

**Marketing Management - II**  
**Prof. Jayantha Chatterjee**  
**Dr. Shashi Shekhar Mishra**  
**Department of Industrial and Management Engineering**  
**Indian Institute of Technology – Kanpur**


**Lecture No. W8-L6**  
**Recap of Important Concepts II**

Hello welcome to the second wrap up session and in a way the last session of our course on marketing management II where we have discussed mainly the deployment approaches to marketing strategy through the famous model of marketing mix namely through the understanding of product price. And today we are going to discuss the second set of the so-called peace we are going to discuss place that is distribution and promotion that is integrated marketing communication.

I am Jayantha Chatterjee and I have here with Professor Shashi Shekhar Mishra. We are both from Industrial Management Engineering department of IIT Kanpur. Hello, so what we are going to discuss this product and distribution strategy little bit these we have quickly covered. I will quickly go over the slides because we have covered these points in the last session with Professor Mishra.

So, but I will make some additional interesting points which you may find useful when you think about distribution.

**(Refer Slide Time: 01:50)**



**PRODUCT STRATEGY**

**Product** Bundle of physical, service, and symbolic attributes designed to satisfy buyers' wants.

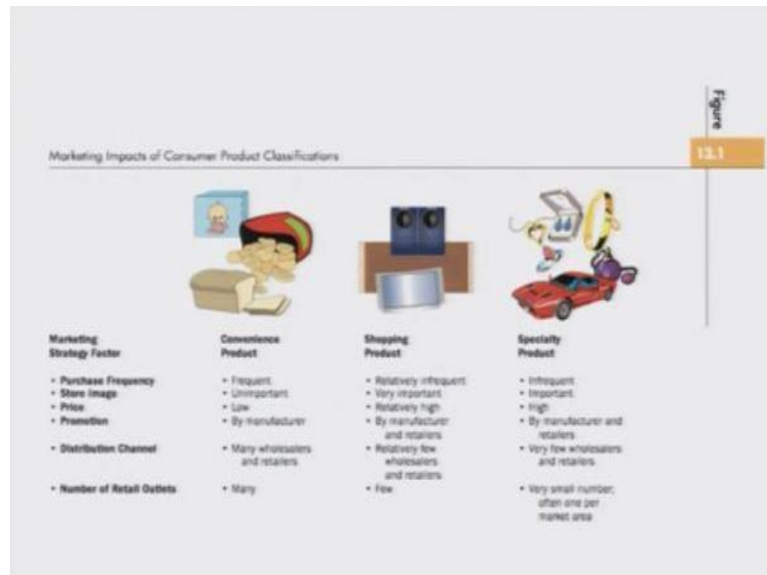
**Classifying Goods and Services**

**Classifying Consumer Goods and Services**

- **Convenience products** are items the consumer seeks to purchase frequently, immediately, and with little effort.
- **Shopping products** are those typically purchased only after the buyer has compared competing products in competing stores.
- **Specialty products** are those that a purchaser is willing to make a special effort to obtain.

So, products are bundles of physical service and symbolic attributes which are designed to satisfy buyers once but not all goods and services are the same they can be classified into three categories. We call them convenience products shopping products and specialty products.

**(Refer Slide Time: 02:10)**



It will if you look at this diagram it will become clear so if you see on the left-hand side we have these issues or rather that purchase frequency. And the value or the price that we have per unit of purchase and the distribution channel and as well as the kind of number or retail outlets that are needed so convenience products as the picture shows are things like say Bread or Atta or Rice or Chips or Wafers or other snacks or other food and beverage products.

So here this is these are products needed for our daily use so, obviously we will be purchasing it frequently the store image here is not that important on the other hand the product brand is a place a very important part. And so, you as long as you are looking what you are looking for by way of the Aashirvaad Atta or Bournvita or Lays chips and etc.

So, you do not mind as long as you see the date of expiry etc and you will buy it from any place and the price usually here each transaction value is low and promotion responsibility remains with the manufacturer and distribution will be many wholesalers many retailers so you will have a widespread distribution. So, you see the product nature has close correlation with what kind of place or distribution strategy you are going to follow take the next plot which is shopping product.

As the picture shows this can be a music system, a TV or a maybe a Fridge or something like so little bit higher value even your apparels that means dresses etc. Or shoes will come in this category here these are not purchased daily or weekly maybe once a year or twice a year or maybe once in three years or once in five years. So here store image becomes very important you see the difference here the store image is not that important.

