goods such as detergents, soft drinks, confectioneries etc. In this case a small quantity of the product is given as a sample. These samples are distributed either at the residence of the consumer or even at the retail outlet. Today some companies also attach samples to the ads in magazines or with some other product in the company's product range.

Some companies also request the consumers to fill up a questionnaire after the sample is used and thus are able to get good feedback about the product. Sampling is however one of the most expensive methods of consumer promotion and there is no guarantee that the consumer will actually go and buy the sale pack.

2. Price-off

This essentially offers the consumer the product at less than the marked maximum retail price. The purpose is to induce the consumer to try the product immediately. Price-offs are always for a definite period. They are also resorted to by companies to thwart competition.

3. Quantity deals

Here the company offers more quantity of the same product for the same price or a marginally increased price. This is done in product categories such as ice-creams (Amul ran such an offer recently) talcum powders, etc.

4. Banded offers

In this case the company may choose to sell two or more packs together of the same product or different products at a discounted price. This is done to push more volume of the same product or different products. It is not uncommon to band a slow moving product in the company's range with a fast moving product. This helps in clearing the shelves of the slower moving product.

5. In-product gift

In this case a gift item is added inside the product. E.g. a teaspoon in a detergent pouch pack. Sometime ago Rasna ran a consumer promotion with small gift items like combs, erasers etc. planted inside the Rasna pack.

6. Out-product gift

In this case the gift item is attached to the product from the outside. This is often done with a scotch tape or the gift is shrink wrapped with the pack. E.g. a bowl offer with *Farex* or *Cerelac* was run in this manner. The disadvantage here is that such promotions get pilfered along the way and sometimes do not reach the intended consumers. Companies therefore print the offer on the packs.

7. Coupons

These are normally in the form of a certificate that is introduced in the pack. It can be redeemed for a price-off, a gift or a discount on the subsequent purchase.

8. Trading stamps

These are schemes run by large retailers. They are in the form of stamps given depending upon the quantum of purchase. E.g. one stamp for purchase of Rs. 100, two stamps for purchase of Rs. 200, etc. The customer collects these and later redeems them from the store for a gift or a discount on subsequent purchases. Today these are in the form of loyalty programmes, which result in accumulation of points that are recorded on a smart card. The bigger retailers like *Westside*, *Pantaloons*, *Crossword* etc. run such consumer promotion programmes.

9. Consumer contests

These are run to create an excitement amongst the target segment. Contests are normally advertised extensively and test more often than not the knowledge of the consumer on the product or some other skill. For example, contests may involve completion of a sentence, which might say: "I like product A because " or it could involve developing a product slogan. Prizes for such contests are normally very attractive and could consist of a trip abroad, a substantial cash prize, or even the prize of a car. In order to enter such contests, consumers normally have to buy the product and send in the product wrapper or barcode as proof of purchase.

B) Channel/Trade Promotion

Trade promotions are those that a company runs to elicit a better and quicker response from the trade. These can be done when introducing a new product, to ensure enhanced stocking preceding a good season, or to block a competitor. Trade promotions are normally part of a push strategy, the assumption here being that if the trader has excess stocks bought during a trade scheme he will be motivated to push the products in order to recover his investment as soon as possible. There are several tools used for trade promotions. Some of the more important ones are listed here.

1. On-consignment Sales

This tool is normally used by companies that are new entrants and are not known in the marketplace. Such companies encourage the trade to stock their products on an "on-consignment" basis and pay only when the product moves off the shelves. This is a rather risky process and companies would do this only on a selective basis and only with such traders who have excellent credentials in the market place.

2. Dealer Contests

This is normally linked to the amount of merchandise the dealer purchases. Participating dealers are ranked across the region by the volume of sales in a particular time-frame and get substantial gifts which may include cars, refrigerators, TV sets, etc. or even a trip abroad for them and their families.

3. Dealer Gifts

Some companies regularly give gifts to their dealers to maintain good relations with them. These could be wall clocks, calendars, or even some items for personal use at home, such as stainless steel vessels, casseroles, etc.

4. Display Contests

Many companies run display contests in order to get good exposure for their products, particularly during the seasonal period. Dealers are expected to buy a minimum quantity of stock during the display period and display them prominently in the show windows of the shop and in other prominent places. Company representatives then go around and judge these displays and award prizes.

5. Point-of-sale Material

Traders are given attractive point-of-sale material for displaying the company's products. E.g. Maggi noodles gave attractive net baskets to be hung in the shops, Dhara gave attractive stands to hold the packs, Coca-Cola gives attractive cold storage refrigerators for its products, Cadbury's has attractive dispensers, and so on. Some companies provide posters, buntings, streamers, shelf stickers etc.

6. Shop Board Painting

Some companies such as the ITC provide attractive signage for shops which could either be painted or made of acrylic material.

7. Dealer Discounts

Many companies run trade schemes, which can be in the form of discounts on bulk purchases or free goods such as "buy ten get one free."

8. Trade Fair Participation

Sometimes companies fund partly or fully the participation of their exclusive dealers to trade meets such as the Inside Outside Fair, India International Trade Fair, etc. They also provide them the promotional material for their displays.

9. Dealer Meets

Some companies organise regular dealer meets at exotic locations within or outside the country. The expenses for such dealer meets are normally paid for by the companies. These dealer meets recognise star performers through awards and also set targets for the coming year.

10. Cooperative Advertising

This involves the sharing of cost of local advertising by the dealer and the company. The dealer then has the name of the outlet printed below the advertisement and gets mileage in terms of consumer enquiries.

C) Sales Force Promotion

Sales force promotions are normally undertaken to stimulate the sales force to better performance. This is also part of a push strategy because it results in better stocking at the trade level. In some product categories it can also be part of a pull strategy. Let us take the example of the pharmaceutical business. Here the trade stocking happens when prescriptions flow from a doctor.

The consumer, in this case the patient, does not have any say in the product that he consumes, except perhaps in the case of an over-the-counter product. The sales force here has to do a good selling job at the doctor level and a good stocking job at the trade level. So he not only has to pull the product at the doctor level but also push the product at the trade level. Any sales force promotion scheme developed for such a field force has to recognise this fact.

There are several ways for motivating the field force. Some of the more important tools are enumerated below:

1. Incentive Schemes

Most sales forces today are incentives in terms of their sales performance. Performance bonuses are awarded for sales over the target. These are normally worked out as a percentage increase over-and-above the budgeted sales.

2. Star Awards

Many companies recognise their star performers and reward them handsomely. These could be a trip abroad for family or substantial cash rewards. Some companies have functions where even the spouses of the stars are invited for a company paid holiday.

3. Sales Meets

Many companies organise sales meets in attractive places like Goa, Kashmir, Kodaikanal, etc. for their sales force. These are normally no holds barred meets where the field force is able to let their hair down along with their senior managers. This acts as a tremendous motivational pill for these young salesmen. At these meets the targets for the subsequent period are also set.

4. Local ad Budgets

Some companies delegate advertising budgets to their sales staff. They have the authority to negotiate directly with their trade and local ad agencies and release ads for their territory. They also get budgets for local trade fairs, sampling, merchandising etc.

5. Promotional Aids

Most companies provide their field staff with promotional aids. Pharmaceutical companies provide their reps with attractive leather bags and ties, FMCG companies provide them with T-shirts, caps etc.

4.4 SALES PROMOTION STRATEGIES**Q7. Discuss about sales promotion strategies.**

Ans :

The sales promotion strategy is an important element in overall marketing strategy. Sales promotion strategy involves identification of objectives, effective communication for attracting attention, allocation of budget, determining the correct promotional mix, introduction of strategic approach and finally evaluation. We shall study about each one of them briefly here.

1. Objectives

The marketer should determine his sales promotion objectives. He should determine what is to be accomplished and what kind of buyer responses are desired. Sales promotion tasks should be objective oriented. These tasks are informing, persuading and reminding the customers about the products. The sales manager should inform consumers about his product and should highlight its special features. He has not only to inform the customers but persuade them to buy it.

2. Communication

Sales promotion should attract the attention of the target audience. If the prices, discounts, off season facilities etc, are not adequately and effectively communicated, the effort of sales promotion would be wasted. A point to be noted here is that the audience evaluates not only the message but also the source of the message in terms of its credibility. The purpose of communication is to persuade potential customers to purchase the product.

The sales manager determines the message to be aimed at the target market to gain product acceptance. The overall marketing objectives define the role of communication in sales promotion. Identifying the target audience is the main task of a sales promotion communication. The audiences response to the message source helps determine the effectiveness of the message.

3. Medium of Reach

Sales promotion may adopt different methods for approaching people. Strategic variables are taken into account while deciding a particular method of sales promotion. Consumer promotion has been considered a very effective mode of sales promotion; potential consumers are offered samples, coupons, etc; to promote sales. The point of purchase display is a silent strategy to trigger off buying decisions. Retailers rely on in-store displays to familiarize customers with their product. A showroom display makes it easy for prospective buyers to familiarize themselves with the different features of the product.

Trade promotion through buying allowance, free goods, merchandise allowances, push money etc; help to enhance sales by retailers and traders. Packaging is another important form of promotion, particularly for consumer goods. It may carry selling messages and information about the product. A good package design attracts the shopper's attention away from other products. It is a proper blend of colour, design and shape.

4. Budget

One of the most difficult marketing decisions facing companies is how much to spend on promotion. It is not surprising that industries and companies vary considerably in how much they spend on promotion. It is important to determine sales promotion budgets before resorting to sales promotion activities. The resources and sales potentials are estimated before the formulation of budgets. Sales promotion budgets should be adequate so that they achieve the promotion objective.

5. Promotional Mix

Companies face the task of distributing the total promotion budget over the four promotion tools of advertising, sales promotion, publicity and sales force. With in the same industry, companies can differ considerably in how they allocate their promotional budget.

Companies are always searching for ways to gain efficiency by substituting one promotional tool for another as its economics become more favourable. Many companies have replaced some field sales activity with ads, direct mail and telemarketing. Other companies have increased their sales promotion expenditures in relation to advertising, to gain quicker sales.

The trial and error method, past performance and corporate policies may influence the appropriate promotional mix. Many firms have increased their sales with the application of appropriate combinations of the promotion media, sales promotion and personal selling are supported with publicity.

The promotion mix is a variable in the marketing strategy. It should be clearly decided how far a particular element should be used in combination with other promotional methods.

6. Strategic Approach

The kind of promotional mix employed determines the promotional strategy. Generally speaking a particular combination, type or amount of sales promotion, personal selling, publicity and advertising are brought into the promotional mix, which becomes the promotional strategy in the course of implementation. The marketing strategy as much guides the determination of the promotional strategy, which may be divided into sale promotion strategy, personal selling strategy, publicity strategy and advertising strategy. The strategies, sustaining promotional strategy, developmental promotional strategy or promotional appropriation.

(i) Push and Pull Strategies

The push and pull promotional strategies may be used to enhance sales. The push strategy concentrates on middlemen or retailers who push the sale of the product to the final consumers. This strategy covers cooperative advertising, attractive terms of sale, coupons and discount facilities.

The pull strategy is directed toward the final buyers. It persuades the buyers to go to the sellers to buy. Sales promotion, particularly customer promotion, is an important form of the pull strategy. Customer promotion, may call for the offer of samples, money-refund offers, prices-off, premiums and so on.

The push strategy asks the sellers or retailers to attract the layers. Trade promotion is thus the main form of the push strategy. Trade promotions refers to buying allowances, free goods, co-operative advertising, push money, sales contests and so on. The marketing manager has to adopt both these strategies to promote sales.

Features of pull strategy

Pull strategies depend upon mass communication. Products are literally pulled by buyers through the channels on the basis of mass promotional efforts. In a pull strategy, the product is pulled through the channel by creating end-user demand. Customers force retail shops to stock those mass-promoted products. In turn, retailers demand the highly advertised product from wholesalers. The firms having well-known brands can exercise control over channels through pull promotion strategies. Personal salesmanship plays a secondary role in pull promotion. Marketers rely on intensive distribution. Dealer margins are also lower in pull promotion.

Features of push strategy

Industrial marketing strategies are mostly the push type strategies relying primarily on personal selling. Also in the sale of medical products and in life insurance, marketers have to employ a lot of salesmen to call on physicians and prospects for life insurance. In push type promotion, personal selling expenses are considerable and dealer margin is also higher. In this, after-sale service is also important and marketers rely on selective distribution.

Push – Pull strategy

Most consumer goods manufacturers generally employ a push-pull (combination) strategy to sell their products. The ratio of pull to push may differ according to the requirements of market situation. Salesmen are used to push the goods through the marketing channel, while advertising and sales promotion will support personal selling to accelerate sales. Thus, all tools of promotion work together.

(ii) Sustaining Promotional Strategy

The main aim of this strategy is to stabilise the market share. Sales promotion becomes necessary to sustain a market share. At a laggard stage, the markets may shrink. Unless appropriate steps are taken, the marketer may find that the market may be slipping away from his product. But this strategy can be adopted only after employing the penetrating strategy. That is, the market share should not decline after a higher level of sale has been attained. The sustaining promotional strategy stabilises the market share. Sales force promotion by way of bonus and other incentives may contain the market from slipping away. Steps are taken to prevent the sales force from going across to the competitors. Brand loyalty of customers is fostered and reinforced.

(iii) Developmental Promotional Strategy

The introduction of new products may require expansion of the market. Innovators need to have a developmental strategy. New products or brands are popularized by offering trade discounts, cash rebates, premiums, money refunds, and so on. The new consumers are given effective after-sales service. Consumer franchise building is done with development strategy. The promotional mix for a brand not yet popular may require emphasis on both personal selling and sales promotion.

(iv) Promotional Appropriation :

Promotional objectives determine promotional appropriation. The forms of promotion, the costs of each component of promotion, the activities to be performed and appropriation on personal selling, sales promotion, advertising and publicity are determined under this strategic approach. The marketing manager has to arrive at the optimum promotional mix of the given

objectives. And this requires proper planning and programme evaluation.

Product attributes, brand differentiation, purchase frequency, the nature of the market, the size of market and its location, the nature of prospective buyers, their purchase frequency, distribution and price strategies are evaluated before the formulation of an appropriate sales promotion strategy.

7. Evaluation of sales promotional strategy

Sales promotional strategies should be evaluated twice. First at the stages of implementation and secondly after the final performance because implementation control will suggest improvements during the application of the promotional strategy, while „performance control will be a guide for the future. Implementation control covers initial planning, objectives, promotional packages, and printing of special premiums and packaging materials, distribution to retailers, etc. Even though it has proved successful whenever tried, very few firms adopt this strategy. Many manufacturers believe only in performance control. Performance is evaluated in the light of planned objectives. Consumer surveys and consumer experiments are used to evaluation techniques show how far the sales promotion techniques have been effective in increasing sales through motivating consumers and sellers, and point the way to improvement in sales promotion.

4.4.1 Sales Promotion and Product Life Cycle**Q8. Discuss about sales promotion and product life cycle.**

Ans :

The promotional tools vary in their cost effectiveness at different stages of the product life cycle.

In the introduction stage, advertising and publicity have high cost effectiveness, followed by sales promotional to induce trial and personal selling to gain distribution coverage.

In the growth stage, all the tools can be toned down because demand has its own momentum through word-of-mouth.

In the maternity stage, sales promotion, advertising and personal selling all become more important in that order.

In the decline stage, sales promotion continues strong, advertising and publicity are reduced and sales people give the product only minimal attention.

4.4.2 Cross Promotion

Q9. Write cross promotion.

Ans :

Under this sales promotion strategy, the manufacturer may use all the potential tools such as advertisement, personal selling and sales promotion to hit the market simultaneously so that the buyer will be induced to buy a product. For example when Deccan Chronicle, a daily newspaper, was introduced in Chennai, the management had used all promotional activities, such as display, holding, price off and media to influence the reader to buy the paper. This promotional strategy is called cross promotion.

4.4.3 Surrogate Selling

Q10. Write about surrogate selling.

Ans :

Under this strategy, when the manufacturer is unable to sell his product in the market he may handover the product to a well known organization to sell on behalf of the manufacturer. This strategy is called surrogate selling.

For example, shampoo products are manufactured at Puducherry by a number of small and medium manufactures. But they find it difficult in selling the product in the market. What they have done was, handing over the finished product to Hindustan Lever, Proctor and Gamble who have sufficient logistics in selling the product, thereby relieving the burden of converting the product into cash. They have in fact act as a surrogate in selling their merchandise in the market.

