

BALAJI INSTITUTE OF I.T AND MANAGEMENT KADAPA

MARKETING MANAGEMENT

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Units covered: **Half of 3rd Unit, 4th & 5th units**

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(17E00202) MARKETING MANAGEMENT

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1. **Understanding Marketing Management:** Concepts of Marketing, Marketing Strategies & Plans, Creating long term loyalty relationships, Marketing mix, PLC, Analyzing Competitors ,Conducting Marketing research.
2. **Connecting with Customers & Building Strong Brands:** Analyzing Consumer Markets, Analyzing Business Markets, Tapping into global markets, Identifying market segments and targets, Crafting Brand Positioning, Creating Brand Equity- Addressing Competition and driving growth.
3. **Creating & Communicating Value:-** Setting product strategy, Designing & managing services, Introducing new market offerings. Developing pricing strategies & programmes. Designing & Managing Integrated Marketing Communications, Advertising & Sales Promotions, Events and experiences, Managing digital communication - online, social media & mobile, Personal selling.
4. **Delivering Value :-** Managing retailing, wholesaling and logistics. Designing and Managing Integrated Marketing Channels
5. **Sales Management:-** Nature & Importance of Sales Management, Skills of sales manager, Sales objectives, Concepts of sales organization, Types of sales organization.

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UNIT-III
CREATING AND COMMUNICATING VALUE

SERVICE PRICING:-**INTRODUCTION:-**

Service pricing is different from the pricing of goods in many ways. Price has a single name in the manufacturing sector, whereas it takes different names in the services sector. For example, the price charged for advertising is known as commission, for boarding and loading services, as tariff, for legal services and health care as fees; and for share or stock services as brokerage and commission. Pricing of goods is determined by the market demand in most cases, unless regulated by the government.

COSTS INVOLVED IN SERVICE PRICING:-

There are two types of costs involved in service pricing

1. **MONETARY COSTS**: - Costs in terms of money involved in production are fixed, variable and financial costs and profits in nature, and are important determination of price charged by a service organization.

i. **VARIABLE COST**: - Consisting of direct materials and direct labour and consumables. There are directly attributable to each unit of product of service.

ii. **FIXED COSTS**: - Employee costs, marketing costs of advertising, and sales promotion and distribution costs. These are not directly attributable to the product or service but have to be incurred nonetheless.

iii. **FINANCIAL COSTS AND PROFITS** :- Consisting of depreciation, interest, and return on investment.

2. **NON-MONETARY COSTS**:-In certain services, customer participation in service production is essential. This adds another dimension to service pricing.

i. **TIME** : Time investment customer has to make for service use. How much the customer expected to wait? In government healthcare facilities, the time cost tends to be higher compared to private hospitals.

ii. **SEARCH EFFORT**:- A customer has to buy a particular type of LCD television. His or her search effort would require him or her to visit a couple of stores selling the televisions.

iii. **CONVENIENCE**: - Goods can be procured more conveniently than services. Goods are generally widely distributed and made available to customers.

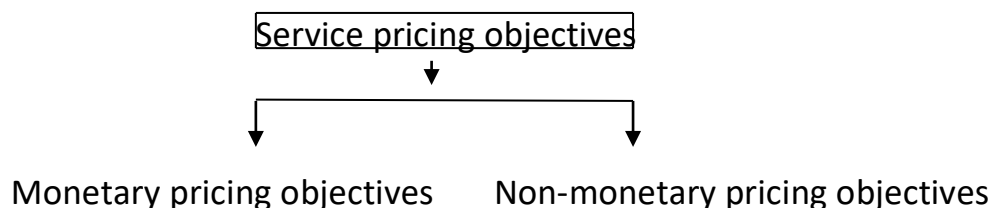
iv. **PSYCHIC COSTS**: - Service use often involves psychological discomforts. Going to a dentist is psychologically challenging.

The pricing decisions in such services should accommodate the intangible costs that a customer may have to bear with. It would require the managers to go beyond the 'number game' while pricing the services. The marketer must bear in mind that it is not only the monetary price that a service customer has to pay, but rather he may have to sacrifice time, efforts, physical and psychic comfort, the monetary cost is only one of the elements that a buyer has to offer.

