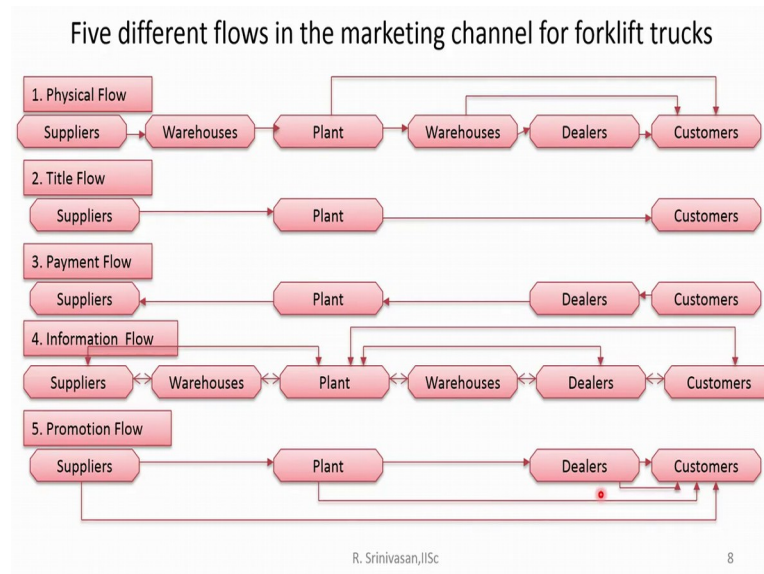


Integrated Marketing Management
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Lecture – 25
Channel Management Marketing Communication

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Welcome to this class. Now let us look at the five different flows in marketing in the marketing channel for forklift trucks. The example that is taken is that of a forklift truck. Look at the physical flow. From the suppliers the product moves to the warehouse then to the plant, then to the warehouse again, then to the dealers, then to the customers. The suppliers here referring to the raw material suppliers, then the when it is completed through the plant converted into the final product again it moves to the warehouse.

Sometimes from the plant itself you can go straight to the customer or you can go through the warehouse to the dealer to the customer or you can many times go from the warehouse to the customer also. That is a physical flow can take place in any of these 3 ways. One, direct from plant to warehouse to dealers to customer or it can be direct from the plant to the customer or it can be from the warehouse to the customer. This is the way physical flow can take place. The second is a title flow. How does a title flow come?

The suppliers of these raw materials give it to the plant. Now their role is over. The plant comes out with the final product converts all this raw materials to the final product, then

it is sold to the customer. Customer becomes the owner of that product. The title flow will move from suppliers to plant to customers. The third is the payment flow. How does a payment flow go? Customers pay to the dealers. The dealers pay to the plant; the plant in turn to the suppliers.

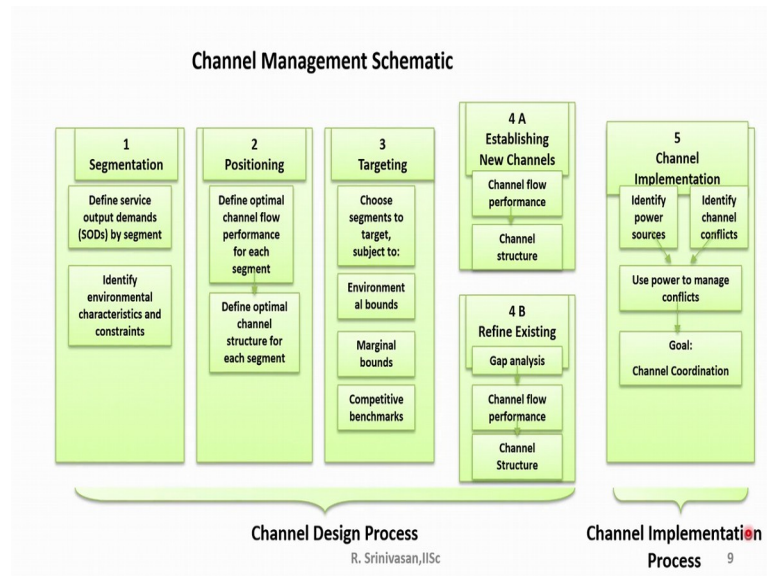
So, the reverse order. The fourth flow is the information flow. There is an information flow to and from the suppliers to the warehouse, to and from the warehouse to the plant, to and from the warehouse to from the plant to the warehouses that is the finished product, then again to and from to the dealers and again to and fro to the, to and fro between a warehouse and the dealers again to and fro between the dealers and the customers.