The product image is very important here the product image is important as well as the store image is important because the buying decision often takes place at the store and the expertise of the front people frontline people the sales assistants are become very crucial. So here store image is very important because that gives you the trust that gives you the assurance for a long-term service and reliability etc.

So, the price will be here relatively high these are normally consumer durable or even high value furnishings etc. And here the promotion will have to be both by manufacturer and retailer that is why you will see if you will see there is lot of point of sale promotion and explaining the different features lot of brochures are available, lot of displays are available to highlight that what are the what the product can do for you.

In fact, the local level of the advertiser this promotion part some part of the responsibility is taken by the retailers in that particular territory where they have been absolute. So, it goes beyond the point of sale also in fact on fm radio you will often see the promotion for this kind of product being done by the local HP computer retailer or the LG refrigerator distributor and so on. And here the distribution channel there will be a few is sort of old sellers and then may be number of retailers.

Some of these retailers are exclusive and in some cases deliberately the company puts its product with such retailers who have other refrigerators. So, because the dominant player a LG or Samsung they may want their products be compared with other products. And therefore, they will go to such retailer who will have multi brands, multi manufacturers are here number of retail outlets obviously will be relatively few a quite few compared to these which will be at the every nook and corner of your locality.

And finally, we come to the specialty products these are almost like business to business products these are high value products very infrequently purchased as it shows like jewelry or

like a car. So here the store image is important the product image is very important the price is high and the promotion will be similar but here the promotion will be a lot more by the manufacturer on the other hand the retailer may do some complimentary promotion with respect to service etc.

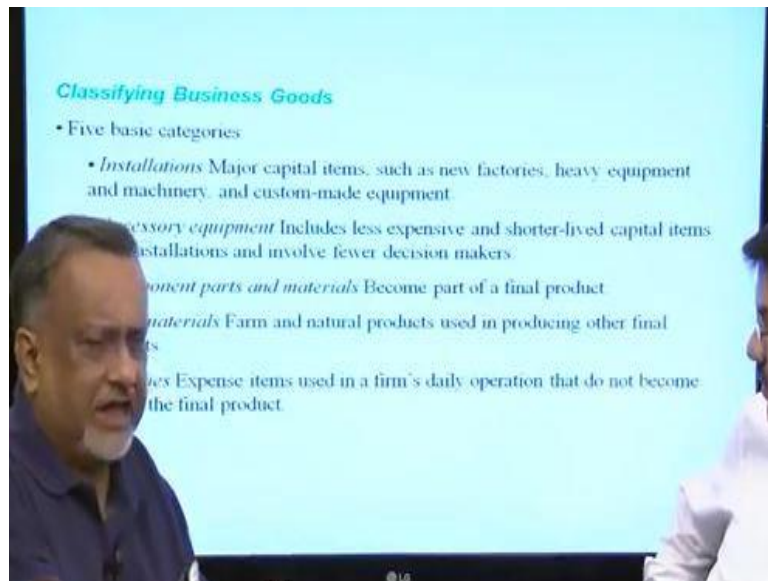
That are available or assurance that are available locally sometimes the local dealer also acts as a service person in case of cars and they provide some additional packages for service free service or annual maintenance contract and so on. Here again there will be few wholesalers and lots of I mean much lesser number of retailers compared to convenience products and on the whole the number of retail outlets will be very small even fewer than what we see here.

For example, in Kanpur I think we have only earlier there used to be only one major dealer for Ford. Now I think there are two but are there may be two for Maruti so, there will not be more than two in a very large metropolis. They may divide the whole of national capital region and Delhi in four parts and there will be eight dominant players two in each area but under whole it remains the few similarly if we actually look at business goods.

Business goods also have this category there are installation products such as you know these are capital goods which goes into fixed assets. Then we have accessories these are facilitating goods like Tables, Chairs, or Air conditioning etc. They are short lived capital items than these items these are the CNC machines or a paint line and so on. And the fewer decision makers here there may be a lot of decision makers there will be fewer decision makers here and then we have the components and parts which go and become go into the equipment itself.

So, this will be the engine block or the steering column of a car and then we have raw material and consumables. Now again here there will be different approaches to a distribution as well as to promotion. So, products like these are products this is these supplies which are required for daily operation so, this may need this may be supplied by dealers but this may be supplied by number of dealers the raw materials but as we come go up here we will see that will be more and more direct purchase.