4.4.4 Bait and Switch Advertising

Q11. Discuss about bait and switch advertising.

Ans :

Bait means something that is meant to tempt someone. Under this strategy, the marketing manager use AIDAS formula to tempt someone to look the advertisement and influence him to buy a product. For example, Bharat Sanchar Nigam Limited has used 10 paise prominently in its advertisement to bring the attention of its users in mind which will influence them to go for using the BSNL service. This way of tempting the viewer to opt for BSNL is called Bait advertising.

Switch means a device that is pressed or turned to stop or start something working especially by electricity. Switch advertising means when an advertisement is released, it should ignite the minds of the buyer to notice the advertisement and take a decision to buy the product. For example during festival times manufacturer may offer some discount on cash price to the buyer on some selected products. So he has put this in the local newspaper-which would have ignited the minds of the buyers. Buyers will certainly be influenced to buy the product. This strategy is called switch advertising strategy.

4.5 ETHICAL AND LEGAL ASPECTS OF SALES PROMOTION

Q12. Explain about ethical and legal aspects of sales promotion.

Ans :

Ethics in Business Promotion

Integrity and fairness are the very essence of ethical business practices and clean governance.

The issue of ethical practices and clean governance has recently become a major issue in public debate globally for a number of reasons. From the global business point of view, the collapse of the South East Asian economies in the mid 1997 and the dramatic collapse of the Fortune 500 companies. In a review of the global business, it is pointed out that honesty is the best policy. It is being rediscovered that three lessons are important

according to The Economist. Be honest, be prepared and be frugal (careful). This emphasis on going back to the basics in business has brought in many different professions of business and governance styles into existence.

The focus on clean governance, which includes not only corporate governance in business but also public governance, has become also a matter of concern. This simultaneous thought has brought into sharp focus the need for promoting ethical business practices and clean governance. It is therefore appropriate that a respected body of professionals shall be formed to monitor the ethical practices in promoting in business.

In India there are many such organizations which are working in various section in this concern like ASCI Advertising Standard Council Of India, AAAI Advertising Agency Association of India, NRS National Readership Survey, Central Drug Standard Control Organization, National Concern For Women, Central For International Media Ethics

Approaches to privacy can, broadly, be divided into two categories: free market, and consumer protection. In contrast, it is claimed that individuals may not have the time or knowledge to make informed choices, or may not have reasonable alternatives available. Any analysis of real populations needs to make approximations and place individuals into groups. However if conducted irresponsibly, stereotyping can lead to a variety of ethically undesirable results. Marketing may commit any of the following wrongs:

1. Damaging Personal Autonomy

The victim of marketing in this case is the intended buyer whose right to self-determination is infringed.

2. Causing Harm to Competitors

Excessively fierce competition and unethical marketing tactics are especially associated with saturated markets.

3. Manipulating Social Values

The victim in this case is society as a whole, or the environment as well. The argument is that marketing promotes consumerism and waste. TV commercials and direct mail are common examples. Electronic spam and telemarketing push the borders of ethics and legality more strongly.

Short Question and Answers

1. Sales promotion

Ans :

Sales promotions are short-term incentives to encourage the purchase or sale of a product or service. Sales promotion includes several communications activities that attempt to provide added value or incentives to consumers, wholesalers, retailers, or other organizational customers to stimulate immediate sales. These efforts can attempt to stimulate product interest, trial, or purchase. Examples of devices used in sales promotion include coupons, samples, premiums, point-of-purchase (POP) displays, contests, rebates, and sweepstakes.

The term Sales Promotion broadly refers to all those promotional activities which are undertaken to stimulate interest, trial or purchase of a product by the end user or other intermediaries in between. Besides advertising and personal selling, all other activities undertaken to promote a product can be classified under sales promotion.

2. Definition of advertising

Ans :

Advertising can be defined as the act of drawing the attention of the target audience, towards a product or service. It is an impersonal, paid message, delivered to the general public with the sole aim of creating demand for the product and thus increasing sales. It has a great role to play in marketing, to make people aware of the product.

The sponsors of the advertisement, have full control over it. The advertising message is aired through various channels like radio, television, magazines, newspapers, posters, billboards, websites, blogs, apps, text messages, social networks, e-mail, etc.

Advertising aims at creating such an image in the minds of the audience, that they are instigated to purchase that product. The greatest advantage of advertising is its range, i.e. it reaches a large number of people in one go.

3. Definition of Personal Selling

Ans :

Personal Selling, as the name signifies, is a promotional tool, where companies use sales force, to increase sales of product and services.

Under personal selling, there is a face to face meeting between the clients or customers and the sales representative, wherein the representatives visit customers personally, so as to transact a sale, by offering and inducing them to make a purchase. Personal Selling involves developing a strong relationship with customers, discovering their needs and providing them such products, which satisfy their needs.

4. Push and Pull Strategies

Ans :

The push and pull promotional strategies may be used to enhance sales. The push strategy concentrates on middlemen or retailers who push the sale of the product to the final consumers. This strategy covers cooperative advertising, attractive terms of sale, coupons and discount facilities.

The pull strategy is directed toward the final buyers. It persuades the buyers to go to the sellers to buy. Sales promotion, particularly customer promotion, is an important form of the pull strategy. Customer promotion, may call for the offer of samples, money-refund offers, prices-off, premiums and so on.

The push strategy asks the sellers or retailers to attract the layers. Trade promotion is thus the main form of the push strategy. Trade promotions refers to buying allowances, free goods, co-operative advertising, push money, sales contests and so on. The marketing manager has to adopt both these strategies to promote sales.

5. Sales Promotion and Product Life Cycle

Ans :

The promotional tools vary in their cost effectiveness at different stages of the product life cycle.

In the introduction stage, advertising and publicity have high cost effectiveness, followed by sales promotional to induce trial and personal selling to gain distribution coverage.

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6. Cross Promotion.

Ans :

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7. Surrogate selling

Ans :

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For example, shampoo products are manufactured at Puducherry by a number of small and medium manufactures. But they find it difficult in selling the product in the market. What they have done was, handing over the finished product to Hindustan Lever, Proctor and Gamble who have sufficient logistics in selling the product, there by relieving the burden of converting the product into cash. They have in fact act as a surrogate in selling their merchandise in the market.

8. Bait and switch advertising.

Ans :

Bait means something that is meant to tempt someone. Under this strategy, the marketing manager use AIDAS formula to tempt someone to look the advertisement and influence him to buy a product. For example, Bharat Sanchar Nigam Limited has used 10 paise prominently in its advertisement to bring the attention of its users in mind which will influence them to go for using the BSNL service. This way of tempting the viewer to opt for BSNL is called Bait advertising.

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UNIT V

Sales Distribution: Distribution Channels, Need for Channels, Channel Intermediaries and Functions, Channel Structure, Channel for consumer products, business and industrial products, alternative channel, Channels for Rural Markets, channel Strategy Decisions. Designing, Motivating and Evaluating Channel Members, Managing Retailers, Wholesalers, Franchisers, Managing Conflict - reasons for Channel Conflicts, Managing International Channel of Distribution, Ethical issues in Sales and Distribution Management

5.1 DISTRIBUTION CHANNELS

Q1. Explain about sales distribution channels.

Ans :

A channel of distribution or trade channel is the path or route along which goods move from producers to ultimate consumers or industrial users. In other words, it is the distribution network through which a producer puts his product in the hands of actual users. The channel of distribution includes the original producer, the final buyer and any middlemen-either wholesaler or retailer.

The term middleman refers to any institution or individual in the channel which either acquires title to the goods or negotiates or sells in the capacity of an agent or broker. But facilitating agencies who perform or assist in marketing function are not included as middlemen in the channel of distribution.

This is because they neither acquire title to the goods nor negotiate purchase or sale. Such facilitating agencies include banks, railways, roadways, warehouses, insurance companies, advertising agencies, etc.

5.2 NEED FOR DISTRIBUTION CHANNELS

Q2. Explain about need for distribution channels.

Ans :

Distribution is one of the important mix among marketing mixes. The role of distribution in marketing and in the whole economy can be discussed as follows:

1. Delivery of satisfaction

Marketing concept emphasizes on earning profit through satisfaction of the customers. Besides market research for the development and sales of goods according to need and wants of consumers, the participants of distribution channel also help producers in production of new goods.

2. Standard of living

Distribution function helps to improve living standard of the consumers in the society. Proper distribution of necessary goods and services to the consumers easily at right time does not only satisfy them but also brings change in their living standard. Distribution brings improvement in living standard of consumers through generation of employment, increase in income and transfer of ownership. Hence, it brings positive effect in the society.

3. Value addition

The functions of distribution such as transportation, warehousing, inventory management etc. increase the importance of products by creating place utility, time utility and quantity utility. Distribution mix plays an important role to increase the value of the products through delivery of goods in right quantity, at right place and right time.

4. Communication

Distribution serves as link between producers and consumers. Producers can make flow of information and messages to consumers about their products, price, promotion etc. through channel members. Similarly, they

receive information about customers, competitors and environmental changes from channel members.

5. Employment

The function of distribution creates employment opportunities in society. Market intermediaries work as direct and indirect sources of employment. Different producers need to supply their innumerable products to consumers. Thousands of distributors, agents, wholesalers, retailers, brokers etc. involve in supplying the products to the consumers. Similarly, many persons of the society can get job in the transport and warehouses sectors, etc.

6. Efficiency

Producers produce limited types of goods in mass quantity. But the consumers demand different types of goods in small quantity. When goods are produced in a mass quantity, they can be obtained at lower price. Distribution helps to satisfy the needs of consumers by supplying assortment of different products of different producers. From this, efficiency can be achieved in both production and distribution.

7. Financing

Intermediaries themselves make arrangement to keep reserve and stock of goods. The producers need not make arrangement and management of distribution centers and warehouse. The producers need not do anything except remaining busy in production, the timely payment by intermediaries and financial helps become more important for smooth operation of production. Similarly, the role of finance is also decisive in mobilizing other means of production.

5.3 CHANNEL INTERMEDIARIES AND FUNCTIONS

Q3. Discuss about channel intermediaries and functions.

Ans :

Intermediaries, also known as distribution intermediaries, marketing intermediaries, or middlemen, are an extremely crucial element of a

company's product distribution channel. Without intermediaries, it would be close to impossible for the business to function at all. This is because intermediaries are external groups, individuals, or businesses that make it possible for the company to deliver their products to the end user. For example, merchants are intermediaries that buy and resell products.

There are four generally recognized broad groups of intermediaries: agents, wholesalers, distributors, and retailers.

1. Agents/Brokers

Agents or brokers are individuals or companies that act as an extension of the manufacturing company. Their main job is to represent the producer to the final user in selling a product. Thus, while they do not own the product directly, they take possession of the product in the distribution process. They make their profits through fees or commissions.

2. Wholesalers

Unlike agents, wholesalers take title to the goods and services that they are intermediaries for. They are independently owned, and they own the products that they sell. Wholesalers do not work with small numbers of product: they buy in bulk, and store the products in their own warehouses and storage places until it is time to resell them. Wholesalers rarely sell to the final user; rather, they sell the products to other intermediaries such as retailers, for a higher price than they paid. Thus, they do not operate on a commission system, as agents do.

3. Distributors

Distributors function similarly to wholesalers in that they take ownership of the product, store it, and sell it off at a profit to retailers or other intermediaries. However, the key difference is that distributors ally themselves to complementary products. For example, distributors of Coca Cola will not distribute Pepsi products, and vice versa. In this way, they can maintain a closer relationship with their suppliers than wholesalers do.

4. Retailers

Retailers come in a variety of shapes and sizes: from the corner grocery store, to large chains like Wal-Mart and Target. Whatever their size, retailers purchase products from market intermediaries and sell them directly to the end user for a profit.

Functions or Role of Channel of Distribution

A channel of distribution performs the work of moving goods and services from producers to consumers. It overcomes the place, time and possession gaps that separate producers from consumers. Marketing intermediaries perform following important functions.

- i) **Promotion:** Marketing intermediaries attract customers and persuade them to buy goods and services. These intermediaries undertake sales promotion activities through media and personal contacts.
- ii) **Negotiation:** Intermediaries or middlemen negotiate prices and other terms and conditions between buyer and seller. No sale can take place without an agreement on prices and other terms and conditions.
- iii) **Information:** Middlemen collect information about demand, competition, etc., from consumers and pass on to manufacturers. They also provide information to consumers about new products, changes in design, style, prices, etc., of existing products.
- iv) **Ordering:** Intermediaries collect small orders from consumers and on that basis place large orders with manufacturers.
- v) **Physical possession:** Middlemen take possession of goods from producers and pass on possession to consumers.
- vi) **Transfer of title:** Middlemen transfer ownership of goods from producers to consumers.
- vii) **Financing:** Intermediaries provide financial, assistances at different stages of the marketing channel. They buy goods in cash from producers and sell them to consumers on credit.

- viii) **Risk taking:** Intermediaries assume most of the risks involved in the distribution of goods. They relieve producers from these risks and enable them to concentrate on production.

5.4 CHANNEL STRUCTURE**Q4. Explain about channel structure.**

Ans :

A channel structure is a means of reaching your customer with your products and services. This is essentially a high level view of your sales and distribution channels that outlines the architecture of your business.

1. Direct

Selling directly to the customer using channels such as personal selling, retail or ecommerce. For example, a fashion brand that has its own shops and ecommerce site.

producer → customer

2. Retail

Selling to retailers who sell to the end-customer.

producer → retail → customer

3. Ecommerce

Selling to ecommerce partners who manage the relationship with customers.

producer → ecommerce → customer

4. Value Added Reseller

Selling to firms that add value to your products or services before selling them. For example, a firm that sells components that are used in mobile devices.

producer → value added reseller → customer

5. Wholesale

Selling to wholesalers who distribute the product to retailers or ecommerce sellers.

producer → wholesaler → retail → customer

6. Agents

Using agents or brokers to manage your sales to wholesalers, retail and/or ecommerce sellers.

producer → agent → wholesaler → retail → customer

5.5 CHANNEL FOR CONSUMER PRODUCTS BUSINESS AND INDUSTRIAL PRODUCTS

Q5. What are the channel for consumer products business and industrial products?

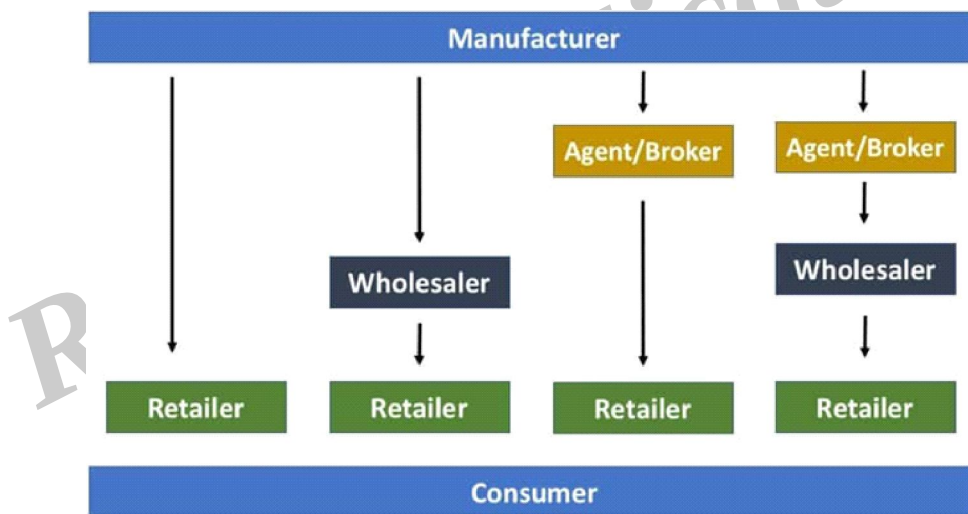
Ans :

Whenever designing a distribution channel, there are many factors in consideration. One of them is how close the company is to its target market. The other is the expansion plans of the company and how expansion will require a deeper distribution network. Thus, to establish a distribution plan, a company needs to decide on a channel structure.

There are two types of Channel structures – The Industrial channel structure and the Consumer channel structure. Both of these are discussed in this article.

1. The Consumer Channel Structure

The consumer channel structure is generally used in FMCG markets or consumer durable markets. This channel structure is known for the various kinds of elements it has in its distribution network. Let us look at each player in the distribution network and their role in the channel structure.



From top to bottom, these are the players while deciding the channel structure.

