Product and Brand Management Professor. Vinay Sharma Department of Management Studies Indian Institute of Technology, Roorkee Lecture No. 28 Product Distribution and Promotion

Welcome back, friends. Carrying forward with the discussion we were having on different elements of the marketing mix in consonance with the product and brand management, especially product management, wherein, this session is related to distribution and promotion, the two important pieces.

I have talked about the relationship element earlier as well, but this is slightly more descriptive. And I have been suggesting in all my sessions, especially, the last 4 or 5 sessions when I covered strategy, that these elements have to be looked upon with a strategic orientation, implementation perspective, usage perspective, creativity perspective, how to use all these P's and the aspects related to these P's to further take up the product through its lifecycle, that means to grow and to earn larger profits around a product.

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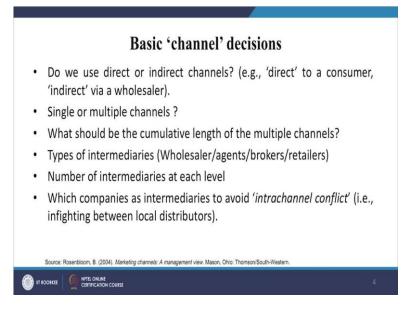


Let us see what distribution does for us. A channel of distribution comprises a set of institutions which perform all of the activities utilised to move a product and its title from production to consumption. References given here is Bucklin's theory of distribution channel structure 1966.

Another element given by Professor Kotler is that a marketing channel is a set of interdependent organizations, (mark these words) that helps make a product or service

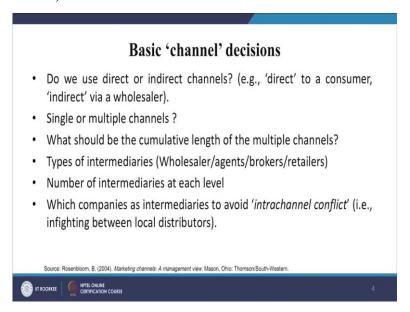
available for use or consumption by the consumer or business user. The purpose is explicit and the definitional frame gives us the logic, the association, the interdependency and the purpose.

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Now, basic channel decisions can be categorized for example, do we use direct or indirect channels or should we be using direct or indirect channels? And we would realize what direct or indirect channels are: Direct channels are primarily when you try to reach the consumer directly and then indirect is wherein there are intermediaries. We all understand that we purchase many things from retailers.

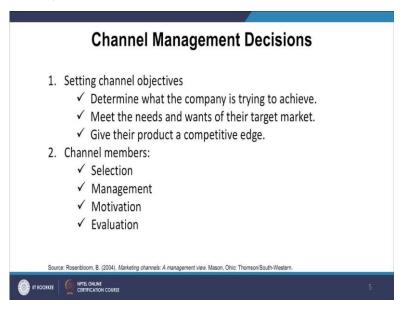
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Now, single or multiple channels. What should be the cumulative length of multiple channels? How many intermediaries? It definitely depends upon the type of goods, the geography we want to reach and several other factors, but then we have to take a call. Can we integrate into a fashion wherein we become our own distributors? That can also be an important call that a company can take. A product manager can think of depending upon what kind of orientation he wants to keep up in terms of the connectivity with the customer and the dependency on the channel and we will be talking about this.

Then, there are several types of intermediaries, wholesalers, agents, brokers, and retailers, and the intra-channel conflict perspective has also to be monitored. Because when you have a larger number of channels, then everyone is working in their own interests, because they are different organisations, actually, institutions for that matter, we have seen that in definition and they will be working for their own profitability. So, they would try to think in those terms though, they are your partners so how that has to be managed has to be seen.

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There are elements of channel management decisions. As in earlier cases, we start with channel objectives, which can be to determine what the company is trying to achieve, meet the needs and the wants of its target market and give its product a competitive edge. Many times, you want to reach the market so efficiently that the customer gets attracted towards your channel because your channel is efficient, it's quick and coherent with whatever you are doing and they are prominent in their locations.