**(Refer Slide Time: 09:57)**



So, this is the way distribution happens here in case of services also similarly the b2c or b2b serviced. Accordingly, there will be these kinds of distinctions that we have seen in case of the physical goods. So, in marketing strategy implication in b2b therefore greater emphasis is on personal selling for installations and many component parts and even customers are often involved in new product development. So, I will discuss this advertising is more commonly used to sell supply and accessory equipment these sort of the main capital goods.

They are not very advertising oriented so, if we come to distribution strategy these points I have already discussed the earlier. So far whatever the points I made these are kind of and some add on points I through we have not covered well. When I discuss the main topics in during the week four to week six but or six seventh week. So, but these points that I am going to dwell upon now are already well covered. So please refer to your week six and seven lectures and you will most of these.

So, distribution channels are basically pathways through which the legal ownership gets transmitted from the manufacturer to the final consumer or the business user and physical distribution. Therefore, is a way these that ownership transfer and happens to the actual movements of products from producer to consumer or a business user. So, we have direct distribution we have discussed this that is the direct contact between producer and consumer and this is most common in b2b markets as we have discussed.

And then we have even relatively expensive complex products that may require demonstration etc. so for example capital goods like also very high value consumer durable

we may see direct distribution but internet is helping companies to distribute directly to consumer market. Even this kind of complex products so a very high value watch may be using some latest technology like solar power or light there are some high value watches which can get power on even from normal ambient light.

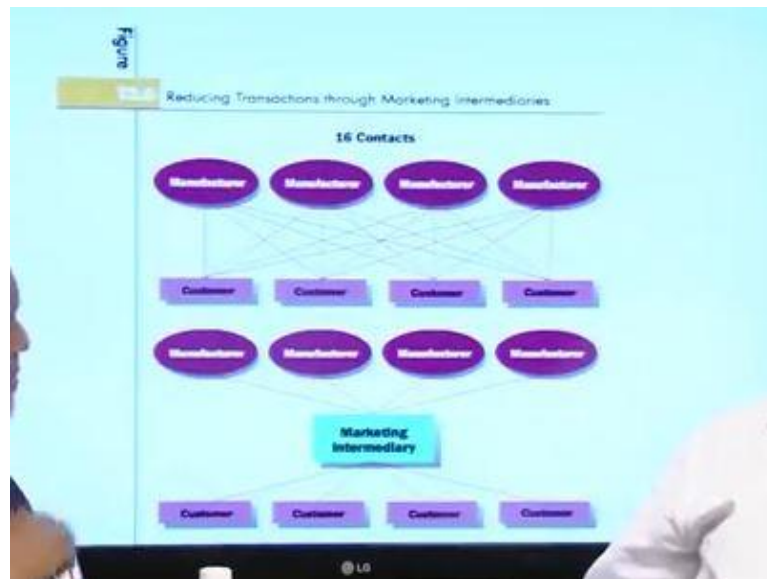
And they never need any battery replacement they get charged or there are some you know very high value watches they have perpetual motion based charging. So, their spring bond but the spring gets you dont have to wind the spring like the old watches it just gets you with your hand movement it gets spring gear in charge way. Here I would like to add even in b2b market whether this technology is helping in sales in the sense like companies have inbuilt simulations where the customers or the ingenious can go to their website.

Absolutely keeper provide the inputs to their existing process related inputs and through that simulation the company tells you like how much improvement in your productivity or how much savings in your costs or different aspects you can make the improvements by installing or by buying the new system and what will be the ROI. So, through these things also they are gaining or getting the leads for the new customers through the internet even in the beat btwob market absolute and act.

And this in b2b and even in some way in btwob high value products customers can often now use this what we call configurator software so in complex electrical panels or large automation systems and even in case of you know when you buy your computer from Dell. So, you can use this configured software you can configure your own system and you can also see pros and cons of alternative designs and make lot of decisions from before and in a way when you use these websites and use those manufacturers these software you are you become more and more amenable to buying your final product or system from them.

So, distribution channels are primarily also what we call a network of intermediaries so often they are also called channel partners or marketing partners. So, they fundamentally its purpose as we discussed it to distribute the product through wholesaler and retailer and most often used for products that sell inexpensively and thousands of customers in widely scattered locations mainly as we discuss for the convenience products.

**(Refer Slide Time: 15:12)**



And this diagram which is taken from an older version of cutler is shows the basic rationale for having distribution channel that if the customer the same customer had to buy from different manufacturers and there are these four occasions four or four customers and four manufacturer, we have sixteen transactions but if we create an intermediary who acts as an aggregator of products coming from these for manufacturers then the numbers of transactions will get reduced to eight.

