

Semester 2

MARKETING MANAGEMENT AND HUMAN RESOURCE MANAGEMENT

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PROMOTION

LECTURE 3

1. Personal Selling

Personal selling is an effective tool of communication especially at the later stage of buying process. It helps to know the buyers' preference, increases conviction that results into action. It has got three distinct qualities.

Qualities

- (a) **Interaction:** personal selling invokes immediate interaction among two or more persons and one can promptly see others' reaction.
- (b) **Cultivation:** personal selling allows cultivation of a deep rooted relationship between the buyer and seller which may be converted into a friendship.
- (c) **Response:** the buyer may feel an obligation to listen to the sales talk.

Questions in personal selling (SPIN)

- (a) **Situation:** explore buyers' situation (what system are you using to invoice your customers?)
- (b) **Problem:** problems, difficulties or dissatisfaction the buyer is experiencing (what part of the system creates chaos?)
- (c) **Implication:** consequences of problems of buyers' problems (How does this problem affect your productivity?)
- (d) **Need pay-off:** value or usefulness of the proposed solution (How much would you save if our company help reduce your problem by 80%?)

Steps in personal selling

- (a) **Prospecting and qualifying:** The first step is to identify and qualify a prospective consumer. Sometimes, in order to save time of the sales force, the company through its telemarketing team tries to identify prospective customers through phone calls and emails. If the customer appears to be really interested, they pass on their information to the sales force. If they are moderately interested, telemarketing continues their follow-up. Minimum four calls are required to identify a prospect.
- (b) **Pre-approach:** The sales-person should gather as many information as possible about the prospect company (their needs, person responsible for purchase decisions, their buying styles, etc.) and decide the strategy for first meeting (personal visit, phone call or letter).

- (c) **Presentation and demonstration:** The sales-person informs the customer about the product with regard to Features (physical characteristic e.g. speed of a chip or memory space), Advantages (uniqueness of the product over its competitors), Benefits (economic, technical, service, and social), and Value (monetary) (FABV) approach. They usually too much time on FA (product orientation) rather than on BV (customer orientation).
- (d) **Overcoming objections:** there are two types of resistance normally seen in customers – psychological resistance (dislike for interference, bad association with sales-person, preference for existing mode of supply or brand, neurotic attitude towards money, reluctance, etc.) and logical resistance (high price, mode of delivery, product or company characteristics, product safety, risk, financing, etc.). The sales-person should maintain a positive approach towards these resistance and answer to all their questions. Through their interactions they should clarify these objections, deny their validity and turns them into a reason for buying. Sometimes sales-person gives in too easily if the customers demand discount. In this approach, the revenue of the company increases while profit margin remains the same. That's why companies induce them to 'sell the price' rather than 'sell through price'. For that purpose, the companies often share past sales history of the customer as information needed for negotiation.
- (e) **Closing:** when the sales-person gets the indication from the physical action, statements or questions of the buyer that he is interested to buy the product, the sales-person should close the deal by asking for the order. He may recapitulate the terms of the agreement, help the buyer write the order, allows the buyer choose the color/ specification of the product, offer special price, extra quantity or a token gift. He must induce the buyer what he might lose by not ordering right now.
- (f) **Follow-up and maintenance:** follow-up and maintenance is required for customer satisfaction and repeat business. Hence, after closing the deal, the sale-person should inform him about the delivery schedule, purchase terms and other matters important for the customers. After the installation, he should make a follow-up call to ensure proper installation, instruction, servicing and detect any problems.

Relationship marketing

While personal selling is about closing a single transaction, it may open-up path for so many future dealings. For this reasons, in case of personal selling, the sales-person should try to build a relationship with the customer which may not always related to the product concerned, but beyond that. Hence, customer should be assured that he is going to get coordinated services on the product at different locations. In addition to that, sales-person should often take their customers to dinner, make suggestions for their businesses, try to know the customers' problems in different ways and must respond to customers' needs at the time of need. The company must judge whether relationship marketing is effective in ensuring future sales. Accordingly, they should utilize their resources.

2. Sales Promotion

Sales promotion is a promotional technique that focuses on incentive to the customers for quicker and higher sales. It is usually short-term.

Types

- (a) **Customer promotion:** coupons, gifts, cash refunds offers, premium, rewards, free trials, warranties, point-of-purchase displays, demonstrations, cross-promotion.
- (b) **Trade promotion:** price-off, display allowances, and free goods
- (c) **Business and sales-force promotion:** trade shows and conventions, competitions for sales reps, and specialty advertising.