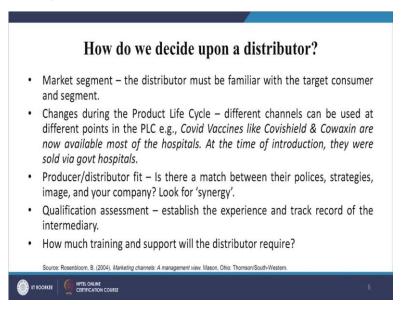
This can also be a strategic perspective. Plus, they have the capability and capacity to maintain a level of freshness. For example, if we are talking of food products or

strengthening the serviceability of the products if they are larger products requiring services after sales and so on. Then motivation and evaluation apart from management, in the selection of channel members, is a very important element.

You would have seen advertisements related to for example, a company seeking channel partners and then they have references to their website. There you find a column which says that for prospective partners, just click it. They will start giving you clues on what kind of capability you must have, and what kind of commitment you must have. They would ask you to describe yourself as an organization and as an individual, with your vision, your marketing skills, your investments, investment capabilities and so on. There they would like to know your motivation and prospective commitment.

This exercise can be easily done. You can think of doing that and that will enable you to understand what kind of motivation and coherence they are seeking, and how one can think of becoming a partner to a large organization. It is like getting a job while justifying that I will be coherent with the vision of this organisation.

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How do we decide upon a distributor? Market segment, the distributor must be familiar with the target consumer of the company. Changes during the product lifecycle, that is different channels can be used at different points in the product lifecycle. Then producer/distributor fit, is there a match between their policies, strategies image and your company. Synergy I have just mentioned that.

Qualification assessment establishes the experience and track record of the intermediary not only in terms of the capability but in terms of the financial transparency which they have been following. How much training and support will the distributor require? You see, the point here is that your child partner knows the business, knows the trade, knows the customer, and that is much easier for you.

If they require extreme developmental support, then it will change the concentration of the people who are engaged in product and brand management in the field. For example, product managers or channel managers for that matter. So, channel management is another section within an organisation in large organisations they have separate channel managers supporting the product management team.

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Then, distribution decisions are also associated with multiple channels, control versus costs, the intensity of distribution desired, and involvement in e-commerce.

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1. Multiple Channels • Some products meet the needs of both industrial and consumer markets. (For e.g., Fans for household and industrial purposes) • J & J Snack Foods sells its pretzels, drinks and cookies using multiple channels to: - Supermarkets - Movie Theaters - Stadiums - Schools - Hospitals Source: Rosenbloom, B. (2004). Marketing channels: A management view. Mason. Ohio: Thomson South-Western.

Looking at multiple channels some products meet the needs of both industrial and consumer markets. For example, fans can be for household and industrial purposes as well. J&J snack foods sell its pretzels, drinks, and cookies using multiple channels to supermarkets, movie theatres, stadiums, schools, hospitals and so on.

You have to focus on a larger number of channels. The larger the reach, but difficult the management and higher the probability of intra-channel conflict is there. The basic reason might be that one channel partner may complain that you have given a larger number of items to a particular channel partner which may be seen as a competitor by the former channel partner, and so on.

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2. Control vs. Costs • All manufacturers and producers must weigh the control they want to keep over the distribution of their products against the costs and profitability. - Direct sales force – company employees are expensive with payroll, benefits, expenses; may set sales quotas and easily monitor performance - Agents – work independently, running their own businesses; less expensive = less control; agents sell product lines that make them more money Source: Rosenbloom, B. (2004). Marketing channels: A management view. Mason, Ohio: Thomson/South-Western.

Control versus costs, all manufacturers and producers must weigh the control they want to keep over the distribution of the products against the costs and profitability. In a direct sales force, the parent company employees are expensive with payroll, benefits, and expenses. They may set sales quotas and can easily monitor performance and so on. Agents however work independently running their own businesses at less expense, require less control or may generate lesser control. Agents sell product lines that make them more money, they are interested in that.