This is the based on the transaction cost theory where it says that all business basically succeeds on the basis minimizing the transaction costs and that is a driving rationale for all businesses. It shows the driving rationale for why we adopt distribution so we have discussed these again also in detail about the wholesaler and then if then we have discussed that distribution channel can be this whole seller can be manufactured or owned it happens that some in some products this is happens because quite commonly in btwob markets.

Exactly because here what happens is that your own sales branch will have its own warehouse and they will be acting as a way in a way as your wholesaler interview have actually more control on your distribution net web solution absolutely. You will have a you can manage the pipeline much better you can move inventory from one location to the other location more if there is sluggish demand here and more demand at else elsewhere.

Or if there is an emergency requirement at some place for an industrial part then if you have form of manufacturer owned wholesaler wholesales arrangement then it would be easier but not normally it is independent wholesaling intermediaries. So, they represent different

manufacturers usually non-conflicting manufacturer so, the same wholesaler may have light fittings from one manufacturer fans from another manufacturer may have electrical distribution products from another manufacturer.

And so, they are actually those are performing the role of aggregation and in some cases, they may be even competing products from fitting dead competing hands can be with the wholesaler. It depends on the manufacturer's policy some manufacturers do not mind if a whole seller has competing products because they are sure about their own strength of their own products but some others actually restrict the whole selling to their own exclusive distributors.

So, their merchant wholesalers are independent and then there are full function merchant wholesaler that means they and not only provide the product but they add all those other layers augmentation through service through accessories so they are you can call them as value added resellers so also full function and then you have limited function so in India there are many limited function merchant wholesalers they are called C and F agents.

If I fundamentally they act as very large warehousing warehouses and they also may help the cash flow of the manufacturer because they basically pay lift. The product stores the product and from them the wholesalers by they retain some margin so, if they basically these people leverage availability of space and availability of working capital to offer value and then we have agents and brokers who actually have no working capital requirement because they never take the title of the product.

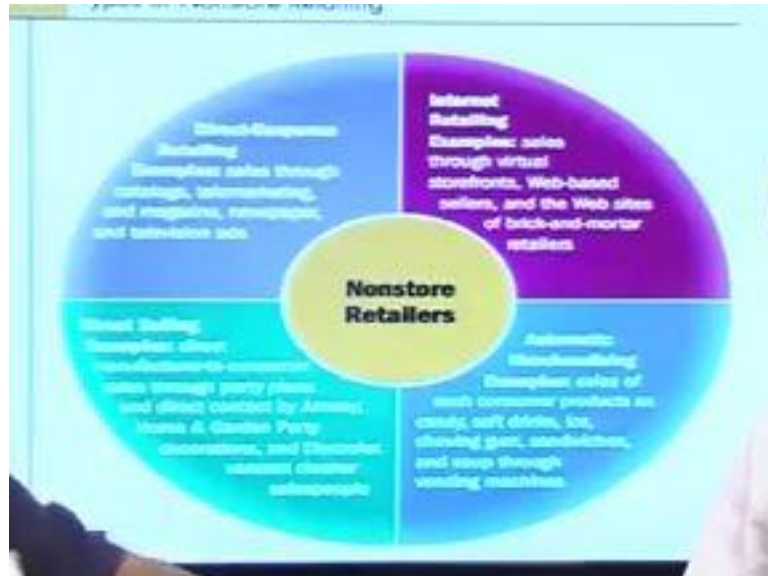
The ownership transfers directly from the manufacturer to the customer them only these people only take commission. This is also in industrial products particularly or in very high value consumer purchase like say maybe a house or maybe some land and you will find such existence of such intermediaries and then we have manufacturers representatives they also act almost like brokers actually I spent some time during that discussions on distribution on retailing.

Because this is an important emerging growing part vibrant part of marketing today so, retailers a channel members that sell goods and services to individuals for their own use rather than for resale. So that is the definition of retail so wholesalers are selling to retailers



for further onward sale but retailers are people who are in direct contact with the end consumers final link of the distribution channel there are two types stores a non-store this diagram is again very interesting.

**(Refer Slide Time: 20:39)**



This is actually the non-store retailers so they can be either the direct selling examples from direct manufacturers to consumer like the Eureka folks type so this is retailing door to door retailing but there is no store that person is almost carrying the whole store at is on in his backpack all the different varieties and he can assemble it in front of you we can do the demonstration he can book the order and he can make the delivery.

A direct response these are actually where you look at the catalogs or you look at the website and you call on telephone and so earlier this was very this was a major activity. Now of course a lot of these activities are moved to internet but even today actually there is a blend people actually make a comparison on the internet but finally when they have two items chosen they may actually call somebody and discuss and many types of manufacturers like mobile phone or computers and accessories.