You can also have a flow between the plant and the customers. You can also have a flow between customers plant and the dealers. That is also possible, but between the plant and the suppliers of raw materials also the flow is possible. If you got direct this is the to and fro flows. There can also be flows in intermediately occurring or continuously occurring between these different components of the business unit.

The last is the promotion flow. From the suppliers it can go to the plant to the dealers to the customer. If you see the promotion flow can be from dealers to customers, from customers to plant, from customers to the suppliers all this. You are the raw material supplier give it to the plant for converting into the final product. The final product goes from the warehouse to the dealers; the dealers to the customers. Feedback comes in from the customers side from the suppliers from the plant side to the customers also from the supplier side to the customers also. All these are promotion flows coming in.

Plant also gives information to the customers. Dealers also provide information to the customers. Suppliers also provide information to the customers. You see the wonderful method or the way in which flows happen in a marketing channel. It is all very complicated, no longer easy. You can never look at a simple marketing system in the present-day context. The present-day context always calls for a thorough marketing system and only when you have a thorough marketing system can you survive in this intense competition. Otherwise you are likely to be trounced.

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If you represent this channel management through a schematic. This could be the way you can represent it you can have a channel design process and you can have a channel implementation process. When you look at channel design process your segmenting defining the service, output demands. This is all called SOD by segment. Service output demands by segment. Then your identifying the environmental characteristics and constraints. This is the first part of channel management.

The second part of the channel management is the positioning where you define the optimal channel flow, performance for each segment. For each segment what should be the optimal performance channel flow performance. Then when you are able to define that optimal channel flow performance you can also give what should be the optimal channel structure for each segment. You may be looking at different segments - one could be a youth market, another could be a middle aged market or an elderly market depending on their type of product you are doing.

Then the third one is where your target. The targeting could be choosing segments. Whether you want to change channel the youth market target the youth market or the children's market whatever it is and what are the environmental bounds for this. Many times' these are bound by environmental constraints; which you have to take care of. Similarly, the marginal bounds and what is the competitive benchmark.

When we looked at the marketing environment we when we took this example of a candy company. We gave one particular characteristic of the candy. That is it - you cannot make it very low with respect to sweetness of the candy or you cannot also make it very sweet. That percentage of that chocolate in the candy that is a sweetness in the candy. It has been found it is always better to be between 28 to 32 or maximum 33 percent. The chocolate content in that candy whatever it is.

If it falls below the 28 percent child will not like the candy. If it is goes above 33 percent maximum child will not again like the candy. Then the fourth aspect which you have to look at split into 2 compartments 4 A and 4 B where you are looking at establishing new channels. Where, you are looking at establishing new channels your concern with channel flow performance, the channel structure. And the next one is if you want to refrain the existing channels then you look at this type of aspects to do that you expected a certain performance from the channel did not get it.

There is a gap. Analyze this gap how to bridge this gap. Then when you have this gap analyzed now again come to channel performance up to this gap is bridged properly and in order to do that you have the channel structure refined. Suppose the existing structure you want to refine to get a better performance from the channel then you have to do a channel structure refinement. All this calls for a very good channel implementation. The channel implementation process can be looked at in these blocks where you identify the power sources, your identify the channel conflicts then use power to manage conflicts.

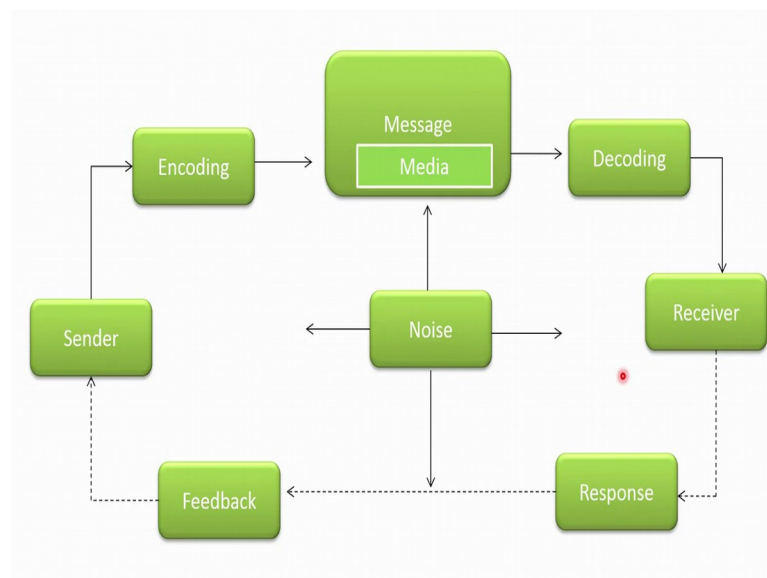
What is the goal of all? The goal of all this is a better channel coordination. Better channel coordination helps you to get increased margins in the marketplace. We have looked at the channel flows. You have looked at this channel management schematic, both wonderful diagrams to come in.