So, one has to look for the tradeoff basically. If you have to have your own employees, many times you cannot go just for the agency-based kind of business or bringing on agents. And many times that would be a profitable element for you, if you have committed agents. One of my favorite examples has always been LIC. Their agents are committed, their team is committed, and you might not be able to differentiate if they are employees or just agents.

If that is the level of commitment it comes to you, then definitely it is a profitable level. Otherwise, you have to go for a sales force, which definitely requires the norms, the level of salary which your organisation should offer, the law of the land also guides you on that and so many things.

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Management's Desire for Control of Distribution

- In general, the shorter the channel structure, the higher the degree of control, and vice versa.
- The lower the intensity of distribution, the higher the degree of control, and vice versa.

Source: Rosenbloom, B. (2004). Marketing channels: A management view. Mason, Ohio: Thomson/South-Western.

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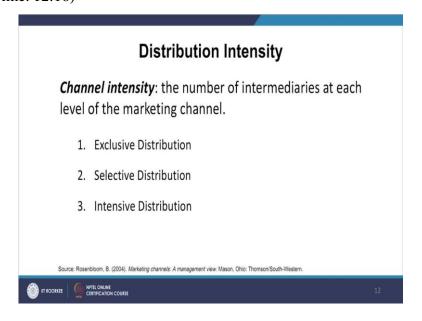
Management's desire for control of distribution is also an important element as I told you. In general, the shorter the channel structure, the higher the degree of control and vice versa. And the lower the intensity of distribution the higher the degree of control and vice versa.

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Distribution intensity is how widely a product will be distributed. Marketers want to achieve the ideal market exposure by determining distribution patterns. Ideal market exposure, make their product available without overexposing and losing money. To achieve market exposure marketers must determine distribution intensity and so on. It is a dream for every marketer to reach all the customers who may use his product. The product manager's dream is that they keep on asking the production manager to keep on enhancing the production that is what my dreams have. So, intensity is a reflection of that.

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Intensive Distribution

- Intensive distribution mainly means distribution on a large-scale and displaying the product in as many ways and places as possible so that the customer sells in high volume due to large scale distribution.
- The objective is complete market coverage, and the final goal is to sell to as many customers as possible.
- Ex. FMCG products, consumer durables etc.



Then you see there is channel intensity at intermediaries at each level of marketing channel, namely, exclusive distribution, selective distribution intensive distribution. For example, intensive distribution mainly means distribution on a large scale and displaying the product in as many ways and places as possible so that the customer sells in high volume due to large-scale distribution. FMCG products, consumer durables and many other forms of such products are examples.

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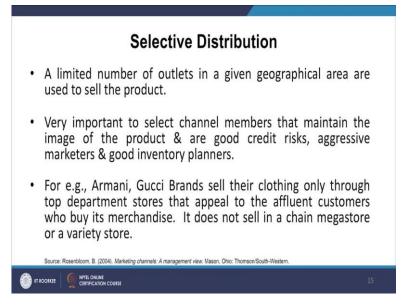
Exclusive Distribution

- Exclusive distribution is an agreement between a distributor and a manufacturer that the manufacturer will not sell the product to anyone else and will sell it only to the exclusive distributor.
- The protected territories for distribution of a product in a given geographic area; business maintains tight control over a product
- E.g., Companies like ROLEX, LAMBORGHINI, MERCEDES, BMW will appoint only a handful of distributors in a region and regularly enter exclusive distribution.

Exclusivity is wherein you have specific channel partners, because the product requires so, probably because of the kind of positioning of the product, the premium levels which you would be charging, and the kind of customers you may think that would come in a certain ambience only. So, there are several kinds of considerations and examples may be varied, but

just to quote some are Rolex, Lamborghini, Mercedes, BMW and many others. There are some hair saloons here Solow, which are specifically located in specific cities with specific locational aspects and so on. You see it depends upon how the product requires the channel to be.