They actually encourage that you call them so, they have they provide toll free line and because through interaction they can sometimes you know up self that means you might have chosen a particular model but they might convince you to buy something a little bit more expensive with more features genuinely not as a manipulation but so these two direct response and internet retailing are blending with each other as I discussed in tell this is just a

reminder of that particular discussion and then we have automatic merchandising this also I discuss like the vending machines etc.

So that is also another channel of distribution and this is in India that is expanding as we are modernizing our airports our railway stations these vending machines are becoming important one of the sectors where we see a lot of this thing you adopted is the banking sector way instead of going inside the bank you can do multiple operations at the outside and in a way, that is automatic here so they are called also ATM like automatic telling automatic.

So, in that sense basically it is beneficial for both the bank as well as customers because customer does not have to go through the routine process or in the stand in the long queue. They can just choose the time of when they are the machine is free on the other side the bank has routed some of their customer to the other things I mean the outside bank and more probably the kind of transaction they want they are happening through the banks.

And you can also use so as you rightly said that like high net worth individuals may be served inside and low transaction activities can be done outside so that brings say your banking example is a good one because in retailing how you will compete. So, in retail banking for example if you are located in a Kanpur or you know Colonel Ganj Bazaar area and you have many small merchants as your customers then your strategy of retailing will be different.

Then you will actually use a lot of these machines but looking at the nature of this thing you may actually have to have like old style human tellers because people would like to have that human touch and though each person may be a small trader but the banking requirement and their rolling of money maybe quite fast. So therefore, some of these branches are in terms of their deposit and in terms of their total volume of transaction can be huge.

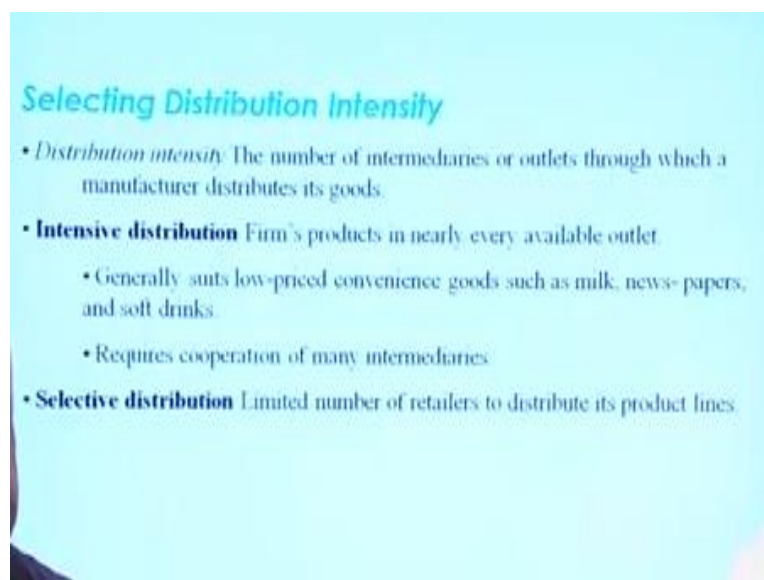
So, you identify your target market so retailing a strategy will depend what kind of target market you are serving and then accordingly you decide your customer service strategy your pricing strategy or product strategy and so on. So, in a way retailing and overall marketing strategy are quite closely aligned as we see from here we had a lot of interesting discussion about this location of a retail store and I showed you the mathematical models that can be used using wait method etc.

You know finding the most optimal point in terms of travel by consumers and so on. So, location is variant another interesting area for in the retail marketing domain and I am now coming to a conclusion of the distribution part so building a promotional strategy as a close correlation with what is your retail market what is its location what is its target market it is serving and some of the other issues we discussed also in retailing is this issues of store layout store atmosphere etc.

I am just putting up these points for you as a reminder please do go back to the sessions and read also from the book the relevant chapters to get proper understanding of these concepts. This is just a reminder for your upcoming examination then I moved to distribution channel logistics some of the issues that we have discussed and that how you will select a distribution channel again it will be dependent on what product what whether it is a convenience product whether it is a shopping product whether it is a speciality product and what kind of customers who are serving and so on.

So like for example complex expensive customized products they may need a distribution channel which is short or at fast because you are looking at high velocity transmission from the source to the consumption point where as you need you know small value small package, small ticket items like say Wafer packages or a package of beverage or packet of noodles you may have to have a long distribution channel because you have to reach out to the interiors and that may need you to go through multiple stages.