- A) The manufacturer:** This is the parent company which wants to distribute its products to the end customer and wants to set up a distribution channel.
- B) The retailer:** This is the last point of contact between the manufacturer and the customer. To sell the product and to show its features to a customer, a company needs to have a retail outlet. In case of companies like Bose, there are many company owned outlets which directly sell the product to the end customer.
- C) The Wholesaler:** The wholesalers are people who purchase inventory in huge bulk from the manufacturer and then sell it forward to a retailer. Wholesalers are responsible for breaking the bulk in case of FMCG products and in case of consumer durables, will be responsible for a complete territory.

D) The Agent or Broker: The agent or the broker is the one who does the deal between the end retailer and the company or the wholesaler and the company. He receives a small commission for setting up the deal. A broker can also be a C&F – A carrying and forwarding agent which might be the third level of the channel structure.

E) Consumer: The one who buys the end product from the retailer.

Thus, based on these players, the consumer channel structure may consist of different flow of material.

Flow 1: Where the Manufacturer sells to a retailer or opens its own retail outlets.

Flow 2: Where the manufacturer sells to a wholesaler who in turn sells to retailers.

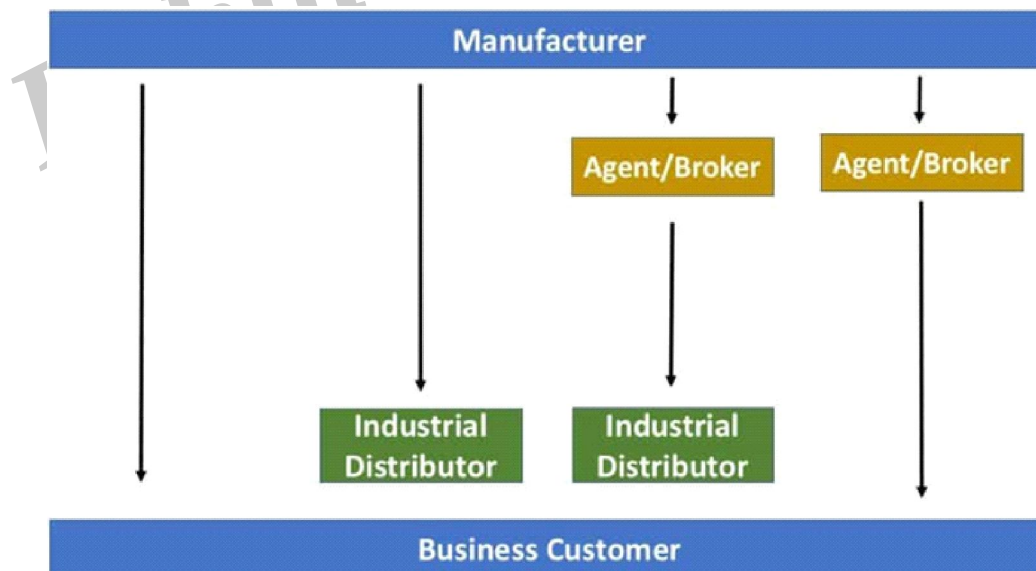
Flow 3: Where the manufacturer has a middle man in the form of an agent or a broker. The Agent or the broker sells directly to large retailers.

Flow 4: Wherein the agent or broker may sell to wholesalers who in turn sell to retailers.

The consumer Channel structure has some unique points.

- There are 4 different types of distribution types in the consumer channel structure
- In no scenario, the manufacturer sells directly to the customer. There is always a middleman in between.
- Breaking the bulk plays a big role in the channel structure of FMCG and Consumer durable industry.
- The Consumer channel structure generally too many transactions on a per day basis as compared to industrial channel. In industrial channel the volume may be bulk but transactions are lesser.

2. The Industrial Channel Structure



Almost the same players as the consumer channel structure exist in the industrial channel. Here the manufacturer is producing industrial goods and is dealing in B2B sales (such as ball bearings or lubricants or metal parts & equipments)

The one player who is different in the industrial channel structure is

The Industrial Distributor – The Industrial distributor is like the wholesaler in the consumer channel. The distributor takes care of sales, stocking and providing the product to the end customer. Mostly in the Industrial channel, the distributor also takes care of service and is known to be technically sound about the product. Here the sales are in huge volumes and repeat buying is more than individual purchases. The flow is as follows.

Flow 1: Manufacturer gives the product in bulk directly to the business customer. Commonly observed in heavy equipment and machinery supply.

Flow 2: The Manufacturer supplies the material to an industrial distributor who in turn takes care of the sales and supply to local companies. Commonly observed in medium and small equipment supply.

Flow 3: An agent or broker of the company contacts the distributor and supplies the material to him earning a commission for himself in this procedure. This happens quite less in the industrial segment because of the huge volume and high margins and competition involved. Thus, brokers and agents are generally avoided in the industrial channel.

Flow 4: The agent or broker directly sells to the end customer with having a commission in between. Again this is a common occurrence in heavy and bulky material.

The unique points about the Industrial channel structure is

- It is a flat hierarchy. There are not many layers of protection between manufacturer and consumer.
- The technical products generally require the involvement of the manufacturer besides the other players.
- Service is extremely important otherwise it hampers sales as well.
- Repeat buying is a common occurrence and a major focus of B2B industries.

Overall, the above 2 were the types of channel structures commonly observed in the industrial or commercial segment.

5.6 ALTERNATIVE CHANNEL

Q6. Discuss about alternative channel.

Ans :

There are four issues that are involved in identifying the channel alternatives. They are: the types of business intermediaries, the number of intermediaries, the number of channels and the terms and responsibilities of each channel members.

- **The types of business intermediaries:** There are different types of intermediaries that the industrial marketers should identify. They have to consider various factors like the tasks to be performed, product and market conditions before selecting either manufacturer's representatives or agents, industrial distributors, brokers, commission merchants or value-added resellers. The marketers should search for innovative or combination of marketing channels.
- **Number of intermediaries:** The manufacturers have to settle on the number of intermediaries they wish to use in their channel structure. They may either go for intensive, selective or exclusive distribution.

- **Intensive distribution:** In this strategy, standard products that are purchased more frequently and have less unit value like raw materials and other convenience goods are distributed intensively i.e. products are stocked in numerous outlets so as to make them available to varied customers on demand.
- **Selective distribution:** The industrial marketer selects few intermediaries to distribute the products to the target customer. This gives the marketer to develop a good working relation with the selected intermediaries, have better control, incur less costs and finally expect a better than average selling effort.
- **Exclusive distribution:** This strategy helps to enhance the product image and is more prevalent in consumer markets where some intermediaries exclusively deal and distribute the products of one manufacturer. They are not allowed to handle the competitor's products. The manufacturer expects aggressive selling by the intermediaries and tries to have control over their pricing policies, promotion strategy, credit terms and other services.
- **Number of channels:** Industrial marketers need to serve various market segments. This necessitates them to use more than one channel for distributing and marketing their products. This multi-channel approach helps them not only to increase their market share but also reduce their costs. However, the industrial marketers need to take care of possible channel conflicts like proper demarcation of territory to channel members to sell and serve the customers in their respective areas.
- **Terms and responsibilities of Channel Members:** There are various terms and conditions which the industrial marketer must make clear to the participating channel members like the responsibilities and tasks, conditions of sale and territorial rights that would enable both of them to enhance their performance.
- **Responsibilities and tasks:** In order to avoid any future disagreements, there should be clarity in the roles of both the industrial marketers and the channel partners. Each should comply with the commitments about their individual responsibilities and tasks to be performed.
- **Conditions of sale:** It should be clearly mentioned well in advance about the discounts offered by the manufacturers to the distributors, the commission to be paid to the agents or brokers. Other terms relating to warranty period, replacement of defective parts also should be appropriately stated.
- **Territorial rights:** The territory between the distributors should be well demarcated so as to avoid any future confusion that may lead to legal issues.

Evaluating Alternate Channels

There are several channel alternatives available to the industrial markets. They have to determine the best among the alternatives by evaluating them based on the following criteria:

1. **Economic Performance:** Different channel alternatives generate different levels of sales and incur different levels of costs. An industrial marketer has to pose a question whether sales generation would be more by direct selling through company sales force or through the channel members. Many of the industrial marketers believe that sales will be more from company sales force as they exclusively concentrate on company's product, they are given proper training to sell the product, they show more aggressiveness as their career depends on company's success and finally customers prefer to deal with the company directly. But it may also happen that the intermediary can sell more than the company sales force. The possible reasons for this could be the

agency having many sales people with it or its sales force are much motivated with the commission offered by the company or the customers prefer to deal with agents who have extensive contacts. The marketing manager has to similarly estimate the total costs of selling through different channel members.

2. **Degree of control:** This is another important factor while evaluating the channel alternatives. An industrial marketer exercises different levels of control over different channel members. The degree of control is more on company sales force and least on distributors. The distributor may concentrate more on those products that earn him high products rather than following the instructions of the manufacturer to push less preferred products. Similarly an agent entertains his potential customers most rather than concentrating on manufacturer's product.
3. **Degree of adaptability of channel members:** With the market changing dynamically, the channel members should have the capacity to adapt themselves to the changing environment. The industrial marketer must be able to control as well as modify the channel structure. Each channel member should be committed to the agreement they have with other members.

5.7 CHANNELS FOR RURAL MARKETS

Q7. What are the channels for rural markets?

Ans :

Almost three fourths of India's population or approximately 720 million people live in rural areas, which lack basic infrastructure such as roads, transportation, electricity, water, health and education. The rural market size is estimated at Rs. 400,000 Crore (\$ 90 billion).

Rural India has enormous potential for business for any company - it has over 71 % of the total households in the country spread over 638,000 villages. Many companies like Hindustan Unilever, Colgate, Gillette, Philips and Nestle have been

effectively reaching the rural consumers for many years now. Coca Cola seems to be growing at over 35% in rural markets compared to their growth rate of 25% in urban areas - this in spite of Coke covering only about 25% of the total rural market!

Even for FMCG products of daily use, the penetration levels in rural markets are quite low primarily for three reasons: different lifestyles, low income levels and inadequate infrastructure. However, there is good news for marketers: income levels are growing, the aspirations of rural consumers to have all that their urban counterparts have is on the rise. Efforts by the government and several other agencies to improve infrastructure primarily access are proving useful. Independent agencies run media vans that show movies in distant villages and run product promotions and demonstrations during breaks.

Functions of Distribution Channel in Rural Market

Distribution channel performs various tasks necessary to promote sales of products and services to the ultimate customers. They may include some or all of the following:

1. **Buying**
Every middleman must purchase product for resale or contract as an agent to receive a supply of product.
2. **Selling**
Every middleman must contact potential customers to promote the product, and solicit orders.
3. **Assorting**
A typical middleman brings together an assortment of merchandise, usually of related items, from several sources to better serve his potential customers.
4. **Financing**
By investing in inventory and by extending credit to customers, the middleman helps to finance the exchange process.
5. **Storage**
Products must be assembled in a convenient location to assure availability and must be protected to prevent deterioration and loss.

6. Sorting

In some situations, the middleman provides an important function of buying in large quantities and breaking the bulk purchase into smaller quantities for resale.

7. Grading

It may be necessary for the middleman to inspect, test, or judge the products he receives for quality and to assign distinct quality grades to them.

8. Transportation

This is the logistics function, managing the physical flow of the product.

9. Market Information

The middleman typically has some responsibility for providing market information both to his customers and to his suppliers, including information about availability, product quality, competitive conditions, customer needs, and so on.

10. Risk-taking

Risk is inherent in the ownership of an inventory of product that can deteriorate or become obsolete.

The design of a marketing channel is an attempt to get each of these functions performed as efficiently and effectively as possible.

Channel Types in Rural Market

One of the most basic channel decisions is to go either for direct or indirect marketing.

A) Direct to Consumer

Producer → Customer through

- i) Own sales force without own branch network
- ii) Own sales force with own branch network
- iii) Telemarketing
- iv) E-Channels.

B) Indirect to Customers

Because of the wide variety of channel arrangements that exist, it is difficult to generalise the structure of channel across all industries. However, distribution channel are usually of two types :

I) Direct Marketing Channel (or Zero level):

This type of channel has no intermediaries. In this distribution system, the goods go from the producer direct to the consumer, e.g., Eureka Forbes.

Producer → Consumer

II) Indirect Marketing Channel

This may further be classified in the following categories:

1. One-Level Channel

In this type of channel there is only one intermediary between producer and consumer. This intermediary may be a retailer or a distributor.

Producer → Retailer → Consumer

If the intermediary is a distributor, this type of channel is used for specialty products like washing machines, refrigerators or industrial products.

Producer → Distributor → Consumer

2. Two-Level Channel

This type of channel has two intermediaries, namely wholesaler/distributor and retailer.

Producer → Distributor → Retailer → Consumer

3. Three-Level Channel

This type of channel has three intermediaries namely distributor, wholesaler and retailer. This pattern is also used for convenience products.

Producer → Distributor → Wholesaler → Retailer → Consumer

4. Four-level Channel

This type of channel has four intermediaries namely Agent, Distributor, Wholesaler and Retailer. This channel is somehow similar to the previous two. This type of channel is used for consumer durable products also.

Producer → Agent → Distributor → Wholesaler → Retailer → Consumer

In direct to Consumer channels, there is little emphasis on logistics service but deep knowledge about the product to be sold is a must. Also a great deal of personal attention is also required.

In indirect marketing there is strong emphasis on the logistics, services and factors like lot size, delivery time, assortment etc. play an important role. Availability of products was to be made all the time.

Components of Distribution Channel in Rural Market

People and places who are involved with the channels of distribution include the wholesalers, retailers, Mobile vans, Weekly markets or Janta Bazaars, fairs or exhibitions, co-operative societies, petrol pumps, public distribution system, door to door sales people, syndicates involved in distribution and also certain NGOs. All these components which comprise distribution strategy system are explained below :

1. Wholesaler

Wholesaler is a merchant who speculatively stores goods not for distribution in a fair manner but in some shady manner. Present day wholesalers are mainly traders or commodity merchants who tend to support a brand during boom and withdraw support during slump. Wholesalers now a days are active agents in distribution. Marketing managers take into account their importance in setting up of distribution strategy. The aim of doing this and winning over the wholesaler is to use his influence in rural markets also to build his loyalties to the company.

More than 70 per cent of the rural markets are still beyond the reach of direct distribution,

the consumer boom notwithstanding. Since, wholesale trade in India has remained largely unchanged over the years, there is a need to revitalise it.

The Indian wholesaler is principally a galla-kirana (foodgrain) merchant who sustains that belief that business is speculative rather than distributive. He is a trader/commodity merchant rather than a distributor and therefore, tends to support a brand during boom and withdraws support during slump.

2. Retailers

Village retailers have traditionally been amongst the most mobile of rural residents. Often doubling up as moneylenders, their occupation facilitates multi-person interaction in a closed village society. As a result the retailer plays a significant role.

a) Credibility: He enjoys the confidence of the villagers. His views are accepted and followed by the rural people whose awareness and media exposure levels are low. The urban retailer is not trusted. He is seen as a businessman with profit motive. His viewpoints are evaluated with other source of information and his words are not taken at face value.

b) Influence Leader: His role as influence leader is indisputable. From tender twig of neem to washing powder, retailer testimony has been vital part of the product adoption process. The role of urban retailer, on the contrary, is weak. The urban consumers have a numerous sources of information. While the retailer's opinion is sought it may not be hundred percent believed and followed.

c) Brand Promoter: With the increasing number of brands in the place of commodities, concept selling has come to a close. Brand choices are easy as the brand characteristics and benefits are communicated through different promotional media. Despite the direct one-to-one communication, the retailer remains the deciding factor to sell a

particular brand. There are no shelf displays or points of purchase influences. It is the retailer who helps in identification and selection of brands.

The presence and sales of spurious brands is an ample testimony to this view. "Higher retail margins, with lower end consumer prices, supported by pack formats identical to the original, these spurious brands sell on the premise of maximum retailer push through maiming returns to the retailers". No promotion ads pull the customers the retailer does it all.

The urban retailer has however a limited role as a brand promoter. He cannot directly, recommend the brands. He has to intelligently drive home his recommendation, as urban consumers do not trust him completely. It is through shelf displays and incentive offers that he has to push the brands.

- d) Relationship Marketer:** Village retailer practices relationship marketing. He caters to a set of buyers who have incomes derivative from immovable land resources and would be static over a much longer time span. The relationship could extend beyond three generations, backed by historical credibility of the retailer as a product referral.

On the contrary, the urban retailer has to make up effort to adopt relationship marketing. His customer base comprises largely the mobile service class prone to shift residence atleast once, if not more, in less than a decade. This limits the time span and perspective of the retailer-customer relationship.