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The same is the logic as far as selective distribution goes. For example, Armani, and Gucci, sell their clothing only through top departmental stores, and high end departmental stores, wherein they focus on very specific buyers, paying capacity or paying desire should I say.

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Dual distribution is also there is a system of marketing channel organisation in which a manufacturer uses two approaches simultaneously to get products to the end users commonly.

One approach is to use marketing intermediaries while the other is to sell direct to the end users and there are many organizations, which have been doing that. Dell has done that, Lenovo has done that, and several others have been doing that.

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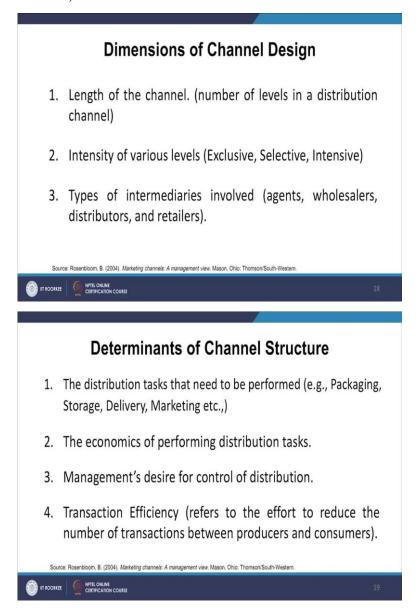


Then the last element is the involvement in e-commerce. This means that products are sold to customers and industrial buyers through the internet and consumers have also become accustomed to buying products online. So, what level you would be utilising as far as the e-commerce perspective goes is a huge debate in the industry at this moment, especially for product managers who are thinking in terms of creating a composition of channels, vis-a-vis e-commerce options.

Because e-commerce, though it is through a platform through an organization, an aggregator, through a marketplace, definitely is like a direct interaction. It has different kinds of advantages, and different kinds of disadvantages also. Direct and personal connection at many times is not there, but definitely depends upon the kind of product.

So, Aapki apni dukan. Amazon, you go there, and you will realise that which companies are focusing more on as far as E-commerce goes, many companies they have reduced physical channels to an extent while utilizing them. The other day I was sitting with an informed group of marketing scholars and someone remarked that Amazon and all these kinds of organisations are changing the shopping culture, now, that is a big term, I will not be going into those kinds of details, but that that definitely is there.

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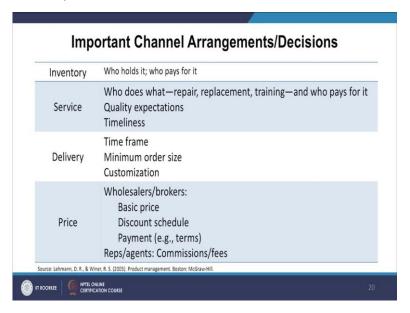


Now you see, there are dimensions of channel design. The length of a channel is the number of levels in a distribution channel, the intensity of various levels, types of intermediaries involved, that is agents, wholesalers, distributors, retailers and so on. There are some determinants of channel structure as well, the distribution tasks that need to be performed for example packaging, storage, delivery, marketing and so on.

Definitely, if you require the product to be sold somewhere while being stored before being sold, you require that kind of space and your channel partner must have that space. Depends upon for example, if you require that there is a cold chain that should be associated with the product distribution, so you require that kind of capability as far as your channel partners go,

and so on. The economics of performing distribution tasks, management's desire for control of distribution and transaction efficiency are other determinants.

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There are some important channel arrangements and related decisions. For example, in terms of inventory, who holds it and who pays for it? In terms of service, who does what repair, replacement, training and several other elements? For example, there were, organisations or some organisations of contemporary times, that had their distribution partners, who were also the service partners.