**(Refer Slide Time: 27:46)**



**Selecting Distribution Intensity**

- **Distribution intensity** The number of intermediaries or outlets through which a manufacturer distributes its goods.
- **Intensive distribution** Firm's products in nearly every available outlet.
  - Generally suits low-priced convenience goods such as milk, news-papers, and soft drinks
  - Requires cooperation of many intermediaries
- **Selective distribution** Limited number of retailers to distribute its product lines.

So, these are the ways you select your distribution channel the length of this distribution channel and then we also had a lot of discussion on intensity of distribution. So very intensive distribution is needed if you are selling chips and selective distribution can be taken or exclusive distribution can be taken when you are going for a consumer durables or speciality products or shopping products and speciality first shopping products will mean selective distribution speciality products will mean exclusive distribution.

**(Refer Slide Time: 28:22)**

Mode	Speed	Dependability in Meeting Schedules	Frequency of Shipments	Availability in Different Locations	Flexibility in Handling	Cost
Rail	Average	Average	Low	Low	High	Average
Water	Very slow	Average	Very low	Limited	Very high	Very low
Truck	Fast	High	High	Very extensive	Average	High
Pipeline	Slow	High	High	Very limited	Very low	Low
Air	Very fast	High	Average	Average	Low	Very high

So that's it I think this is my last slide this I think I have also mentioned then depending on your length of distribution chain and the velocity you what in your distribution from the source to the consumption. You may need to make combinations of rail water truck pipeline. So, I discussed about piggybacking and fishtailing all that so we're actually the means that how you combine rail and truck or water and truck or air and road and this kind of stuff the combination these are the modes of transport.

And that sort of is our last slide we still have a few more interesting points and that's we will take up just now with respect to promotion. Thanks.

**(Refer Slide Time: 29:14)**

## Lecture : W8 - L6 (Part-2)

So, in the second part of this last session of week eight of our course of marketing management two. I am now going to discuss a few important points about marketing communication we have covered this points only last week so i do not think you need many reminders but it is good to go through the main highlight points like promotion is fundamentally it is communication.

**(Refer Slide Time: 29:38)**



And these days as I explained we call it more integrated marketing communication rather than the word promotion so communication by marketers that informs persuades and reminds potentials buyers of a product in order to influence or create option and so.

**(Refer Slide Time: 29:58)**



This is the interesting slide it shows that overall marketing objectives that leads to the marketing mix with respect to the target market and the marketing mix here why we are discussing promotion. So, promotion has its own mix like advertising public relation sales promotion personal selling and that all together will lead to the promotion plan we do not discuss this point in lot of details.

So, ultimately competitive advantage will come from high product quality or rapid delivery that means some kind of your better process your low prices excellent service unique features but whatever may be your bundle of differentiation or whatever is your unique selling proposition that has to be effectively communicated to your target market.

And that is the main role of the integrated marketing communication so this is your target audience and your integrated marketing communication must do the role of informing reminding and persuading or informing persuading and reminding usually in this sometimes you may do informing and reminding in a interactive fashion ultimately to persuade this is your ultimate goal.

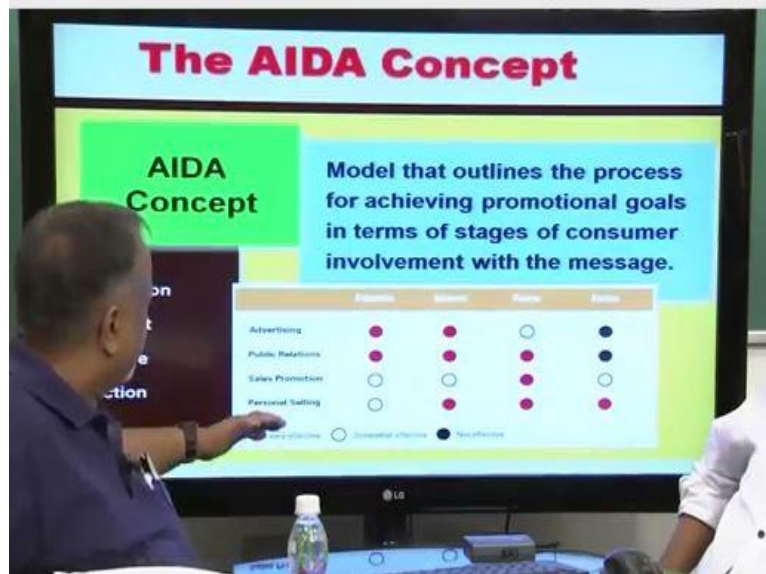
**(Refer Slide Time: 31:12)**



So, this is a at the PLC stage I was mentioning when professor mishra was talking about yesterday on product life cycle stage and I was saying that there is a close correlation between the product life cycle and our promotion strategy. So, at the early stage our focus is on informing and at the growth stage our role is on persuading because here we are getting few first customers you know the first hundred customers this is where we want to get the next ten thousand or next one million customers.