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Marketing communication Mix- Advertising (Paid Form Of Non personal Presentation And Promotion Of Ideas, Goods Or Services)
Sales Promotion (Short-term Incentives)
Publicity (Non Personal Stimulation Of Dem – Unpaid) Personal Selling

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If you look at the marketing communication that you have to do with respect to the markets you can go through advertising. What is advertising? It is a paid form of non personal presentation and promotion of ideas goods or services.

You may go through different media that is it can be TV or print or we or some other media whatever you take that. You are paying for your slots. Now if you would look at any cricket match from when one over is completed before the next over is starting you find at least 3 to 4 advertisements thrown in. All thrown in win in a matter of a few

seconds only. Some of them stick with you. If the advertisement is again repeated, you can immediately recall this advertisement refers to this product and that gives you the strength of recall of that advertisement.

This is what was what really carried the day with respect to the Gordon against Vimal. The strength of it is advertisement the way this advertisement of Gordon could recall recalled by the customer or the consumer. He said yeah this is a Gordon saree; whereas, Vimal promoted their product through strong personalities. Gordon did not go to that. It was these where not strong personalities, but the advertising affect itself was wonderfully done and it had a ripple effect in the marketplace as well.

You have advertising. You have sales promotion. What is sales promotion? Giving a short term in incentives. I referred in the earlier classes. Now, go to a place like Big Bazaar you look at some of the milk products which are exhibited from a well known brand like Nilgiris.

When they did that they used to say take 4 for the price of 3. Between 30 and 35 you could get one bottle of this. Suppose you individually suppose you wanted to take they said you pay for 3 bottles different flavours one can be strawberry another can be Badam the next one can be Pista. Whatever it is they have they have some 4 to 5 flavours which are there in the milk product category.

You can choose any one of them and when you; suppose you say I pick 3 of this the fourth one is coming free for you; so, your 35 rupees into 305 giving you instead of 3 the fourth one also. So, you are the product price essentially comes down and maybe through this you are a more satisfied customer.

The other one is the type of publicity that you can generate through marketing communication. This is a non-personal stimulation of demand many times unpaid personal selling. This also you can see in a place like Big Bazaar only where that SBI card salesman keeps on coming to you.

Sir we will you make a card. In addition to the SBI card salesman the Big Bazaar card salesman also comes and pesters you for one profit card. Many a times the customer know does not know what is this profit card. He thinks that by having the card is many of them think that they get a profit; no not really so.

You have to make an investment in to that profit card; many times going from 5000 to 10,000. After you make the investment you get a monthly this thing saying that whether it is 400 rupees or 1,000 rupees like that per month which is paid from the amount that is collected from you that is as an interest. In other words, what is this Big Bazaar trying to do through this whole card business which they are trying to promote, one is the brand name of Big Bazaar is also coming in and second is lot of money comes to them which can be used for their working capital requirements as well.

Consumers put 5,000 or 10,000 into these cards and each of these employees in the Big Bazaar they are given at a target everyday you must make so many cards. Before you close for the day whether it is whether the person should close at 6 o'clock or 5 o'clock. He cannot close unless and until he has made the requisite number of cards. They you can see many at many places these people saying sir one card is remaining for the day please take this one make this one card for me.

It is also telling you how intense is marketing here and also how competitive it has become for not only the people working in the organization, but for the organization itself; because if you are not doing your competitor will be doing that ok. If Big Bazaar is found wanting you find reliance coming in and trying to fill all these slots. Now when you are making a marketing communication that is a type of a whether it is advertising or whether it is whatever you form you go.

What are you trying to do? From the sender you are encoding this message. You are encoding it. When it goes to this third block it becomes a message and this message gets to the receiver. You can make use of the media whether the print media, the visual media then before it goes to the receiver what happens he decodes this message. You wanted to convey a particular message to the receiver for your particular product. Many times when you are conveying a message for a shaving product, what are the types of this things which it can go very fast on your beard let us say, but very safe on your skin.