Now, in today's era, if you purchase an air conditioner, and you call your reseller or retailer for that matter, and talks to you talk to him about, let us say, some service support, so, he would give you a call center number, wherein you have to call and register your complaint. That will be transferred to a local service partner, service partners and retail partners now are entirely different, they are two different kinds of trading arrangements, probably franchises if you can say that.

So, you see, that differentiation has come up because of these kinds of elements, wherein, quality of service has become a very specific aspect to be monitored and to be pursued differently through different kinds of expert organisations, that is your service channel partners. Delivery, the timeframe, minimum order size, customization, price, basic price discount schedule, and so, on.

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Then, there are aspects of returns and allowances and support level wherein sales effort, advertising, display prominence and stock capacity, those things are there. Then exclusivity factor is also there and then financial or several financial considerations are there but one prominent financial consideration which is actually a mainstay in discussions between the organisation and the channel partners is credit and terms of credit.

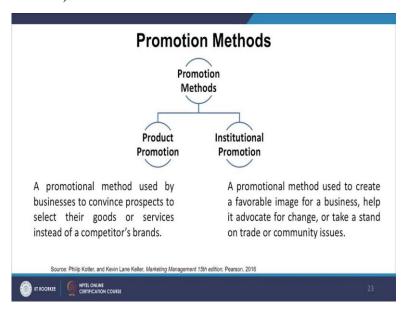
So, what kind of arrangement for example, for producer and marketer, the best channel partner is he or she who pays in an organisation which pays in advance for that matter or let us say in cash, but that usually does not happen. The channel partner wants a guarantee and wants terms related to a credit period basically so that they dissolve their inventory, they earn their own profits, they manage their expenses, and then they give you your money. That is how the negotiations go on and both of them they meet somewhere in between.

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Now, I will be taking you towards the aspects of product promotion. What is promotion? It is an element in an organization's marketing mix that serves to inform, persuade, and remind the market, about the organisation and or its products. Just to remind you, I have a course on integrated marketing communication on the same platform. You can attend that full course, it is a 30 hours course basically. There you will find extensive details on this element, which I am going to demonstrate in front of you in next 10 minutes.

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There are two larger promotion methods. One is product promotion and the other is institutional promotion, or we can we can many times we look at it with industrial promotion perspective also, but largely as per the reference we are using here, it is bifurcated this way.

Product promotion is a method used by businesses to convince prospects to select their goods or services instead of a competitor's brand. Institutional promotion is used to create a favorable image for a business, help it advocate for change or take a stand or trade or community issues, larger that is an image related perspective. And pursuing the trade itself is here the product focused promotion.

It is a promotion mix when there is an element of personal selling advertising, direct marketing, sales promotion, public relations and several others social media marketing and all possible elements, which we can include here. Here, one important thing which one must remember is that the most important aspect for a product manager is that whichever combination the communication manager uses, the product should stabilise with the positioning perspective in the minds of the target customer. That means, positioning should get materialized, communication should justify the positioning, so whichever way you go for that.

Here, the product manager plays a very important role and that is he and his team, she and her team guide the communication team about how positioning should be done. They are part of the creative aspect of the campaign or the communication itself. And then the communication management team go for media choices and brings coherence in media choices, which is a very specific art and lots of quantitative analysis is required in that kind of decision-making.

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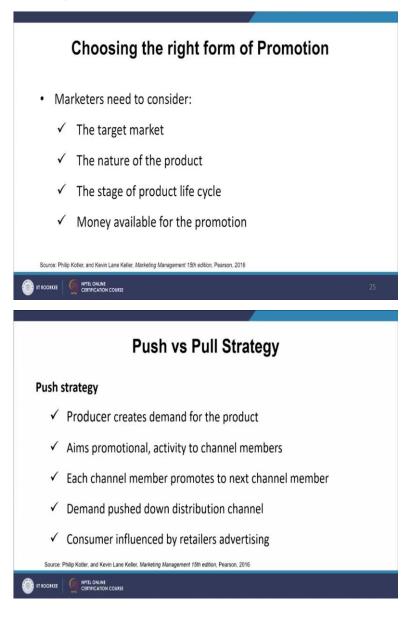


The promotional mix is largely defined as a cost-effective combination of advertising selling sales promotion, direct marketing and public relations strategies used to reach company goals. How much of the sales force, how much of the advertising or direct marketing effort

must be employed and engaged and within media channels, what kind of media channels? How much of TV, what kind of space on the newspaper and magazines and so on. So, that is how the promotional mix works, but the point is, it should be in coherence with our product.