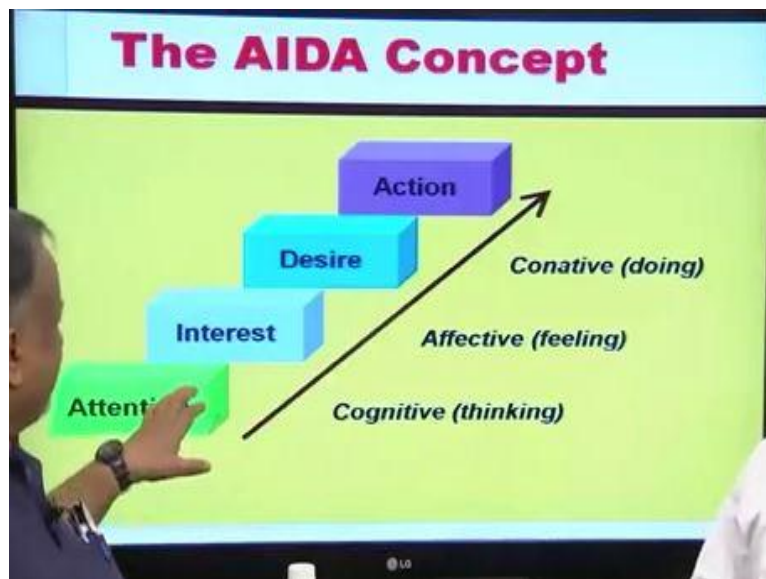
So here the role is persuading a much larger and larger circle of people but at the maturity stage our communication role is to continue to remind that this is a great product this has had a great run so many people have used it and they have been satisfied so you how the communication core shifts with respects to the life cycle and again we discuss this in detail all these models for purchase process.

**(Refer Slide Time: 32:48)**



So, this is the attention interest desire action and as you see advertising plays a crucial role to create attention and draw interest whereas public relations takes a they covers attention interest desire but when it comes to action final action that is the purchase action we see the key roles are played by sales promotion and personal selling at that stage when the final decision is being made advertising or public relations does not pay much of a role.

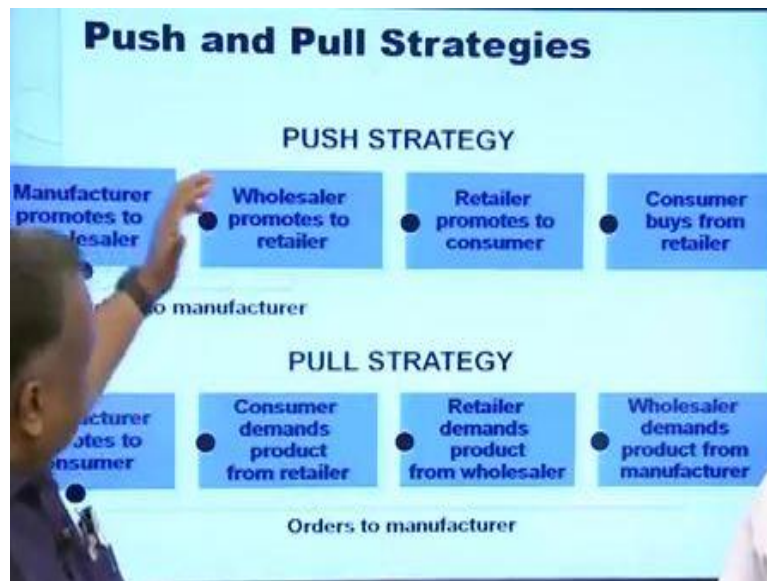
**(Refer Slide Time: 33:31)**



So according to the buying process as you go along the buying process the yours the marketers promotion strategy has to be tuned to the purchaser stage so we discussed this that at the attention stage the focus of your marketing communication will have to be cognitive on the thinking issue on the logic issues whereas the interest and desire stage your focus marketing communication has to focus on effective or feeling issues and finally at the action stage the focus has to be on cognitive which is the academic term of doing the purchase.