Objectives

- (a) Sales promotion can stimulate customer trial (free sample)
- (b) It can help build long-term relationship with retailer (free management advisory)
- (c) It can be used to attract new customers; maintain existing customers (rewards); and increases repurchase rates of occasional customers.
- (d) It increases short market share of the organization if the products highly brand-similar.
- (e) If the products are brands-dissimilar then it can create sudden surge in sales (stock-piling) followed by a drop in sales.
- (f) Manufacturers can adjust short term variations in demand and supply.
- (g) Consumers can try new products.
- (h) Retailers can increase the sales of complementary product (e.g. increase in sales of cake-mixtures can increase sales of frosting)
- (i) It can increase brand loyalty.

Advantages

- (a) Effective sales tools in the hands of the management due to increase in the number of brands, increased use by competitors, brands-similarity, price-orientation of consumers and decreasing importance of advertising.
- (b) Added-value promotions other than price promotions improves brand image and increases brand loyalty.
- (c) Small-share manufacturers find it advantageous to use sales promotion as they cannot afford advertising or have the customers try their product in any other ways.

Disadvantages

- (a) Price-cuts, coupons may devalue the product in the customers' mind.
- (b) Well-known brands cannot be put in promotion over 30% of time [e.g. In 2001-02, automobile sector provided 0% financing and hefty cash rebates. But it had difficulty in getting out of that clutter]
- (c) Price-promotions can increase volume sold only by 16% (approx).
- (d) Sales promotion is not effective for manufacturer selling an entire category.
- (e) In case of FMCG excessive production dilutes brand loyalty.
- (f) Promotions can be more expensive than they appear.
- (g) Application of faulty promotional programme can do more harm than good.
- (h) Some promotion irritate consumers who may seek higher trade allowance or refuse to cooperate.

Steps in sales promotion

- (a) Establishing objectives:** Consumers: encouraging purchase for larger units; increasing trial among non-users; and driving switchers away from competitors' brands. Retailers: carry new items; encouraging off-season buy; encouraging stocking of related items; offsetting competitive promotions; building brand loyalty and gaining entry to new retail outlets. Sales force: encouraging support of new product or model; encouraging off-season sale.
- (b) Selecting consumer promotion tool:** Tool depends upon objectives, nature of market, competitiveness and cost-effectiveness. Based on the nature of user, tool can be of two types – manufacturers' tool (rebates, gifts to motivate purchase and high-value trade-in credit) and retailers' tool (price-cuts, feature advertising, coupons, contests and premiums). Based on consumers' franchise building, tools can be of two types – tools that are franchise building (imparts selling messages along with the deal and improves brand equity, such as free samples, frequency awards, consumer) and that are not (e.g. price-off packs, consumer premiums not related to the product, and trade allowances). Other consumers' promotional tools include newsletter, free recipes, sweepstakes, etc. Many companies have gone online in their coupon system (Colgate-Pamolive, Harshley, etc.). There are some websites which contain coupons for different consumer items.

- (c) **Selecting trade promotion tool:** Trade promotional tools are mainly designed for the whole-sellers and retailers. It is used to induce them to carry the manufacturers' brand; carry more units than usual; promote the brand by featuring, display and price-reductions; and to push the product. Recently, growth of large retailers is demanding a higher proportion of total promotional budget for trade promotions at the cost of consumers' promotion. However, it is very difficult to check whether retailers are performing their job properly. Therefore they seek proof of performance before making any allowances. The retailers often take two mechanisms to obtain the benefit of the promotion. When the manufacturer is providing a deal, they purchase in bulk (e.g. for 10% discount 12 weeks products are purchased). It is called forward buying. At the same time, if the manufacturer provides deal in a particular region, they buy it in bulk in large quantity over there and later ship the surplus to the non-deal regions. It is called diverting. In both the situations, the manufacturer has to produce extra and bear the cost of extra shifts. Hence, they usually provide discount on total value and deliver less than full order to smoothen out production.
- (d) **Selecting business and sales-force promotion tool:** Business and sales-force promotion is made to obtain business tips, reward the customers, and motivating the sales-force. Most common type of this promotional tool (especially in B2B market space) is trade-shows. However, the cost of trade-shows is comparatively higher. The budget for promotion under this head is fairly constant over the years.
- (e) **Developing the programme:** While developing a promotional programme, a marketer may choose a blend of different campaigns (such as the promotional programme that received a golden award in Reggie Award Competition of the Promotion Marketing Association). Promotional programme is decided based on certain factors – size (a minimum size is required for the promotion to succeed), condition (incentive to all or to a select group), duration (average purchase cycle, usually 3 weeks in a quarter), distribution vehicle (package, stores, email, advertising), timing, and cost (printing, mailing and promoting the deal, cost of price-off, premium or redemption x number of units sold).
- (f) **Pretesting:** While promotional tools are designed based on experience, some pretesting of the tools can be used (by conducting a survey among customers or implementing a trial run in a geographical location) to check whether the parameters decided for a placement programme are appropriate.
- (g) **Implementation and control:** Implementation and control of a promotional programme cover lead time (time required to prepare the programme) and sell-in time (from launch of promotional tool to the time when 95% of the merchandise are sold through the promotion).
- (h) **Evaluation:** Manufacturers evaluate the programme with the help of sales data (the type of people who took advantage of the promotion, the buying behaviour of the customer in the pre and post-promotion scenario, etc.), consumer survey (number of customer who can recall the promotion, what they thought of it, how many took advantage of it, and how it affected subsequent brand choice) and experiments (administering a promotional tool on a group of customers and not doing the same on the other and check for divergence).