That decoding has to be done effectively by your message when it reaches the receiver. Suppose the receiver does not get that message correctly the response and the feedback will be coming back saying that what a bad advertisement this one. In another words, this all this calls for a certain budget and this budget has to be effectively utilized. You cannot simply saying see that I am not utilizing these budgets. You have to effectively

utilize the advertising budget to come out with a wonderful message to the market through your advertising.

If it does not give the message properly then what is going to happen is this advertisement is only making noise and it fades away. The advertisement makes noise does not get installed in the mind of the consumer. There is no recall of the advertisement. The marketing communication to that extent falls short. You do not get the type of response that you should be getting.

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PUSH	V/S	PULL
Use of sales force & Trade Promotion		(Spend on Advertising & Consumer Promotion)
Buyer – Readiness Stage		
PLC Stage		
Advertising	When	Buyer awareness is minimal Industry Sales are up Product has features not observable by buyer Opportunities for product differentiation are strong Discretionary incomes are high
Goals		Exposure (Advertisement in 'The Hindu') Awareness (who actually see the advertisement) Attitudes Sales

The response of all this coming from increased sales; you can make use of a push method or a pull method. Where you are looking at pull you are going through the spend on advertising and consumer promotion. When you are looking at push your looking at the sales force and the trade promotion, but the most important point of all this is you should look at how the buyer is. The buyer readiness stage is the buyer aware of your product.

If the buyer is aware of your product very well can you use your sales force and trade promotion to increase your sales. He does not require an advertising for that because he knows about your product. Take many washing machines whether it is if it is an IFB washing machine. Most of the people who come to purchase a washing machine know what is an IFB washing machine.

Suppose you see it is a different brand. Let us say you are selling this Koryo brand of washing machines. Then Koryo as a brand is not a very greatly established brand. Then it calls for lot of push effort from the sales force and the trade promotion. Then you have to say that look this Koryo the brand is not very different from the other established brands whether it is the IFB or the LG. It has all the features of these brands and its performance is also at the same level as these brands.

In other words what are you trying to do you are making the buyer to become aware of your product and creating a readiness in him to purchase this product. This buyer readiness stage can be harnessed using this push communication that is the sales force and the trade promotion. The other aspect is at what stage is your product. Is your product being introduced in to the market or if you are introducing it in to the market then you naturally have to make the market become aware.

There is a spend which is required on advertising and consumer promotion. There is it may also be required that you may had you may use a push. Whether you use a push or a pull are sometimes together you have to take a call that is the marketer has to take a call and convince the top management of the organization. When you are in maturity you are your product awareness is very high, then the spend on advertising and consumer promotion can be reduced. You do not have to do the same spending as you are aware in introduction and growth stage and you can concentrate on other aspects of marketing.

When do you normally advertise? You normally advertise when buyer awareness is minimal industry sales are up, but you are sales are not then the product has features which are not observable by the buyer. You have got wonderful features in your product, but the buyer has not noticed that. When the buyer has not noticed that, it is your job through advertising to bring it to the knowledge of the buyer. Then he may also like to differentiate your product from the competitors' product through the advertising.

This was a type of strategy which Hindustan Unilever adopted for it is washing powder that is the surf versus the Nirma which was there; so, the type of product differentiation. And then when you find that there is a good class of people which are having discretionary incomes and who can afford this product then also advertising helps ok.

This is the way you are looking at advertising when buyer awareness is minimal, industry sales are up, but yours is not as a company. Then product has features not

observable by the buyer and provides opportunities for product differentiation or strong in discretionary incomes are high. What is the goal of all this? The goal of all this is to have a good exposure. Put an advertisement in The Hindu you will have a large circulation of The Hindu.

Now, Hindu circulation is overtaken by Times of India. Suppose you are operating in the market in Karnataka. An advertisement in Deccan Herald might be highly helpful to you. Think about which one is the best option; similarly when you put that advertisement in the right spot then the awareness about your product. Your first page gets noticed, sometimes the second and the third page also gets noticed very easily when the advertisement is put in the right slot, but when it comes to the middle pages you may not see the same type of coverage which you thought you will get.

Many times, the reader may not see it in such minute this thing. Then what is the other purpose. The other purpose is you are influencing the attitudes of the customer towards your product. The attitudes of the customer are getting influence towards your product. The result of all that is you will have an increased sales. The goals of this whole marketing communication would be to exposure awareness, attitudes and sales.

Marketing, advertisement whether it is with respect to advertising or trade promotion. All this whether it is you are looking at these types of goals basically you are looking at exposure awareness attitudes and sales ok.

We stop here we continue in the next class.