(Refer Slide Time: 34:04)



And then we discussed about this push strategy and pull strategy and this is in the push strategy manufacturer promotes to wholesaler also promotes to retailer promotes to consumer consumers buys from retailer. So, this is you are pushing it across the channel coming from inside to outside whereas pull strategy is something like outside in because what happens is here manufacturer promotes the consumer to the consumer feels the urge to buy the product goes to the retailer.

And ask for the product the retailer will then demand the product from the whole seller and the wholesaler will get it from a manufacturer and we know we have discussed that for integrated marketing communication for most products we need today to combine the push as well as the pull strategy.

(Refer Slide Time: 34:56)



So, this is the factors that affect the promotional mix and that what percentage will be spent on advertising what percentage on public relations and that will need the nature of the product the product lifecycle position the target market characteristics the type of buying decision funds available and push or pull strategy and how this is used and we have had a lot of discussion during the week when we discuss promotion.

So, these are the promotional mix advertising is impersonal it is one-way mass communication on the other hand and so the integrated marketing communication sort of carefully coordinates not only so whenever you think about promotion dont just think about advertising usually people do that but remember that we have to actually carefully calibrate all of these different possibilities together.

**(Refer Slide Time: 35:59)**



So, at today this integrated marketing communication is very important because there is a proliferation of media there is a proliferation of products we are living in the time of hyper competition and the mass market itself is fragmented and there is lot of slashing of expenditure on advertising. So, there is a need for going to the new media from the traditional media so traditional media for advertising was television radio newspaper magazine etc.

But now we are lot of low cost options are available more x rated promotional and which can be very powerful so that that's the point that is point that is media here.

**(Refer Slide Time: 36:41)**



Public relations and its approach is very important today you know you do press conferences you give out information and then so you maintain a positive image you often use public relations essential when you have to angle a crisis like recently then we had the Maggie in noodles you know adverse situation.

**(Refer Slide Time: 37:27)**



And how nestle handle it public relations role becomes crucial at that stage and finally the sales promotion you know you use free samples contest if some premium straight shows coupons these are used either to end consumers or company employee’s straight customers these also have a very crucial role.

**(Refer Slide Time: 37:32)**



So, marketing communication can be interpersonal it can be mass communication usually we think always inter this term but as we are using more and more new media we are seeing that the interpersonal communication can be emulated.

**(Refer Slide Time: 37:57)**

Characteristics of the Elements in the Promotional Mix	
	Advertising
Communication Mode	Indirect and impersonal
Communication Control	Low
Feedback Amount	Little
Feedback Speed	Delayed
Message Flow Direction	One-way
Message Content Control	Yes
Sender Identification	Yes
Reaching Large Audience	Fast
Message Consistency	Same message to all audiences

Now using technology this is the general model for communication that we had discussed and I am now coming to the last four slides so each one of these like advertising here a communication mode is indirect impersonal communication control is low feedback is little feedback speed is you know delayed message flow direction is one way as i discussed that this is more like spray and pray whereas if you go to promotional mix it can it is still one way the message flow and the communication control.

But when it comes to sales promotion we are seeing the improvement and it is still mostly one way but there can be conversation in sales promotion. There can be a press conference where you can actually have discussions or in a trade show but personal selling which earlier was the most expensive but obviously it is two way in message flow. So, it is the much more effective but this was very expensive as not possible for many products but today because of the internet you can actually create agents on the net.

You know which pretend to be human beings and the machine therefore can and I think we will see more and more improvement in this area that you will be interesting with the machine to make your purchases in but to you it will appear as a person and thereby we can make a lot of two-way communication happen even for small value purchases. So, I think this is the way the impact of new media is happening and we will see lot of changes in this domain in both marketing communication integrated marketing communication as well as for distribution.

(Refer Slide Time: 39:32)

Personal Selling	
Communication Mode	Direct and face-to-face
Communication Control	High
Feedback Amount	Much
Feedback Speed	Immediate
Message Flow Direction	Two-way
Message Content Control	Yes
Sponsor Identification	Yes
Reaching Large Audience	Slow
Message Flexibility	Tailored to prospect

We will see in the coming years a lot of new development coming due to new technologies that will become available from information and communication technology stables so that a wraps up our session and good luck for your examination those of you who are taking the certificate examination and please do not hesitate to put up your questions queries on the forum. And we will try to answer them as quickly and as thoroughly as we can and it has been a very good course and thank you for all the interactions you have been very participative and All the Best. Bye. Thank you!