- e) Harbinger of Change:** Village shopkeeper has not been merely a seller of wares. In an environment relatively isolated from external developments, he has been harbinger of change. He is one of the main sources of information and opinion as well as the supplier of product

and services. As against this, we find urban retailer wielding limited influence in changing the product choices and quality of life of consumers.

Promotional Activities in Rural Marketing

The retail outlets are now in for a change with the corporate marketers finding them as the right place for promoting their products.

1. Vans

Mobile vans are a very common sight nowadays on city roads. Many companies in orders to move their presence felt in the rural interiors, also position or hire vans to promote their products.

2. Weekly Markets

These markets are the oldest outlets for purchase of household goods and trade. These are known by different names like, Haats, Shandis, Mandis, Bazaars etc. These markets are well organised with each trader allotted some space to sell his/her wares. A typical internet is in an open field with a lot of space for displaying a variety of merchandise. Location of such markets changes frequently and these are known by different names in different regions.

3. Fairs

India has been well known as a land of fairs and not a day passes when there is no fair in some or the other corner of India. All around the year, fairs have been fairly visible all around. These fairs are often associated with some regional or religious events. In India there is Kumbh Mela, Pushkar, Mysore and Kullu Dassehra Melas, Sonepur fair; Makar Vilakku, Nauchandi Mela in Western UP, Suraykund Mela, Durga Puja and Ganpati celebrations in West Bengal and Maharashtra respectively and Navratras in Gujarat etc.

In addition to these fairs, there are numerous fairs in certain pockets of villages associated with other religions, sports or other folk people etc. People not only from the local areas but also from far off cities and countries also throng such places. Obviously they offer a huge opportunities for marketers to sell their wares during such gatherings. It is indeed a challenge for distribution outlets.

4. Co-operation Societies

Cooperatives occupy an important place in India's rural economy, in terms of their coverage of population and their share in total supply of agricultural inputs, including credit. India can rightly claim to have the largest network of cooperatives in the world. By 1994, there were 3.95 lakh and 34 per cent of total quantity of fertilizers distributed in the country.

5. Public Distribution System (PDS)

As a part of social security system extended to the weaker sections of society, the government sells essential grains and other food items through ration shops which are part of public distribution system (PDS). PDS outlets work both in the rural as well as urban areas.

6. Other Outlets

There are various other select outlets like attractive showrooms and smart marts installed/set up conveniently at the petrol pumps all over the country. Such concept is being promoted now. Agricultural input dealers also sell fertilizers etc through retail outlets which must be located within a range of 5 Km from any village.

Non governmental organisations (NGOs) provide another better alternative for supplying and distributing purposes. NGOs are able to reach interiors of villages which have programmes providing different avenues for income generation. Even government departments and some private companies also help these NGOs in carrying out their programmes. Then there are bare foot salesmen who fluent in local dialect and familiar with local terrain, carry out distributional tasks on commission cum percentage basis by coordinating with local place. Syndicates operating as distribution houses collectively supply goods in the rural market and enjoy shared economies.

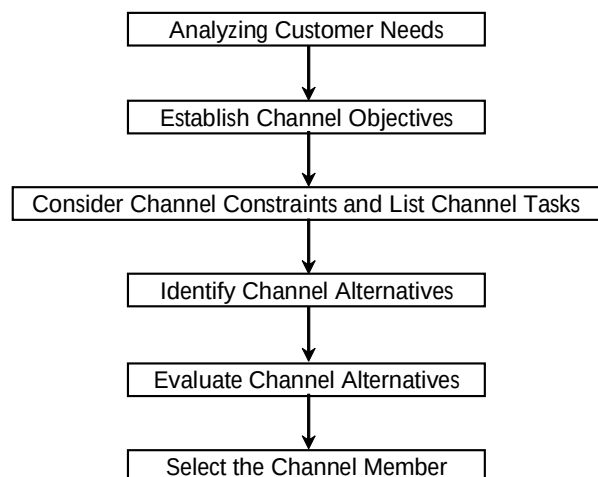
5.8 CHANNEL STRATEGY DECISIONS

Q8. Explain about channel strategy decisions.

Ans :

It is very important that a distribution channel is properly aligned to satisfy the needs of channel members and also for the success of any industrial marketing strategy. A good industrial channel creates the communication and physical supply linkages with existing and potential customers. Channel designing in industrial markets is a dynamic process that consists of either developing the new channels or modifying the existing ones.

Designing an appropriate industrial distribution channel and managing it is a tough and continuing task. A well designed channel structure helps to achieve the desired marketing objectives. A channel structure consists of types and number of middlemen, terms and conditions of channel members, number of channels. The various steps that are involved in industrial distribution channel design in industrial markets are given in the following figure.



Steps Involved in Industrial Channel Design Process.

Let us understand each of the stages of industrial distribution channel design process in detail:

1. Analyzing the Needs of the Customer

When a marketer designs a marketing channel, he must understand the service output levels desired by the target customers. Different customers have different levels of service requirements. A high potential customer needs to be offered effective and professional service backup, ensured availability of varied products compared to the low potential customer. The marketing channel designer has to know at this stage itself that providing superior service output means increased channel costs and higher prices for customers.

2. Establishing Channel Objectives

Channel objectives are a part of and result from the company's marketing objectives that need to be stated in terms of targeted service output levels. Profit considerations and asset utilization must be reflected in channel objectives and the resultant design. It should be the endeavor of the channel members to minimize the total channel costs and still provide with the desired level of service outputs. Channel objectives keep varying depending on the characteristics of the products. For example, while a customized non-standard product requires company sales force to sell directly, products like HVAC (Heating, Ventilation and Air-conditioning) are either sold by the company or its franchised dealers.

3. Considering Channel Constraints

The industrial marketer develops his channel objectives keeping into consideration various constraints like the company, competition, the environment, product characteristics and the level of service output desired by the target customers.

- i) **Company:** If a company has financial limitation as constraint, then it may restrict its direct distribution approach through company sales force to few high potential customers.

- ii) **Competition:** If a competitor has been very successful through direct service then it may force all other firms also to adopt the same strategy of direct selling.

- iii) **Environment:** Economic conditions, legal regulations are the environmental factors that affect channel design. During recession, producers use economical ways to sell the products to avoid additional costs. Similarly, the law looks down upon those channel arrangements that tries to build a monopoly market or minimize competition.

- iv) **Product characteristics:** As already mentioned, complex and non-standard products require direct distribution without any intermediaries. Eg. If an industrial marketer is providing customized machinery to his customer, then he deals directly with him rather than involving any intermediary to understand the customer needs better.

- v) **Customer:** The industrial marketers depends on intermediaries to offer services to customers who are either giving less business or are located at far-off places and prefers to serve the nearby or high potential customers by themselves.

4. Listing Channel Tasks

The industrial marketers have to creatively structure the necessary tasks or functions to meet customer requirements and company goals. They have to first make a list of various tasks to be performed, identify the critical tasks, take objective and realistic decisions on which tasks can be effectively performed by the company and which cannot be performed due to certain constraints. The careful analysis of customer needs, establishing objectives, considering constraints and listing the channel tasks form the backbone of channel design process. Once these aspects are delineated individually, the next step of identifying and evaluating channel alternatives starts.

5. Identifying Channel Alternatives

There are four issues that are involved in identifying the channel alternatives. They are: the types of business intermediaries, the number of intermediaries, the number of channels and the terms and responsibilities of each channel members.

- **The types of business intermediaries:** There are different types of intermediaries that the industrial marketers should identify. They have to consider various factors like the tasks to be performed, product and market conditions before selecting either manufacturer's representatives or agents, industrial distributors, brokers, commission merchants or value-added resellers. The marketers should search for innovative or combination of marketing channels.
- **Number of intermediaries:** The manufacturers have to settle on the number of intermediaries they wish to use in their channel structure. They may either go for intensive, selective or exclusive distribution.
- **Intensive distribution:** In this strategy, standard products that are purchased more frequently and have less unit value like raw materials and other convenience goods are distributed intensively i.e. products are stocked in numerous outlets so as to make them available to varied customers on demand.
- **Selective distribution:** The industrial marketer selects few intermediaries to distribute the products to the target customer. This gives the marketer to develop a good working relation with the selected intermediaries, have better control, incur less costs and finally expect a better than average selling effort.
- **Exclusive distribution:** This strategy helps to enhance the product image and is more prevalent in consumer markets

where some intermediaries exclusively deal and distribute the products of one manufacturer. They are not allowed to handle the competitor's products. The manufacturer expects aggressive selling by the intermediaries and tries to have control over their pricing policies, promotion strategy, credit terms and other services.

- **Number of channels:** Industrial marketers need to serve various market segments. This necessitates them to use more than one channel for distributing and marketing their products. This multi-channel approach helps them not only to increase their market share but also reduce their costs. However, the industrial marketers need to take care of possible channel conflicts like proper demarcation of territory to channel members to sell and serve the customers in their respective areas.
- **Terms and responsibilities of Channel Members:** There are various terms and conditions which the industrial marketer must make clear to the participating channel members like the responsibilities and tasks, conditions of sale and territorial rights that would enable both of them to enhance their performance.
- **Responsibilities and tasks:** In order to avoid any future disagreements, there should be clarity in the roles of both the industrial marketers and the channel partners. Each should comply with the commitments about their individual responsibilities and tasks to be performed.
- **Conditions of sale:** It should be clearly mentioned well in advance about the discounts offered by the manufacturers to the distributors, the commission to be paid to the agents or brokers. Other terms relating to warranty period, replacement of defective parts also should be appropriately stated.

- **Territorial rights:** The territory between the distributors should be well demarcated so as to avoid any future confusion that may lead to legal issues.

6. Evaluating Alternate Channels

There are several channel alternatives available to the industrial markets. They have to determine the best among the alternatives by evaluating them based on the following criteria:

- i) **Economic Performance:** Different channel alternatives generate different levels of sales and incur different levels of costs. An industrial marketer has to pose a question whether sales generation would be more by direct selling through company sales force or through the channel members. Many of the industrial marketers believe that sales will be more from company sales force as they exclusively concentrate on company's product, they are given proper training to sell the product, they show more aggressiveness as their career depends on company's success and finally customers prefer to deal with the company directly. But it may also happen that the intermediary can sell more than the company sales force. The possible reasons for this could be the agency having many sales people with it or its sales force are much motivated with the commission offered by the company or the customers prefer to deal with agents who have extensive contacts. The marketing manager has to similarly estimate the total costs of selling through different channel members.

- ii) **Degree of control:** This is another important factor while evaluating the channel alternatives. An industrial marketer exercises different levels of control over different channel members. The degree of control is more on company sales force and least on distributors. The distributor may

concentrate more on those products that earn him high products rather than following the instructions of the manufacturer to push less preferred products. Similarly an agent entertains his potential customers most rather than concentrating on manufacturer's product.

3. **Degree of adaptability of channel members:** With the market changing dynamically, the channel members should have the capacity to adapt themselves to the changing environment. The industrial marketer must be able to control as well as modify the channel structure. Each channel member should be committed to the agreement they have with other members.

5.9 DESIGNING, MOTIVATING AND EVALUATING CHANNEL MEMBERS

Q9. What are the steps involved in designing a distribution channel?

Ans :

1. Designing of channel members

A marketing channel not designed effectively fails to make an excellent product successful. The firms usually follow the below steps for designing a marketing channel

A channel design starts with analysing the market requirements. Basis the customer, product category, and marketing environment, the organisation has to follow the matching channel strategy – Exclusive distribution, Intensive distribution and Selective distribution. The availability of the intermediary also influences the selection of the channel member. The intermediary that the organisation wishes to sell through should be available in the target market. In their absence, the organisation will have to opt for an intermediary that is available to them. Or the organisation will have to invest to open their own stores, opt for direct selling, etc. Sometimes the intermediary is unwilling to distribute the organisations products. In such cases the firm should be ready to involve channel alternatives.

The firm should take into account the functions necessary to ensure the availability of product to end users. These functions should be clearly defined as to which functions that the firm can itself perform like storage, transportation, after sales service, etc. The organisation can choose intermediaries from wholesaler, retailer, sales personal, agents and brokers, etc. The availability and capabilities of different intermediaries, number of intermediaries, and their services to competitors should be carefully analysed.

2. Motivate a channel partner

- i) **Understand the Relationship:** You are using a channel because you want the channel to carry the cost of sales, while the channel wants you to minimise their sales costs by getting you perform services for them. Because your agendas are different, you must craft a relationship that makes sense and works for both firms
- ii) **Limit the numbers:** It's a big mistake to recruit too many channel partners. It's not true that the more channel partners you have, the more they will sell. When you have too many partners, you can't support them adequately and they'll start competing with each other and may even create a price war for your product.
- iii) **Create joint ventures:** Create a relationship that takes into account the resources that both companies can bring to bear in order to make the relationship successful. You will need to invest resources in training, marketing and sales support, while the channel must commit resources to training and actively promote the solution within its target market.
- iv) **Get team consensus:** If you sell your products both through direct sales and channels, you'll need to keep the two groups from treading on each other's toes. If the direct sales team sees the channel as competition, you can end up fighting a price war with your own product as each group tries to undercut the other.

- v) **Target your markets:** Figure out exactly where your product is most likely to sell and what kind of person or organization can sell it most successfully. The more you understand your customer base, the easier it will be to ensure that the channel focuses on the customers who are most likely to generate revenue and profit for both you and your partner.
- vi) **Recruit a top manager.** Most firms assign a low-level drone to work with the channel. Wrong. Channel managers need to be heavy hitters so that they can influence and direct channel strategy and behaviour. Be sure you treat channel managers well, or they could end up working the partner's issues inside your firm, rather than the other way around.
- vii) **Train, train, train.** Channel sales training must go beyond the sales training that you would normally supply to a direct sales force. Your channel partners' sales reps will need top quality selling tools, such as competitive data sheets, sales scripts, selling videos, testimonials as well as the usual brochures and specification sheets.
- viii) **Support, support, support.** If the channel partners are using your product in new ways, such as customizing it for a particular industry, they'll need MORE support than your direct sales force. Frequent and ongoing communication is vitally important to the health of a channel relationship.
- ix) **Provide cool incentives.** While your partner's sales staff may already be well compensated, they'll be far more likely to sell your product if they feel that there's "something in it for them." For example, you might give a channel sales rep credit towards a personal purchase for attending a regional training session.
- x) **Spend some money.** A good way to ensure channel loyalty is to help with the channel's marketing efforts, such as through joint funding of advertisements. However, don't just throw money at

them. Be sure that there's some way to measure the impact of the money, through higher sales of your product.

3. Channel Selection

An organisation can select one or more channel alternatives. The firm can do market testing and experiment with the channel alternatives. Two factors that affect the final selection are – the reach of the intermediaries to the customers in the target market and economic viability in the channel.

Intermediaries consider the some or all of the below factors before getting into a relationship with a producer-

- Profit margin
- Effect on or reaction from other channel members
- The new product category relative to the other products the intermediary helps distribute
- Manufacturers brand image and relationship with other members in the market
- Costs involved in functions like storage, promotion, etc.

A firm can choose one or more channels basis its objectives and geographic location of the target markets. Lesser the conflicts between channel members helps in efficient and effective distribution network. There could be situations that a conflict arises when a manufacturer opens a factory outlets in addition to other channel network. Here the customers benefit from a reduced price and manufacturer can increase the profit margin to the intermediaries because of increase in sales.

It requires careful consideration of various factors before final channel selection. After all the intermediaries represent the manufacturer. Customers create an image about the manufacturer through the service they receive from the intermediaries.

An organisation has to constantly revise its channel strategies and make changes with the change in needs and wants of customers.

4. Evaluation of channel

The evaluation process involves study of costs involved, time constraints relevant to channel development, availability of channel members, political and legal constraints, functions and control of the channel members. This process is very critical and requires expert planning. For example, in intensive distribution at retail outlets, the costs may go up but there is also a great possibility of high sales turnover. In contrast, in the presence of a broker, the organisation will need to invest in promotion activities to create awareness of the product. Personal selling gives the organisation control on its selling efforts.

The channel implementation usually takes a long time to generate the desired results. The firm has to decide on a channel that can be developed in the shortest period and is effective. A good product of customer's choice lying in the stores just adds to costs and losses to the organisation.