3. Public Relations

A large number of individuals constituting public in a society have actual or potential interest in the company's ability to achieve its objectives. Hence, the company must undertake a variety of programs to improve the image of the company or its product in particular among the public. It is called public relations (PR). In order to maintain goodwill among key public

groups, every company maintains a PR department who continuously advise the top management about the positive initiative that be taken to improve public image and questionable practices that may be stopped to avoid negative image. Marketing PR is a revised version of publicity where the company does not pay for a space in print or electronic media but finds a space in editorial because of a hype created about the company, its person, product, idea or image. Consumers are also interest in an editorial rather than a paid advertising. More skills are required in MPR. Sir Richard Branson of Virgin group is probably the most accomplished user of MPR resources (Breakthrough Marketing Virgin Group).

Functions of PR

- (a) **Press relations:** presenting news and information in the most positive light.
- (b) **Product publicity:** sponsoring to publicize specific product.
- (c) **Corporate communications:** promoting vision of the organization through internal and external communications.
- (d) **Lobbying:** dealing with legislators or Government officials to promote or defeat regulations.
- (e) **Counseling:** advising management about public issues, company image during good and bad times.
- (f) **Marketing communication:** when the brand gets into trouble due to company's image (Marketing insight: managing a brand crisis)

Importance of MPR

- (a) Create brand awareness
- (b) Social participation
- (c) Cost-effective

Functions of marketing PR

- (a) **Launching new products:** toys such as, Tickle Me Elmo, Ferby and Leap Frog
- (b) **Repositioning a mature product:** New York (NY) had a very bad press until 'I Love NY' campaign.
- (c) **Building interest in a product category:** interests for products, such as eggs, milk, potatoes, tea, orange juice
- (d) **Influencing specific target groups:** special neighborhood programs in Latin and Africa-America communities in the US by McDonald's.
- (e) **Defending products that have encountered public problems:** In 2007, on Valentine's Day, 1000 flights of Jet Blue were cancelled causing massive delay and passengers stacking for more than 9 hours. The situation later improved through MPR.
- (f) **Building the corporate image that positively impacts the product:** Bill Gates speeches and books created an innovative image for Microsoft.

Steps

- (a) **Establishing objectives:** The main objectives of the PR process are – awareness (place stories in the media to bring attention to the product, services, idea, person or company); credibility (communicating a message in editorial context); enthusiasm (stories about new product before it is launched); low promotion cost.
- (b) **Choose the PR message and vehicles:** The main vehicle of PR is mass media. However, MPR is recently adopting technological advancements in direct-marketing or one-to-one marketing. For example, the PR team of a college would build stories around unusual background of a faculty or an unusual project he is working on, any exciting events happening around the college, etc. If there is no news, the PR team would insist on sponsoring one (e.g. academic convention, international conferences with celebrity speakers, etc.) which has varied impact on different sets of audiences. This would create possibilities for stories the PR would now take on.

- (c) **Implementation:** PR would implement the plan by running the stories in different media and showing book to the client containing therein clippings of the media stories.
- (d) **Evaluation:** Effectiveness of the PR process cannot be evaluated easily since it does not contribute to the bottom-line as it is implemented with other promotional tools. Hence, the effectiveness of public relations can be measured in terms of exposures created in public media (number of public media, number of columns written, combined circulation, air time in radio and television with estimated number of audiences). However, this is not a very satisfying measure as it measures the number of people exposed to it, not the number actually read, listened or watched it. It does not also show the number of people who can recollect it later. As there are chances of overlapping, it is important to know the number of unduplicated exposures. So, after allowing for the effect of other promotional tools how many people have actually heard the news (awareness), told others about it (comprehension) and changed their minds after hearing it (attitude) should be the appropriate measure for evaluating PR process.