If it is an automotive launch, then it has to support that launch purpose. If it is propelling a product from one stage to the other, like Fevicol predominantly, reference-based kind of selling was used wherein someone used to suggest that Fevicol must be used in this kind of composition while painting the walls or construction in whichever way. Then Fevicol became a household product, wherein the product manager visualized its forms, and the communication team actually materialized that perspective in the term in the form of the communication they developed for Fevicol, Fevicol ka jod kabhi tutne na paye.

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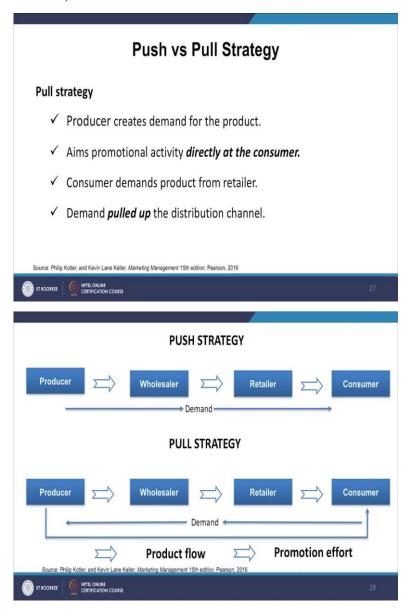


That is the perspective and that is how the right form of promotion is chosen and it actually is supposed to reach the target market effectively. It is also as I said related to the nature of the product, there are many elements which promotion entails. One is related to the push versus pull strategy.

Push strategy is related to the aspects such as the parent producer creating demand for the product. It aims to promote activity to the channel members, each channel member promotes to the next channel member and demand is pushed down through and through the distribution channels and consumer is attracted by the farthest end of the distribution chain, largely retailers to purchase the products. Because, again, it depends upon the kind of Product Strategy engaged.

For example, any insurance product can be a good example. A credit card sales can be a good example, and several other such kinds of products can think of consumer products as well. And there are many successful organisations, where they marketed their consumer products through a chain kind of distribution system wherein their buyer becomes their distributor as well.

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Then there is the pull strategy, where in producer creates the demand for the products. They aim their promotional activity directly at the consumer. The consumer demands the product from the retailer and demand is pulled up the distribution channel. And this structure in front of you is quite explicit in terms of push strategy and pull strategy. The objective is a very clear flow of goods to the customer along with a logical flow of communication, mutually intertwined with each other.

Communication should support the product management exercise, which is the objective basically, and it should also strengthen the positioning perspective of the product. It should enable the product in all its lifecycle stages. It should support the product so much that product probably does not come out of the growth stage for a long-long time.

We have seen such products you see, Lifebuoy hai jahan tandurusti hain vahan, one kind of a campaign, long sales of the product, extreme coherence. Utterly-Butterly delicious is one of my favorites. So, you see, that is how communication is so important when we talk of Product Management.

I will raise the case here in terms of promotion, I will be coming back to you with lots of discussion on design, design thinking, especially design thinking and with a perspective of design thinking related to being a strategy because remember, we are pursuing every discussion now onwards with a strategic perspective, that is implementation and execution perspective.

So, I will be coming up with design thinking, later on innovation, and at last, new product development before I start discussing brand management. Keep pace with the discussions we are having, keep imagining, keep developing an art of interpretation and keep developing interconnections between all the elements which we have discussed. I will be coming back to you soon. Till then, goodbye.