The organisation also needs to consider the control factor over the channel members. In VMS (vertical marketing system) the member which has authority over all the member can be the manufacturer, wholesaler or the retailer. As independent members try to force their influence to meet their objectives, there is always a possibility of conflict and powerful channel member influencing the other. The manufacturer controlled channel gives the manufacturer control over the prices, customer service, market coverage, etc. Sometimes the market leaders (competitor) control the intermediaries, and threaten to withdraw their products for selling competitor products. An organization has to closely study the intermediaries of the competitors. If both the rival firms sell through the same retailer, intermediaries often influence sale of a product that gives them higher profit margin.

Legal and political constrains need careful consideration for channel development. Every state and region has local laws that can interfere with the channel functions. Similarly the firm has to outline the terms and conditions on various aspects of rights that can be given to the intermediaries.

5.10 MANAGING RETAILERS, WHOLESALERS, FRANCHISERS

Q10. Write about the Managing Retailers, Wholesalers?

Ans :

I) Managing Retailers

According to the English dictionary, 'retail'; is derived from the term 'retailer', which seems to be a French word meaning 'to break bulk'. In broad terms, that is what a retailer does very well. To illustrate, the retailer buys a carton/case/box of Britannia Tiger biscuits from the distributor, but sells a packs of 100 gm, and not the whole carton, to the consumer. The term retailer also implies that he deals directly with the end-user or consumer. Being the last link in the distribution channel by which the manufacturer reaches the end user consumer, the retailer has more knowledge of the customer's aspirations and needs and can influence the end user buying decisions.

Definition of Retailing

Any business entity selling products and services to consumers is 'retailing'. The goods may be sold in a shop, in person, by mail, on the internet, telephone or a vending machine. It could be sold in a shop, on the street or in the home of the consumer. Just as for products, retail also has a life cycle. Newer forms of retail come up to replace the old – this is faster in the Western World, but not so much in India.

Retailing includes all the activities involved in selling or renting consumer products and services directly to ultimate consumers for their personal or home consumption. Ultimate consumers make most of their purchases in retail stores, which are independent of the producer.

Retailing Functions in Distribution

In general, retailers perform four distinct functions. They participate in the sorting process by collecting an assortment of goods and services from a wide variety of suppliers and offering them for

sale. They provide information to consumers through advertising displays and signs and sales personnel.

They provide marketing research support to other channel members. They store merchandise, mark prices on it, place items on the selling floor and otherwise handle products.

Generally, they pay suppliers for items before selling them to final consumers. They complete transactions by using appropriate store locations and hours, credit policies and other services.

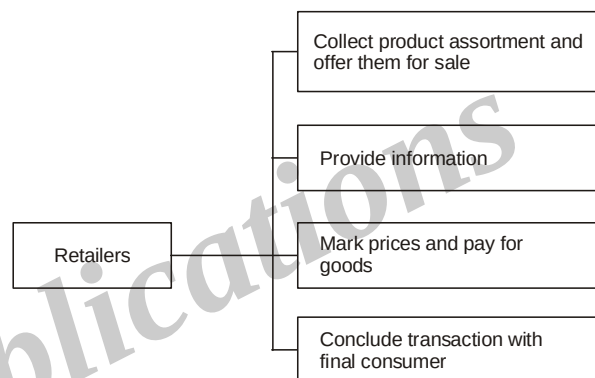


Fig.: Functions of Retailing

Role of Retailers in Distribution of Goods

Retailers buys goods from wholesaler and sells them directly to consumers. Thus he acts as a direct link between the wholesaler and consumers. His role in distribution of goods is enumerated below :

1. Wide choice to consumers

The retailer anticipates needs of consumers. He assembles goods from different sources and stocks of different varieties of products. Thus, he offers a wide choice to consumers. They can buy according to their purchasing power and requirements.

2. Availability of Goods in Small Quantities

A retailer provides ready supply of goods so that consumers can buy conveniently and quickly in small lots without any inconvenience of placing advance orders and

waiting for supplies. By ensuring uninterrupted and fresh supply of goods, he saves consumers from the botheration of buying goods in bulk and storing them.

3. Home Delivery

A retailer transports goods from wholesalers to ultimate consumers. Some retailers provide free home delivery service to their consumers. Thus they create place utility.

4. Assurance of Regular Supply

He maintains adequate supply of goods so that consumers are sure of getting regular supply at the time of their need.

5. Credit Facility

Although retailers mostly sell goods for cash, they also supply goods on credit to their regular customers.

6. Close Interaction with Customers

A retailer brings new products to the notice of customers and educates them in their uses. A retailer thus, acts as a friend and guide to his customers. Indeed his interaction with customers is of intimate personal nature and thus he is able to provide feed back to wholesalers and manufacturers about consumers' preferences.

Importance of Retailing

Retailing is the last step in the distribution process. Retailers are the most common means by which products are delivered to customers. Retail distribution is an important economic activity in developed nations. This can be understood from two main aspects. First, it is a means of providing goods and services to consumers and second, it is beneficial to other channel members in the distribution channel. Thus, the importance of retailing can be studied in terms of its value to consumers and to other channel members.

A) Importance to Consumers

Technological developments in industry and agriculture have increased production levels and reduced their costs. Distribution in general, and retailing in particular, has enabled manufacturers to transfer the cost advantages of technology-based

production to consumers, who are extremely fragmented. In underdeveloped countries, where the standard of living is low, retailers are the sole link between manufacturers and consumers. Retailers act as buying agents for consumers. They add value to the distribution process by ensuring that the consumer gets the right product, at the right time and at the right place. As a buying agent, the retailer performs many useful activities for the consumer. These include - inventory management, providing value, added services and product variety, breaking bulk and disseminating information.

1. Inventory management

Retailers act as a means to transfer goods and services from manufacturers to consumers. They bear the costs of storing products, so that customers do not have to stock essential products and incur resulting costs. Retailers do the stocking their stores and the consumer can shop at convenience.

2. Value-added services

Apart from providing consumers this convenience, retailers provide value-added services that benefit them. Examples are free home delivery and facilitating transactions by allowing consumers to pay for products and services through credit cards and by installments. Retailers also provide loans to enable consumers to overcome temporary financial crunches.

3. Product variety

Retailers have the advantage of selecting the best products from a range of manufacturers. This enables them to display a wide assortment to suit the needs and tastes of different customers. At the same time, it gives customers an extensive choice in product selection.

4. Breaking bulk

Another important function of retailers is that they make purchase easier by selling products in small quantities. Retailers purchase goods from manufacturers in bulk and convert them into smaller units to suit consumers. In less developed countries with lower disposable incomes, consumers buy products in very

small quantities. The retailers help by breaking bulk into smaller units. This also facilitates easier transportation of goods to the consumer.

5. Disseminating information

Retailers disseminate information about different products in the market. Advertising through the media is not enough for customers to get sufficient information about products. Retail stores, through in-store displays and sales personnel, disseminate information about new products launched in the market.

B) Importance to other Channel Members

Variations in consumer needs and demands mean that manufacturers have to produce an endless assortment of different products. So that this endless cycle can be kept, going, it is necessary that there is a continuous flow of products from manufacturer to consumer. Retailers not only make products available to consumers, who are geographically dispersed, but also act as a source of information to manufacturers about consumer requirements. Manufacturers seek retailer's help to gather information about consumer tastes and preferences. They also obtain information on product quality and usage. Manufacturers use this information to modify existing products and launch new products.

This information is valuable because retailers enjoy the advantage of having direct contact with consumers. Further, retailers assist manufacturers to streamline and specialize production so that different products can be made available according to change customer tastes. This helps manufacturers gain higher profits.

Retailers too share the risks associated with product distribution with other channel members. It includes physical risk to product (due to damage during transportation or storage) and technological risk due to product obsolescence.

C) Source of Employment

Retailing is a labour-intensive activity and employs a large number of people. It accounts for 15-20 per cent of the total workforce in developed nations. Retailing is also a major employment sector for women. In the European Union approximately 55% of employees in the retail sector are women.

The retail sector has significantly impacted employment in India as well. The organized retail business in India is worth about \$3 billion and is expected to be a fast growing business segment. With increasing economic growth and improved standard of living, consumption levels are set to reach never-before levels. This will be a boon for the retail sector.

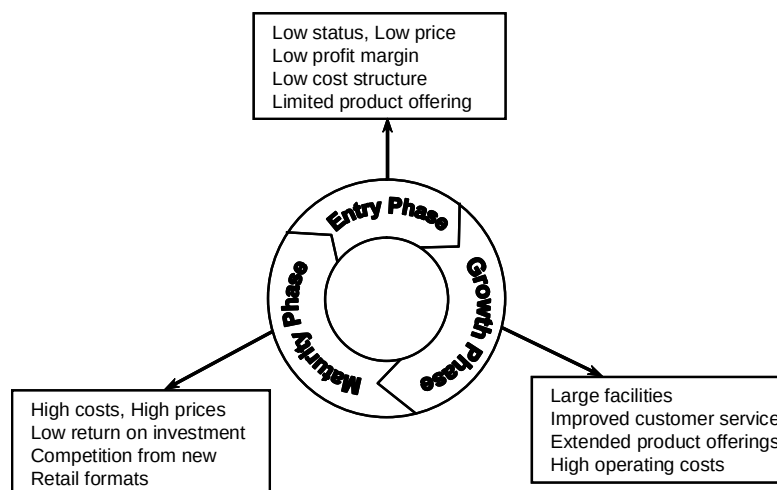


Fig.: The Wheeling of Retailing

II) Wholesaling

Wholesaling, also known as distributing, is an intermediate stage between the origin of a good or service and its ultimate distribution to an end user through retail trade channels. Despite the emergence of so-called wholesale clubs aimed at the consumer market, wholesale trade typically involves business-to-business transactions. Traditionally, wholesaling is associated with physical product distribution, but wholesale markets also exist for other economic sectors such as energy and telecommunications services.

Types of Wholesaling

It is important for a marketing manager to understand the role wholesalers play in a distribution system, what functions they provide, and the strategies they use. Each of the ten major types of wholesalers is discussed below :

1. Merchant Wholesalers

These wholesalers own (take title to) the products they sell. For example, a wholesale lumber yard that buys plywood from the producer is a merchant wholesaler. It actually owns - takes title to - the plywood for some period of time before selling to its customers.

2. General Merchandise Wholesalers

These are service wholesalers who carry a wide variety of nonperishable items such as hardware, electrical supplies, plumbing supplies, furniture, drugs, cosmetics, and automobile equipment. These wholesalers originally developed to serve the early retailers - the general stores.

3. Single-line (or general-line) Wholesalers

These are service wholesalers who carry a narrower line of merchandise than general merchandise wholesalers. For example, they might carry only food, wearing apparel, or certain types of industrial tools or supplies. In consumer products, they serve the single- and limited-line stores. In business products, they cover a wide geographic area and offer more specialized service.

4. Specialty Wholesalers

These are service wholesalers who carry a very narrow range of products - and offer more information and service than other service wholesalers. A consumer products specialty wholesaler might carry only health foods or oriental foods instead of a full line of groceries.

5. Cash-and-carry Wholesalers

These wholesalers operate like service wholesalers - except that the customer must pay cash. Some retailers, such as small auto repair shops, are too small to be served profitably by a service wholesaler. So service wholesalers set a minimum charge - or just refuse to grant credit to a small business that may have trouble paying its bills.

6. Drop-shippers

These wholesalers own (take title to) the products they sell - but they do not actually handle, stock, or deliver them. These wholesalers are mainly involved in selling. They get orders - from wholesalers, retailers, or other business users - and pass these orders on to producers. Then the producer ships the order directly to the customers. Because drop-shippers do not have to handle the products, their operating costs are lower.

7. Truck wholesalers

These wholesalers specialize in delivering products that they stock in their own trucks. By handling perishable products in general demand - tobacco, candy, potato chips, and salad dressings - truck wholesalers may provide almost the same functions as full-service wholesalers. Their big advantage is that they deliver perishable products that regular wholesalers prefer not to carry.

8. Mail-order Wholesalers

These wholesalers sell out of catalogs that may be distributed widely to smaller industrial customers or retailers who might not be called on by other middlemen. These wholesalers operate in the hardware, jewelry, sporting goods, and general merchandise lines.

9. Producers' Cooperatives

These wholesalers operate almost as full-service wholesalers - with the "profits" going to the cooperative's customer-members. Cooperatives develop in agricultural markets where there are many small producers.

10. Rack Jobbers

These wholesalers specialize in nonfood products sold through grocery stores and supermarkets - and they often display them on their own wire racks. Most grocers don't want to bother with reordering and maintaining displays of nonfood items (housewares, hardware items, and books and magazines) because they sell small quantities of so many different kinds of products. Rack jobbers are almost service wholesalers - except that they usually are paid cash for what is sold or delivered.

Functions of Wholesaling

Wholesalers are intermediaries who buy from producers or from other wholesalers and sell to retailers. They usually do not sell in significant quantities to ultimate consumers. Wholesalers perform the functions as Wholesaling Manager, Negotiating with suppliers, Does the promotion, Product Handling, Inventory and Data processing, Security, Pricing, Financing and Budgeting, and Marketing Assistance to clients.

1. Wholesale Management

Planning, organizing, staffing and controlling wholesaling operations.

2. Negotiating with Suppliers

Serving as the purchasing agent for customers by negotiating supplies.

3. Promotion

Providing as sales force, advertising, sales promotion and publicity.

4. Product Handling

Receiving, storing and stock keeping, order processing, packaging, shipping outgoing orders and materials handling.

5. Inventory and Data Processing

Controlling physical inventory, book keeping, recording transactions, keeping records for financial analysis.

6. Security

Safeguarding merchandise.

7. Pricing

Developing prices and providing price quotations.

8. Financing and Budgeting

Extending credit, borrowing, making capital investments and forecasting cash flow.

9. Marketing Assistance to Clients

Supplying information about market and products and providing advisory services to assist customers in their sales efforts.

Classification of Wholesalers

Wholesale is the process of production products in bulk for resellers. Wholesaling is the important factor of today business and huge containers and cargoes are sent having bulk products from various products. Re-sellers resale these wares after boxing and assembling individuals patches families of wholesaling worldwide.

➤ Whole selling is considered a wide measure of business in the world, and it is essential to classify this process on account of several views.

1. Inventory Location
2. Level of service
3. Promotional Levels
4. Type of Wares

➤ Stock List Localization

Wholesaler's products can be stored on the base of position of stock that can either non-stationary or fixed. The middle man in the wholesale process has fixed patches where he keeps the list of stock. The list of stock is known as wholesale in business term that can be divided in accordance to customer set localization and unreachable set location of customers.

Customer can also contact to these set of localization to discover productions and place order. End users are not allowed to see the products saved in the merchandise house. When we talk about non-stationary locations, stock is kept transferring from one location to another by mobile ways.

➤ **Promotional Levels**

Many firms prefer to hire the services of wholesale dealers so that they can resolve stock issues in their business. It originates specific advancement that wholesalers trade to business sectors.

➤ **Type of Products**

The types of the wholesaling business can be classified on the base of products that they sold. These types are split into million cases and each of product type come into either special ware or general ware.

Virtually, each character of merchandise from clothing to garments, dress ware, dressing ware, children production, jewelry and home audio are traded in wholesale process. While in the specific ware category, different types of particularized merchandise are sold like automobile pieces and electronic factors. These products are usually sold to business enterprises.

➤ **Point of help**

Many wholesalers offer great scopes to the retails and different business sectors. These savings include bargaining options, supply of price book, character check, ware review and other things. Some wholesalers do not offer any type of services. There is the strong relation between the wholesalers and retailers as wholesalers get benefit from them.

Q11. Explain about Franchisers.

Ans :

Franchising is a contractual and legally binding agreement between a franchiser and a franchisee. A franchiser may be the owner of a trademark or a trade name, a producer of goods or a service provider. He gives the franchisee the right to do business using his trademark, trade name, product,

or service. In running his business, the franchisee abides by the specifications laid down by the franchiser in a contract binding the two parties. This agreement is also known as a franchise or license agreement. The franchisee obtains the license to do business by paying the franchiser an initial amount and setting aside a definite portion of his monthly sales for the franchiser.

Major Types of Franchising

There are three major types of franchises – product distribution franchise, business format franchise, and trade franchise.

In a product distribution franchise, the franchisee is allowed to distribute, the manufacturer's product in a wholesale or retail form. The terms of the franchising agreement do not allow the franchisee to make any changes in the product format and the product has to be sold in a specified geographical area. The franchisee utilizes the franchiser's product, service and trademark for selling. Automobile dealers of petrol, gas and diesel are examples of product distribution franchises.

The second type of franchise is called business format franchise, where the franchisee has the freedom to modify or make changes to the franchiser's product or produce a new product under the license of the franchiser. The franchisee uses the trademark of the franchiser along with his methods of production, quality control mechanisms, marketing plans, operational standards and so on. In this type of franchising too, the franchisees operate in a designated market area. Fast food outlets such as McDonald's and ice cream parlors such as Baskin Robbin's are examples of business format franchises.

The third type of franchise is the trade franchise, in which the franchiser allows the franchisee to use his trade name or license for the products manufactured at the franchisee's plant. The franchisee after producing the products has considerable freedom to sell them in a predetermined market area. Soft drink bottles are examples of this type of franchises.

Advantages and Disadvantages of Franchising

Franchising has several advantages and disadvantages for both the franchiser as well as the franchisee.

A) Advantages to the Franchiser**1. Low Capital and Low Risk**

Franchising helps a franchiser to penetrate new markets. The franchiser can add on to his number of distribution outlets and improve his business on the basis of capital obtained from the franchisee. This allows the franchiser to utilize his capital to improve other aspects of the business, like enhancing the manufacturing capacity.

2. Speedier Expansion

The company grows faster, since new distribution outlets have been added in the form of franchises. Such speedy expansion would not be possible for companies handicapped by limited capital.

3. Extended Market Penetration

The speedy expansion due to the addition of distribution outlets helps the franchiser to enter and capture new markets before its competitors can gain a stronghold in them.

4. Motivation of the Franchisee

Since the franchisee invests capital in the business, the motivation of the franchisee to succeed is high. It has been observed that franchisee businesses have a higher success rate than company-owned or non-franchisee types of businesses. The success of the franchisee in the business directly affects the profits of the franchiser. Thus, the franchiser also benefits with improvement in the franchisee's business.

5. Controlling the Quality

Quite often, when business expands, it becomes difficult for a marketer to focus on quality management issues. This results in poor quality output of products and services. However, in franchising, the franchisee takes care of the day-to-day operations of the business, leaving the franchiser with enough time to concentrate on issues related to quality and standardization of products and services.

Disadvantages to a Franchiser**1. Business Control**

The franchiser runs a risk by agreeing to do business with the franchisee because any negligence or failure in maintaining quality standards on the part of the franchisee will have an adverse impact on the franchiser's business or brand image. Moreover, the franchising agreement made with the franchisee should be devoid of any loopholes or flaws that would benefit the franchisee. Failure to have a strong franchising agreement can lead to the franchiser's loss of control over his business.

2. Expenses Involved

Franchising involves a lot of expenses for a franchiser such as expenditure pertaining to legal documentation during the agreement process, expenses of conducting a certified financial audit of company records, advertising expenses to attract potential franchisees and, at times, expenses incurred to fight legal battles against the franchisee. Keeping in view these expenses, franchising may not appear to be a viable option for marketers with a limited capital. Hence, before deciding to enter into a franchising agreement, a marketer has to carefully weigh these costs against the benefits that will be accrued in the form of market expansion, franchisee success rate, and so on.

3. Lower Profit Potential

Since the franchiser only licenses the franchisee to do business and the actual operation of the business is carried out by the franchisee, the franchiser gets a narrow profit percentage as royalty from the franchisee.

Having discussed the advantages and disadvantages of franchising to the franchiser, let us now discuss the advantages and disadvantages of franchising to the franchisee.

B) Advantages to a Franchisee**1. Reduced Business Risk**

The business risk involved in franchising is very low for the franchisee. Moreover, the franchising business has a higher success rate than that of smaller independent businesses. Similar independent businesses have a success rate of just 24 percent, whereas the success rate of franchisee business is about 85 percent.

2. Operational Advantages

Franchisers help franchisees by providing them tested and proven operational methods of doing business. This minimizes the potential business errors for the franchisee. Another major advantage to the franchisee, is that the franchiser constantly provides management support to ensure business success.

3. Easy Financing of the Business

Due to the high success rate of franchising, banks and financial organisations are more willing to sanction loans to franchisees than to small independent business units. In addition, the loans given by these organisations to franchisees carry a lower interest rate than those given to independent business units.

4. Entrepreneurial Benefits

The risks of entering a new business are always high. Moreover, it has been observed that more than 70 percent of new business fail. In contrast, the failure rate of franchised businesses is significantly lower at less than eight percent. The advantage to a franchisee is that he can reap the psychological advantages of being an entrepreneur without having to undertake the risk of introducing a new business concept.

5. Resale of the Business

A franchised business can be sold very easily as the buyers are generally aware of the success rate of franchised businesses. Quite often, the franchiser himself with help the franchisee in selling the business, which turns out to be a major advantage of the franchisee.

Disadvantages to a Franchisee**1. Limited Freedom**

A franchisee has to operate according to the standards set by the franchiser. These standards may sometimes cover all aspects of the business right from business hours to book-keeping methods. The necessity to abide by these standards restricts the franchisee's creativity and flexibility which he could have otherwise used in an independent business.

2. Free Payment

A franchisee has to pay a substantial sum of money to the franchiser to purchase the franchise business. This may be in the form of a one-time payment or recurring payment in the form of royalty on sales achieved by the franchisee.

3. Non-performance of the Franchiser

Sometimes, it may so happen that the franchiser loses out on the business front. As a result, he may not be able to provide any assistance to the franchisees, which is crucial for the success of the franchisee. The success of the franchisee to a large extent is dependent on the success of the franchiser.

5.11 DESIGNING CHANNEL SYSTEMS**Q12. Explain about designing channel systems.**

Ans :

Designing a suitable channel system will require defining the customer needs clarifying the channel objectives, looking at alternative systems which can meet these objectives cast of the channel and finally evaluating the various alternatives to hone in on the ideal channel system.

The channel system has to be a combination of the revenue generation or the commercial part and the physical delivery of the goods or services or the logistics/supply chain part. In some industries like engineering goods and textiles the sales part may be one entity and the delivery may be another. There may even be a third entity which is responsible for servicing.

The number of authorised service centres of automobile companies is the third kind of entity. Even the responsibility for the installation of the equipment may rest with a third entity. The channel design has to pay attention to all links in reaching the product from the manufacturer to the end user.

Stages in Channel Planning Process

The channel design and planning process is very similar to any other marketing task and has to start with segmentation putting customers in similar groups based on their needs. The second step is positioning creating the 'right' channel system to meet these customer needs.

A channel system may not be able to service all segments of customers and has to 'focus' on the ones it will address. At the development stage, one defines the roles and responsibilities of the channel members prior to actual implementation. Conflicts may arise and need to get resolved after implementation.



Fig.: Stages in Channel Planning

1. Segmentation Stage

As the name indicates, it is the clusters of customers on the basis of what each segment expects out of the channel. For example, in a pharma company there could be three segments of customers, (a) the doctors who endorse particular brands of medicines, (b) the chemists who stock and sell a large number of company branded medicines, and (c) the hospitals and nursing homes who buy the medicines for use to treat their patients. Each of these segments have got a different requirement from the company channel servicing it. This stage gives an idea of the type of channel partners the sales manager should be looking for to develop the channel system.

2. Positioning Stage

It defines the channel element which is required to service each of the segments. Each potential customer segment has a different expectation from the distribution

channel and the sale has to decide which channel partner is 'ideal' to meet these expectations and how many of them are required. At this stage the number and type of intermediaries is decided. The sales manager also defines the service objectives and flows which each of the channel elements is required to perform.

3. Focus Stage

In the focus stage, the sales manager decides only the segments that need to be addressed. It may be expensive or impractical to target all the segments. Apart from cost there could be constraints imposed by the environment, the managerial talent pool available and the competitive scenario. In the pharma illustration, which was discussed earlier, the company may decide that they will focus only on, (a) doctors in all A category towns, (b) chemists located in the main markets of these A category towns, and (c) only big government and private hospitals in these towns.

4. Developing the right channel alternative

If the channel system is being established is new, at this stage the sales manager could work out the best possible alternatives. One yardstick for this could be to carefully study the systems followed by successful existing competitors. Even the channel partners of competitors may be willing to share some information on good practices followed by their principals.

If there is an existing channel, which needs to be modified, he will have to undertake the exercise of finding the gaps between the ideal and the existing channels and understand how these gaps could be minimised.

Evaluation of Major Alternatives

It is necessary to decide on the criteria before evaluating the alternatives. The common criteria for evaluation are: cost factors, ability to control, adaptability to changing circumstances and range of products and the volume the channel is capable of handling. Briefly the factors are described below:

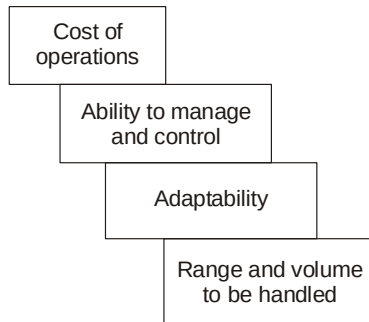


Fig.: Parameters for Evaluating Channel Alternatives

1. Cost

A company may already have a salesforce in place, which can be expanded if necessary. It is necessary to first determine if the salesforce is capable of handling the entire range of products for distribution for today's volume and for the future growth. If the salesforce is capable of this, and the company is willing to incur the cost to run the salesforce, this is the best alternative to select.

2. Ability to Manage and Control

The distribution network, though contracted like the C&FAs and distributors is still considered an extended arm of the company to reach its customers and end users of its products effectively. Such contracted partners have certain obligations to the company to run the network. The operating guidelines are decided by the company and the channel partners are to abide by these rules.

3. Adaptability

The channel system must not only be suitable to handle the current sales volumes, but also make efforts to grow the volumes and support it at the same level of commitment and involvement.

4. Range and Volume to be Handled

This is a basic requirement of the channel system. This is the ability to handle larger range of products and volumes. Of course this directly benefits the channel partner as he is compensated directly in relation to the volume of business he generates.

Motivating Channel Partners

Companies operate with ambitious volume and growth targets which require extra efforts on the part of the company salesforce and their channel partners to achieve. The channel members need to be kept highly motivated to deliver results consistently. The channel members need to be constantly reminded that they are partners of the company in ensuring that the end users are always fully satisfied.

Motivating channel members includes efforts in designing capacity building programmes, training, promotions support, marketing research and of course working along with the company sales personnel. The starting point is the understanding of the requirements and needs of the intermediaries and what can influence them to perform at the peak of their potential in delivering customer satisfaction.

Evaluating Channel Members

The performance and success of the company business depends on the effectiveness of its distribution channel. It is therefore necessary for the company to constantly keep reviewing the performance of the channel partners to ensure the highest standards of performance and help them improve where required.

The evaluation will be against targets on sales quota achievement, average level of inventory held, percentage of volume achieved by extending credit, productive calls per day, number of servicing complaints attended to and so on.

Leading companies like Nestle, Coca Cola, Colgate and HLL in the FMCG sector not only evaluate the performance of their distributors on monthly results but also keep tracking their return on investment (ROI). They assure a 30% ROI to the distributors and in case the distributor is making a ROI in excess of this, they would give additional tasks - like rural van coverage for example to bring the ROI in line with the promised 30%.

It could also happen that intense competition is coming in the way of the distributor achieving his sales quota in spite of his best efforts. In such a case the company may design special product promotions for a limited duration to support the efforts of the distributors. While the evaluation

process is meant to help improve the performance of the channel partners through counseling, retraining and motivating, in extreme cases it may also be required to terminate a partner. This alternative would be in exceptional cases only.

Performance evaluation of the channel partner is done on the same tasks which have been agreed with him at the time of his appointment. The specific targets, for each of the tasks, are decided on a periodical basis.

5.12 MANAGING CONFLICT OF CHANNELS

Q13. What is channel conflict? and its stages.

Ans :

Channel conflict is a situation of discord or disagreement between channel members from the same marketing channel system. Conflict always has negative connotations and is driven more by feelings than facts. Conflict is considered part of any social system. A channel system which brings together disparate entities to form a working relationship, is also a social system. In such a system, if one entity in the relationship is behaving in a certain way or doing some things which will directly affect the performance, of the first entity, or come in the way of its goals, a situation of 'conflict' arises.

Conflict could be the result of a) each channel member wanting to pursue his own goals, b) each wants to retain his independence, and c) there are limited resources, which all of them want to utilize in the pursuit of their goals.

Conflict is a situation where one channel member perceives the behaviour of another channel member to be impeding the attainment of its goals or its effective functioning. One school of thought believes that some functional conflict is necessary as only then will the channel perform effectively.

Some features of conflicts

- It is initially latent and does not affect the working of the channel members.
- It is not possible to detect till it reaches a level of disruption.

Stages of Conflict

Experts believe that conflicts can occur in four stages in any channel partnership. These are latent, perceived, felt and manifest. Each stage is progressively more severe than the earlier one. A brief description follows :

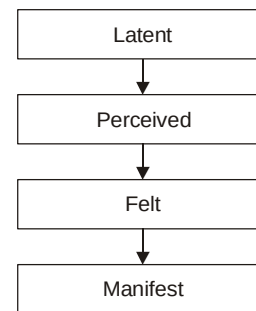


Fig. : The four Stages of Channel Conflict

1. Latent

Some amount of discord exists but does not seem to be affecting the working of the channel partners nor affecting the achievement of the customer service objectives.

2. Perceived

This is the stage where the discord becomes noticeable and the channel partners become aware of the opposition. Even at this stage, the channel members take the situation in their stride and go about their tasks in a business like manner. There is still no cause for worry, but the opposition has to be recognised.

These types of conflicts are also called as a) attitudinal conflict where there are disagreements on roles, expectations, perceptions and communications with each other; and b) structural conflicts which may relate to goals not matching, independence and lack of resources.

3. Felt

Here we are reaching the stage of worry, concern and alarm. Here the parties are trying to outsmart each other. This stage is also known as affective conflict as the channel gets affected by the discord between the players. Channel members feel upset that the other

parties do not value their 'feelings' of discontent. The cause of the discord may not always be economical but also imputed to personal motives. This stage of the conflict has to be effectively managed and not let to escalate.

4. **Manifest**

This is the last stage where the conflict has escalated to a level which reflects the open antagonistic behaviour of the channel partners who have a 'dispute'. There is an open confrontation. It could take the forms of openly opposing the initiatives taken by the other party thereby affecting the performance of the channel system.

At this stage the resolution of the conflict may require an outside intervention. Even after the resolution of the conflict, it may permanently alter the chemistry of the channel system.

Reasons for Channel Conflict

1. **Structural Factors**

Badly designed channel structure and alignment to customer segments. The use of multiple channels (direct and indirect) and the inclusion of new or emerging channels without appropriate planning.

2. **Resource scarcity**

Too many channels (or channel partners) compete for too few customers.

3. **Goal incompatibility**

The channel principal and channel partners have incompatible or misaligned goals.

4. **Poorly defined roles and responsibilities**

The channel principal and channel partners' roles and responsibilities are unclear or not matched to their capabilities.

5. **Communications difficulties**

Goal incompatibility, perceptual differences and role incongruities may be caused by communications problems.

6. **Poor channel management**

Unstructured channel management processes, such as partner recruitment, pricing structures, incentive systems and promotional strategies can all lead to channel conflict.

7. **Weak channel performance assessment**

Channel principals fail to drive the desired channel-behaviour through clearly defined performance targets and roles. Enforcement of performance standards is weak.

5.12.1 Sources of Conflicts

Q14. What are the sources of conflicts?

Ans :

There are many reasons why conflicts arise in distribution channels. Learning about them is the first step in conflict analysis. Conflicts primarily arise because of faulty channel design. The different sources of conflicts can be broadly divided into those arising from attitudinal differences and those arising from structural differences among channel members.

Structural causes arise mainly due to goal divergence or incompatibility among channel members, tendency towards autonomy and greater control by channel members and competition for scarce channel resources (financial, technological support), especially from manufacturers in multi-channel systems. Attitudinal sources arise from differences in perception, channel roles and channel communications. Unexpected changes in the competitive environment, consumers and markets, differences in economic and ideological objectives among channel members, etc. also lead to conflicts. In addition to external changes, market channel strategies adopted by channel members are also an important source of channel conflicts. Some common marketing channel strategies that become a source of conflict between the manufacturer and intermediaries are as follows:

Market Channel Strategies as a Source of Channel Conflicts

1. Bypassing strategy

Manufacturers may sometimes bypass existing intermediaries appointed by them to sell directly to customers through the company sales force or a factory outlet. This helps manufacturer save costs and cater to a larger customer base. But, it leads to great dissatisfaction among channel intermediaries.

2. Large number of resellers

Companies may sometimes permit a large number of intermediaries at various levels of the channel to sell the company's products. This can lead to over-saturation, where no dealer gets sufficient profit by selling the company's products. This leads to conflicts.

3. Channel structure

If a manufacturer has a very long channel structure involving many levels, the chances of conflicts are higher. This is because the greater the number of intermediaries, the greater will be the goal incompatibility among them.

4. Equal importance to all channels

Manufacturers may give equal importance to all channels of distribution in terms of resources and time. But, this may lead to conflicts when one channel member may view another as inferior and not worthy of sharing the same amount of resources and support from the manufacturer. This will act as a source of conflict.

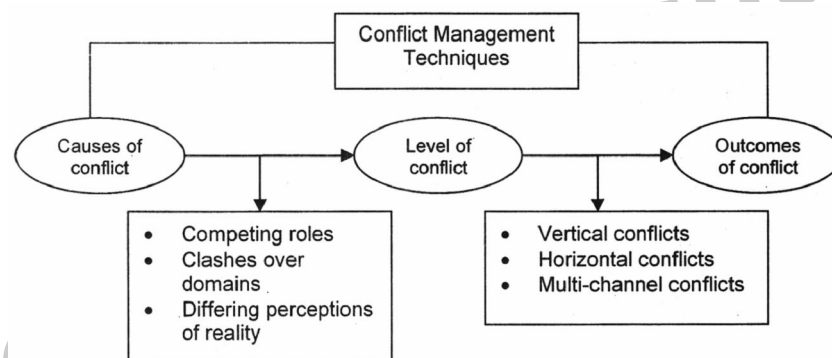


Fig.: Channel Conflict Model

Now we will discuss some prevalent sources of conflicts in distribution channels. They are goal incompatibility, differing perceptions of reality and clashes over domain.

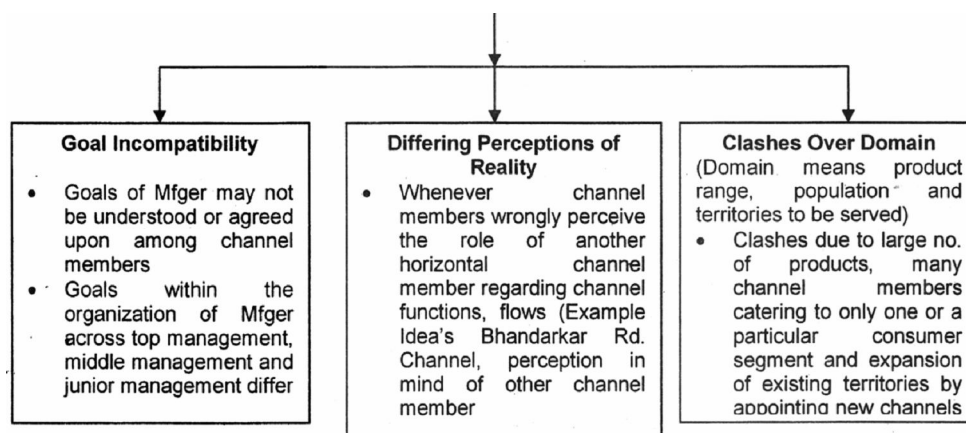


Fig. : Sources of Channel Conflict

1. Goal in Compatibility

The objectives of the company and its distributors may not always match. In situations of intense competition, the company would like the distributor to enhance his inputs to his customers like :

- Increase frequency of market visits.
- Provide a salesforce for full market and outlet coverage.
- Extend more credit.
- Part with some of his margin to offer discounts and sell more.
- Keep more stocks.
- Work markets with ready stocks.

All these inputs may increase the sales of the company products but will reduce the profitability of the distributor. There is a clear-goal incompatibility here between the firm and its channel partner.

2. Difference in perception

The marketing and salespeople in the company are always optimistic of the sales volumes as they have been planning for it. They try to 'force' this enthusiasm on the distributors or stockists to persuade them to stock more. The distributors may want to watch the results before committing more working capital. The conflict of perception arises between them.

3. Clashes over Domains

Conflicts in marketing channels stem from the domain definition and the extent to which other channel members accept it. The domain of channel members consists of three elements. They are product range, population and territories served, and functions or duties to be performed. Differences in domain will automatically lead to conflicts among channel members.

(a) Product range

Handling a large number of products leads to reduction in loyalty among channel members. Distributors cannot show the same level of loyalty towards the products of all manufacturers. This variation in loyalty will lead to conflict of interest between manufacturers and distributors.

(b) Population and territory coverage

When there are many channel members catering to a particular consumer segment, conflict over customer accounts and territory coverage is bound to arise. Channel members may service certain accounts and other channel members may compete for the same accounts. Unless clearly defined in the terms of the contract, channel members do not prefer to share accounts with other channel members who have recently joined the channel. Hence, it is necessary for manufacturers or suppliers to specify territories for channel members.

(c) Performance of channel functions

In a channel, members are expected to perform certain functions based on interdependence and common expectations. Sometimes, channel members may feel that they are being asked to reciprocate by performing functions incompatible with their organizational goals. This happens when channel members prefer to undertake only channel functions that help them attain individual goals. As these goals are not common to all channel members, functional conflicts arise. For instance, manufacturers have a strategic outlook towards marketing their products, while retailers concentrate on operational aspects. For example, let us consider the product refund policy. To avoid inconvenience of operations, retailers may not train their personnel to identify whether a product returned is genuinely faulty, and then refund customers. Owing to this lacuna, manufacturers will face losses when many products are returned and retailers have to be compensated. Thus, a difference in roles among channel members causes conflict.

Q15. How to managing channel conflict.

Ans :

Some channel conflict is the result of emerging new channels such as the Internet. While excessive channel conflict can cause destructive behaviour, the solution is not in simply eliminating all channel conflict, but includes:

- Optimizing market coverage
- Managing conflict constructively

It is necessary to determine whether the decline in channel performance is:

- A result of conflict with other channels
- Destructive to overall profitability

In these circumstances, strategies to manage channel conflict include:

1. Designing the channel structure to reflect the products/services being sold, customers' needs, locations, customers' buying behaviours and the profitability of each transaction;
2. Establishing mutually agreeable and aligned business goals with the channel partners.
3. Effective communications - Take every opportunity to communicate with channel partners, eg include channel partners in business planning events.
4. Segment customers and align channels according to their ability to meet specific customer segment needs.
5. Encourage specialisation among channel partners, and create customer segment specific campaigns and align these with specific channels;
6. Clearly define channel roles and responsibilities, and use pricing solutions, rebates and incentives to encourage desired performance;
7. Develop specific channel products or offers which are not available to all channels;
8. Check behavioural performance through role audits, and regularly monitor channels for early warning signs of damaging behaviour;
9. Ensure that partner agreements are clear and exercise your rights when necessary.

Styles of Conflict Resolution

Kenneth W Thomas has spelt out five kinds of conflict resolution styles.

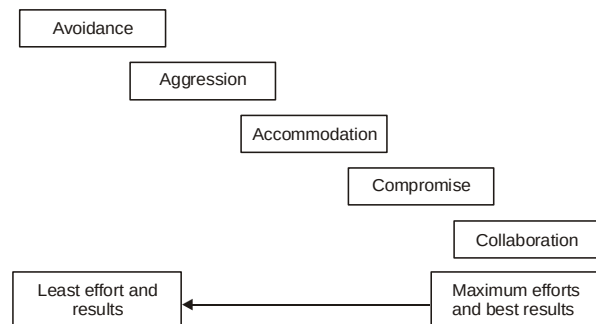


Fig.: Styles of Conflict Resolution

They are explained further as under :

- **Accommodation:** a situation of complete surrender. One party helps the other achieve its goals without being worried about its own goals. Obviously this method strengthens the relationship. The emphasis is on full co-operation and could result in the other party also becoming flexible in its approach. If not handled properly, it could result in exploitation of the benevolent situation. On the other extreme, it can lead to exploitation of the party willing to be accommodative.
- **Collaboration or problem solving:** this route tries to maximise the benefit for both parties while finding a solution to the dispute - a win-win approach. This approach requires a lot of time and effort to succeed. Both sides should be prepared to share sensitive information for this approach to work.
- **Compromise:** A solution where both parties agree to give up some of their requirements and find a mid-way solution. Can only work with small and not so serious conflicts.
- **Competition or aggression:** this means being concerned about one's own goals without any thought for the others - a purely selfish style. Long term results could only be detrimental to the system.
- **Avoidance:** used by weak channel members. This can only happen where the relationship is not of much importance and the problem is postponed or discussion is avoided. As there is no serious effort on getting anything done, conflict is avoided.

5.13 MANAGING INTERNATIONAL CHANNEL OF DISTRIBUTION

Q16. Explain about managing international channel of distribution.

Ans :

The past decade has seen a number of changes in the global situation. Chief among these are the opening up of Russia, India and the eastern European countries and the emergence of China as a major market. The signing of the WTO has opened up many new areas to freer trade such as agriculture, textiles and services.

The Nature of International Markets

International markets vary in terms of their level of development at one end you have affluent and highly developed markets such as the US and the western countries and on the other there are markets that are very poor and undeveloped such as a few countries in Africa.

Each of these offer opportunities for different reasons highly developed markets due to their high levels of consumption and also because of their high cost of manufacture and the poor undeveloped countries due to their lack of industries and infrastructure. The types of products, which will be sold in each of these markets, will differ depending on the level of development.

Today, countries like the US, Japan and Korea outsource the manufacture of products to countries like India due to the lower cost of production. India is today a global manufacturing base for many automobile manufacturers like Hyundai, Suzuki and Ford, which are marketing their products, made in India, globally.

Many other manufacturers like GM, Volvo and others are sourcing components for their global operations from India. Large international pharmaceutical companies are using India as a source for many of their drugs. India is also a global source for many leading garment brands.

The main feature to note is that global manufacturers and traders will move to outsource

products to areas where there is a definite cost advantage without the loss of quality. This trend has accelerated in recent years, resulting in a boom in countries like China, India and countries of south east Asia.

Many small and medium companies are unable to take advantage of this boom as they do not have an understanding of selling in International markets. This chapter aims to provide an understanding of this aspect of business.

Elements to Choosing the Market

This is a very important element in international marketing. Some of the factors to be borne in mind while choosing the market to enter are :

1. The size of the market
2. The language and culture of the market
3. The competition in the market
4. Proximity of the market, and
5. Political and financial stability of the country.

While size of the market is an obvious attraction, the manufacturer must bear in mind that all large markets will inevitably be more competitive as every manufacturer wants to get a slice of the market. The US and, more recently, India are good examples of large markets that are very competitive. Small manufacturers may find it difficult to service the large markets and would be comfortable in choosing small markets.

Language and cultural affinity is very important in international markets. Indian companies will find it easier to do business in the neighbouring markets like Sri Lanka, Bangladesh, Nepal and the Middle East, due to easy communication and similarity in cultures.

Political and financial stability of target countries is a very important factor to be considered while choosing the markets. In today's context, doing business in Iraq or Afghanistan is probably very risky as the countries are very unstable both politically and financially. The same would hold true though to a lesser extent with Pakistan.

Important Factors in International Business**1. Culture and International Business**

Culture is a very important factor in international marketing. Culture encompasses everything from the way of thinking and doing business to the consumption patterns of the population. Understanding of the culture is important as it gives vital clues on how to do business in these countries in the best possible way.

a) Culture dictates the mode of dealing

For example in the US and western countries, they are forthright in communicating their inability to accept the products, whereas in eastern countries there are more circumspect. Aspects such as keeping time, the formalities and courtesies in doing the business, the negotiation process and even dressing vary from culture to culture and need to be understood to succeed. In eastern countries people are not very punctual and this can be an irritant to many Westerners. There have been instances where software engineers, sent for on site work, have been sent back due to their inability to observe the basic dress regulations in the client's office.

b) Language is a very important aspect of international business

In many countries knowledge of the local language is a must for doing business. It is important to bear in mind that meaning of terms and words vary with the language and culture. This is very important in communication including mass communication like advertisements and promotions, and brand names. When TATA was selling trucks in Africa, most people were very fond of the name as it meant "grandfather" in many local languages and hence was easily recalled.

c) Culture also influences the usage of a product

A motorcycle or a bicycle in the west is a recreational product while in India it is a means of transport. This naturally will influence the way the product has to be positioned and marketed.

2. Legal Aspects of Doing International Business

Whenever business is transacted between two companies in different countries, one important aspect that comes up is the knowledge of law that prevails in case of a dispute. Generally, these are clearly spelt out in the contract document, but even so, it can be messy and expensive at times.

An important aspect of business these days is the protection of intellectual property rights. Many countries including Thailand, India and China have laws that are either lax or not well enforced resulting in infringement of copyrights and losses to the original manufacturer.

The Indian Patent Act is being amended and will soon protect product patents rather than process patents, which it protected so far. This will be welcomed by the large MNC drug manufacturers who claim that they have suffered greatly due to the lack of this facility. Designs, trademarks and copyrights are all protected under international laws and infringements can invite heavy penalties. Selling copycat products and passing them off as originals will no longer be viable.

3. Risks Involved in Doing Business Internationally

The two main risks involved in doing business internationally are political risks and commercial and financial risks. Political risks are those risks that involve disruption of contracts or payments due to sudden political developments such as coups, and wars. As a consequence, contracts may be cancelled, payments withheld, businesses expropriated and so on. There have been situations where after having supplied goods as per contract, payments were delayed due to coups. In some instances, the goods supplied were looted in the political upheaval, but due to documentary evidence available and some persuasion, the payments were released.

A number of Indian companies, which had contracts with Iraq before the Gulf war in the 1990's, had to abandon the contracts half way through due to the outbreak of war. They were subsequently compensated by the government of India through the ECGC. Financial risks involve the failure of the buyer company to pay as per contract due to bankruptcy. Commercial risks involve the sudden

change in the situation in the buyers' country like a sudden shortage of foreign currency to pay the invoices, although the equivalent local currency may be available.

A trader/importer in an African country faced a situation wherein he was unable to pay for his imports and release the goods from customs due to the sudden failure of the BCCI in the 1980's.

The importer had his account with the BCCI and the documents from the seller were sent to the bank, which had suddenly closed. The money in his account was also frozen. While such situations may not be common, these risks are higher when dealing with foreign countries where one may not have all the information about various developments.

Distribution in International Sales

Distribution plays a vital role in the success of the sales effort, by ensuring the availability of the product in the right quantities, at the right time and at the right place. In international markets, the role of distribution becomes more important due to the fact that these markets are usually at a distance from the manufacturing base and it takes a considerable amount of time to transport the products to the market and involves crossing national boundaries and completion of a number of procedures and formalities. Added to this is the fact that due to cost pressures, large buyers—manufacturers or retailers - insist on just-in-time inventories.

Distribution channels vary in breadth and depth from country to country and hence there can be no universal strategy. Also, markets vary in size and importance for a company and hence the channels used may differ from country to country.

Developed markets have well established distribution structures in place as also the markups and margins at each level. In developing markets, these will have to be established by companies as they develop.

Types of Distribution Channels

In international markets, a company could choose from a variety of options depending on the product being marketed and the size and level of development of the market.

In the initial stage, a company could enter a market using a commission agent who, by virtue of his knowledge of the product and/or the buyers, could assist in getting business. Such an agent would not buy the product himself/herself but would solicit business from buyers and arrange payments to be made directly to the exporting company.

Once the business grows in volume and number of buyers, it may be necessary to appoint a distributor who would import, stock and sell the product to end buyers/users. Alternatively, a company may stock products in the destination country on its own account and using the agent, distribute the products to the end users. Many international logistics companies can offer the services of storage and delivery in foreign countries.

As business develops, a company may choose to establish its own office with a resident representative who would undertake the job of developing customers and ensuring their requirements are met.

Once the volume of business reaches a certain size, a company may be forced to consider investing in the market with a longer term perspective. This could take the form of a joint venture for distribution or manufacturing or may involve the company opting for a wholly owned subsidiary for distribution and manufacturing.

The type of distribution channel chosen would also depend on the nature of the product and its positioning. Certain products, which would be considered utility products in some markets, may be considered recreational products in others—as is the case with bicycles, motorcycles/scooters and boats. Appropriate channels of distribution will, therefore, depend on the market where the product is being sold.

Depending on the product positioning again the distribution channels will have to be different. It is an acknowledged fact that the image of the product gets enhanced or diminished depending on the image of the distribution channel. Upmarket stores will enhance the image of a product.

Legal and Social aspects in International Sales

Laws pertaining to distribution and retail trade vary between countries. While the western countries are very liberal in terms of allowing foreign companies/nationals to set up trading operations, laws in countries which are less developed tend to be more restrictive.

In India, foreign investment in retail trade is prohibited, although the government is considering allowing some relaxation in this area by permitting large chains like Wal-Mart and Carrefour.

However it is expected that these permissions will initially be with conditions on the types of products that may be sold, location and number of stores.

There may also be restrictions in terms of timings of the stores in accordance with the local laws.

In Japan, the distribution channels are very closely linked to the large business groups and they tend to be largely closed to overseas products. In recent years due to continuous pressure from the western countries, the Japanese government and industry have to some extent relaxed these conditions especially in areas like automobile dealerships, auto parts distribution and the like.

Pricing and Payment of International Trade

Pricing of products for international markets can be done on various terms.

Some of the commonly used terms are :

1. Ex Works

Price of the product at the manufacturers factory gates.

2. FOT : Free on Truck

Price of the product, packed, palletised and containerised (where applicable) and loaded on a truck at the manufacturers factory gates (including the loading charges).

3. FAS : Free alongside

At the quay beside the ship including the port charges and not including the loading charges.

4. FOB : Free on Board

The price of the product, packed, palletised and containerised (where specified) and loaded on the ship (including all the shipment port charges and loading charges)

5. C & F : Cost and Freight

FOB price of the product plus the cost of the freight to the destination (it could be a port or an inland warehouse/factory premises), but not including the charges at the discharge port and import duties and local taxes which may be applicable.

6. CIF : Cost, Insurance and Freight

C & F price plus the insurance charges from the manufacturers factory to the final destination (either a port or the importers warehouse inland) including marine insurance.

5.14 ETHICAL ISSUES IN SALES AND DISTRIBUTION MANAGEMENT

Q17. Discuss about ethical issues in sales and distribution management.

Ans :

Making ethical decisions is a daily reality in the field of personal selling. In every selling situation, sales people must judge the Tightness or wrongness of their actions.

As in any other professional field there is constant temptation to compromise personal standards of conduct to achieve economic goals. According to John F Steiner, the ability to distinguish between right and wrong is not an initiative skill. He states, "One needs to explore many avenues of thought when making ethical decisions, just as one explores many possibilities when making other business decisions".

Ethics Defined

Jaomes author of Vanguard Management, said "No company has ever gotten into financial trouble because they adhere to ethical principles".

In concise terms, ethics is the rule of conduct that reflects the character and sentiment of the community. Kickbacks and pay off may be acceptable practices in one part of the world yet may be viewed as unethical practices elsewhere.

Exaggerated or inaccurate sales claim may be acceptable at one company but forbidden at another. Ethics can also be viewed as a persons adherence to the principles of honesty and fairness.

There is no uniform code of ethics for all sales persons. However, a large number of business organisations, professional associations and commissions have established a written code of conduct for their employees. Mark Twain once wrote "To be good is noble. To tell people how to be good is even nobler and much less trouble".

A written code highly publicised throughout the company and forced without exception can be a powerful force in preventing unethical behaviour.

Factors Influencing the Ethics of Sales People

In the field of personal selling the temptation to maximise short term gains by some unethical conduct is always present. Sales people are especially vulnerable to moral corruption because they are subject to many temptations.

Local, State and Federal Laws

In the field of selling there are both legal standards and ethical standards. An ethical standard is an outgrowth of society's customs and attitudes. A legal standard is enforced by statute. Throughout the past decade there has been noticeable increase in government control and penalties for wrong doings. Business ethics got the attention of top management when federal sentencing guidelines went into effect. They provided increased fines for corporations that commit illegal acts and sentences for officers found to be responsible for the unlawful practice.

Today nearly all sales activities are subject to regulation. Some of the most common federal laws deal with price competition, credit reporting, debt collection practices, motor vehicle safety and land sales disclosure. Of course, there are also numerous state and local laws that affect personal selling.

Consumer legislation can be a two-edged sword. New laws designed to protect the consumer can result in major price increases. The automobile recall laws is a good example.

Soon after passage of major out recall legislation, the traffic safety administration registered more than twelve million recalls.

There can be different codes of conduct. The primary areas in which they can serve one :

1. Definition of Sales

The code of conduct should define the legal dimension of sales. It should clearly define the authority a sales person has in legally obligating the company he is representing.

2. Warranties and Guarantees

The code should distinguish between warranties and implied warranties. Express warranties are those that are described by the express language of the seller. Implied warranties are the obligations imposed by law on the seller that are not assumed in express language.

3. The Sales person and Reseller

In many cases the sales person has resellers as customers or prospects. Sales people must be aware of their employers obligations to the reseller.

4. Financing of Sales

Often, sales people work for firms that are directly involved in financing products or services, or in arranging such financing from outside source. A sales person needs to be familiar with the legal aspects of these credit arrangements.

5. Product Consignment

In some cases goods are delivered to the buyer, but title remains with the seller. This type of transaction can become complicated if the goods have a limited life span. Depreciation may occur with passing of time.

Primary Areas Served by Ethics of Sales Management**1. Company Policies and Practices**

Company policies and practices can have a major impact on the ethical conduct of sales people. A survey of over 400 sales people who were asked questions on ethical dilemmas, indicated that the companies policies have a significant influence on employees who are faced with ethical conflicts.

2. Sharing Confidential Information

Personal selling by its very nature, promotes close working relationships. Customers often turn to sales people for advice. They disclose confidential information freely to someone they trust. It is important to maintain confidentiality of information they receive.

3. Reciprocity

Reciprocity is a mutual exchange of benefits, as when a firm buys products from its own customers. Some business firms actually maintain a policy of reciprocity.

4. Bribery

Several years ago Xerox Corporation developed a fifteen page ethical code that says "we are honest with our customers. No deals, no bribes, no secrets, no fooling around with price. A kickback in any form kicks anybody out".

In some cases a bribe is also wrong from a legal standpoint "but in almost all cases it is wrong from ethical point of view. However, bribery does exist and a sales person must be prepared to cope with it.

5. Gift Giving

Gift giving is a widespread practice worldwide. However, some companies do maintain a "no gift" policy. At Hewlett-Packard, advertising novelties, favours or entertainment may be given to customers and suppliers under certain conditions; they are consistent with accepted business practice, they do not violate any law, government regulation or generally accepted ethical standards and public disclosure of the facts will not embarrass the company.

6. Entertainment

Entertainment is a widespread practice in the field of selling and may be viewed as bribe by some people. The line dividing gifts, bribes and entertainment is often arbitrary.

Sales people must frequently decide how to handle entertainment. A few figure entertainment as the key to obtaining new accounts. This is especially true when competing products are really the service industry. The products very little in price and quality. To win an account may involve knowing whom to entertain and how to entertain.

7. The Sales Person's Values

Values represent the ultimate reason people have for acting as they do. Values are important because they determine the choices we make everyday. There is no place to hide from your values. Everything you do reflects them. Values serve as a foundation for our attitudes and our attitudes serve as a foundation for our behaviour.

Short Question and Answers

1. Distribution channels

Ans :

A channel of distribution or trade channel is the path or route along which goods move from producers to ultimate consumers or industrial users. In other words, it is the distribution network through which a producer puts his product in the hands of actual users. The channel of distribution includes the original producer, the final buyer and any middlemen-either wholesaler or retailer.

The term middleman refers to any institution or individual in the channel which either acquires title to the goods or negotiates or sells in the capacity of an agent or broker. But facilitating agencies who perform or assist in marketing function are not included as middlemen in the channel of distribution.

This is because they neither acquire title to the goods nor negotiate purchase or sale. Such facilitating agencies include banks, railways, roadways, warehouses, insurance companies, advertising agencies, etc.

2. Wholesaler

Ans :

Wholesaler is a merchant who speculatively stores come goods not for distribution in a fair manner but in some shady manner. Present day wholesalers are mainly traders or commodity merchants who tend to support a brand during boom and withdraw support during slump. Wholesalers now a days are active agents in distribution. Marketing managers take into account their importance in setting up of distribution strategy. The aim of doing this and winning over the wholesaler is to use his influence in rural markets also to build his loyalties to the company.

More than 70 per cent of the rural markets are still beyond the reach of direct distribution, the consumer boom notwithstanding. Since, wholesale trade in India has remained largely unchanged over the years, there is a need to revitalise it.

3. Definition of Retailing

Ans :

Any business entity selling products and services to consumers is 'retailing'. The goods may be sold in a shop, in person, by mail, on the internet, telephone or a vending machine. It could be sold in a shop, on the street or in the home of the consumer. Just as for products, retail also has a life cycle. Newer forms of retail come up to replace the old – this is faster in the Western World, but not so much in India.

Retailing includes all the activities involved in selling or renting consumer products and services directly to ultimate consumers for their personal or home consumption. Ultimate consumers make most of their purchases in retail stores, which are independent of the producer.

4. Wholesaling

Ans :

Wholesaling, also known as distributing, is an intermediate stage between the origin of a good or service and its ultimate distribution to an end user through retail trade channels. Despite the emergence of so-called wholesale clubs aimed at the consumer market, wholesale trade typically involves business-to-business transactions. Traditionally, wholesaling is associated with physical product distribution, but wholesale markets also exist for other economic sectors such as energy and telecommunications services.

5. Franchisers

Ans :

Franchising is a contractual and legally binding agreement between a franchiser and a franchisee. A franchiser may be the owner of a trademark or a trade name, a producer of goods or a service provider. He gives the franchisee the right to do business using his trademark, trade name, product, or service. In running his business, the franchisee abides by the specifications laid down by the franchiser in a contract binding the two parties. This

agreement is also known as a franchise or license agreement. The franchisee obtains the license to do business by paying the franchiser an initial amount and setting aside a definite portion of his monthly sales for the franchiser.

6. Reasons for Channel Conflict

Ans :

1. Structural Factors

Badly designed channel structure and alignment to customer segments. The use of multiple channels (direct and indirect) and the inclusion of new or emerging channels without appropriate planning.

2. Resource scarcity

Too many channels (or channel partners) compete for too few customers.

3. Goal incompatibility

The channel principal and channel partners have incompatible or misaligned goals.

4. Poorly defined roles and responsibilities

The channel principal and channel partners' roles and responsibilities are unclear or not matched to their capabilities.

5. Communications difficulties

Goal incompatibility, perceptual differences and role incongruities may be caused by communications problems.

6. Poor channel management

Unstructured channel management processes, such as partner recruitment, pricing structures, incentive systems and promotional strategies can all lead to channel conflict.

7. Weak channel performance assessment

Channel principals fail to drive the desired channel-behaviour through clearly defined performance targets and roles. Enforcement of performance standards is weak.

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERBAD

M.B.A II - Year III - Semester Examination

R17

MODEL PAPER - I

ADVERTISING AND SALES MANAGEMENT

Time : 3 Hours]

[Max. Marks : 75

PART - A (5 × 5 = 25 Marks)

(Short Answer Questions)

ANSWERS

- | | |
|-----------------------------------|---------------------|
| 1. (a) Advertising | (Unit-I, S.Q.A 1) |
| (b) Electronic Media | (Unit-II, S.Q.A 8) |
| (c) Maslow's Need Hierarchy Model | (Unit-III, S.Q.A 6) |
| (d) Sales promotion | (Unit-IV, S.Q.A 1) |
| (e) Distribution channels | (Unit-V, S.Q.A 1) |

PART - B (5 × 10 = 50 Marks)

(Essay Type Questions)

- | | |
|---|----------------------|
| 2. (a) Elaborate the statement "Advertising is a form of mass communication", and describe the elements of marketing communication mix. | (Unit-I, Q.No. 3) |
| (OR) | |
| (b) Explain the importance and functions of advertising. | (Unit-I, Q.No. 4) |
| 3. (a) What is Advertising Appeal? Describe different types of advertising appeal. | (Unit-II, Q.No. 5) |
| (OR) | |
| (b) What are methods of measuring evaluation of advertising effectiveness? | (Unit-II, Q.No. 9) |
| 4. (a) What is sales management and explain the importances of sales management? | (Unit-III, Q.No. 1) |
| (OR) | |
| (b) Discuss about sales budgeting process. | (Unit-III, Q.No. 10) |
| 5. (a) Explain the concept of sales promotion. | (Unit-IV, Q.No. 2) |
| (OR) | |
| (b) What is need and scope of sales promotion? | (Unit-IV, Q.No. 3) |
| 6. (a) Explain about need for distribution channels. | (Unit-V, Q.No. 2) |
| (OR) | |
| (b) What are the steps involved in designing a distribution channel? | (Unit-V, Q.No. 9) |

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERBAD

M.B.A II - Year III - Semester Examination

R17**MODEL PAPER - II****ADVERTISING AND SALES MANAGEMENT**

Time : 3 Hours]

[Max. Marks : 75

PART - A (5 × 5 = 25 Marks)**(Short Answer Questions)****ANSWERS**

- | | | |
|----|-------------------------------|---------------------|
| 1. | (a) AIDA Model | (Unit-I, S.Q.A 3) |
| | (b) Advertising Appeal | (Unit-II, S.Q.A 2) |
| | (c) Sales management | (Unit-III, S.Q.A 1) |
| | (d) Definition of advertising | (Unit-IV, S.Q.A 2) |
| | (e) Definition of Retailing | (Unit-V, S.Q.A 3) |

PART - B (5 × 10 = 50 Marks)**(Essay Type Questions)**

- | | | |
|----|---|----------------------|
| 2. | (a) Explain the role of advertising in Indian economy. | (Unit-I, Q.No. 5) |
| | (OR) | |
| | (b) What is DAGMAR Model? Explain communication process in DAGMAR approach. | (Unit-I, Q.No. 10) |
| 3. | (a) Explain about different types of media and its merits and demerits. | (Unit-II, Q.No. 2) |
| | (OR) | |
| | (b) Define media planning, also explain steps in development of media plan. | (Unit-II, Q.No. 3) |
| 4. | (a) Explain about selling process in marketing. | (Unit-III, Q.No. 7) |
| | (OR) | |
| | (b) Discuss about recruitment of sales force. | (Unit-III, Q.No. 12) |
| 5. | (a) Explain about types of sales promotions. | (Unit-IV, Q.No. 6) |
| | (OR) | |
| | (b) Discuss about sales promotion strategies. | (Unit-IV, Q.No. 7) |
| 6. | (a) What are the channels for consumer products business and industrial products? | (Unit-V, Q.No. 5) |
| | (OR) | |
| | (b) What is channel conflict? and its stages. | (Unit-V, Q.No. 13) |

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERBAD

M.B.A II - Year III - Semester Examination

R17**MODEL PAPER - III****ADVERTISING AND SALES MANAGEMENT**

Time : 3 Hours]

[Max. Marks : 75

PART - A (5 × 5 = 25 Marks)**(Short Answer Questions)****ANSWERS**

- | | |
|---|---------------------|
| 1. (a) DAGMAR | (Unit-I, S.Q.A 6) |
| (b) Advertising budget | (Unit-II, S.Q.A 4) |
| (c) Distinction between Selling and Marketing | (Unit-III, S.Q.A 2) |
| (d) Cross Promotion | (Unit-IV, S.Q.A 6) |
| (e) Wholesaling | (Unit-V, S.Q.A 4) |

PART - B (5 × 10 = 50 Marks)**(Essay Type Questions)**

- | | |
|--|----------------------|
| 2. (a) What are the types of advertising? | (Unit-I, Q.No. 7) |
| (OR) | |
| (b) What are the functions and principles of advertising layout? | (Unit-I, Q.No. 12) |
| 3. (a) What are the methods of advertising in India? | (Unit-II, Q.No. 12) |
| (OR) | |
| (b) Discuss about misleading and deceptive advertising. | (Unit-II, Q.No. 14) |
| 4. (a) What is sales forecasting? Explain about sales forecasting methods. | (Unit-III, Q.No. 9) |
| (OR) | |
| (b) Discuss about sales force compensation. | (Unit-III, Q.No. 18) |
| 5. (a) Discuss about Personal Selling vs Advertising. | (Unit-IV, Q.No. 5) |
| (OR) | |
| (b) Explain about ethical and legal aspects of sales promotion. | (Unit-IV, Q.No. 12) |
| 6. (a) Explain about channel strategy decisions. | (Unit-V, Q.No. 8) |
| (OR) | |
| (b) Explain about managing international channel of distribution. | (Unit-V, Q.No. 16) |