QUESTION NO.2

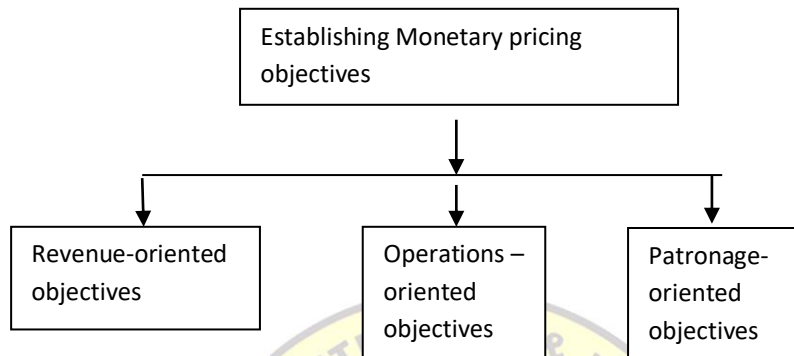
SERVICE PRICING OBJECTIVES:-

Any decision or pricing strategy must be based on a clear understanding of the organization's objectives. There are two basic categories of pricing objectives for service firms:



ESTABLISHING MONETARY PRICING OBJECTIVES:

Pricing strategy must be a clear understanding of the organization's objectives. There are three basic categories of pricing objectives open to a service organization. These are as follows:



1. **REVENUE – ORIENTED OBJECTIVES:** - Private sector firms are profit-seeking organizations within certain limits; they attempt to maximize the surplus of income over expenditures.

i. **FIXED COSTS:** - Fixed costs are those that would continue (atleast in the short run) to be incurred even if no services were provided.

ii. **SEMI – VARIABLE COST:** - Semi –variable cost in those that are related to the number of customers served or volume or services produced by the organization.

iii. **VARIABLE COST:** - Variable costs are these associated with making an additional sale – such as a new loan at a bank, a single seat in a train or theatre a room in a hotel, or one more repair job.

2. **OPERATIONS – ORIENTED OBJECTIVES:** - Some organizations seek to match demand and supply so as to ensure optimal use of their productive capacity at any given time.

3. **PATRONAGE – ORIENTED OBJECTIVES**: - Not all service organization suffer from a short – term capacity constraint.

ESTABLISHING NON-MONETARY PRICING OBJECTIVES:-

Purely monetary pricing objectives are not necessarily relevant or appropriate for all organizations. Not-for-profit organizations such as charities, community service and support organizations e.g., are established for reasons and purposes other than commercial ones. Their price –setting (categories) strategies need to consider the purpose and intent, mission and values of the organization, and give thought to the role played by price in reflecting and communicating these.

Revenue- oriented and patronage – oriented pricing objectives may nonetheless have a role to play. Not-for –profit organizations generally still need to achieve revenue targets and covers as much of their operating costs as possible. Correspondingly, patronage –oriented pricing objectives may be appropriate in circumstances where there is a need to build and maintain ongoing support.

For example, the Australian breast feeding association offers its support services to members and non-members, but low membership fees are in incentive for mothers to join. For the association, a large membership base may result in more public recognition and external funding.

At the same time, prices charged, or the amount of the donation, grant, bequest or contribution requested, may need to consider aspects beyond the goals of revenue generation, cost recoument and patronage stimulation. This is also what one means by non-monetary pricing objectives. Typically these can be defined with reference to:

1. Markets served, and/or
2. The organization and its purposes.

Looking at markets servants, it may be appropriate to consider perceived fairness, equity and affordability, and the desired attitudinal response and support sought from customers and the wider community.

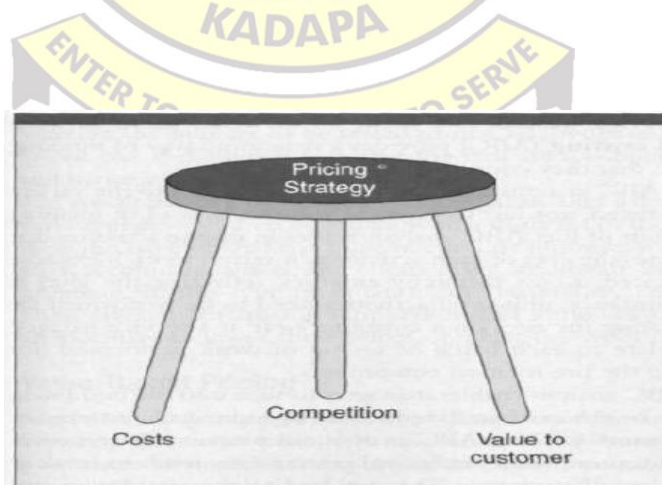
For example, community housing, animal protection and aged care facilities. From the prospective of the organization, prices and how they are communicated can be employed to express credibly what the organization stands for, its principles and values and the value offered by the organization to the community served.

QUESTION NO.3:-

FOUNDATIONS OF PRICING OBJECTIVES:-

The foundations underlying pricing strategy can be described as a tripod, with the three legs being named costs, competition, and value to the customer. The costs to be recovered set a floor to the price that may be charged for a specific product; the value of the product to the customer sets a ceiling; whereas the price charged by competitions for similar or substitute products may determine where, within the ceiling - to - floor range, the price level should actually be set. The foundations of service price are as follows.

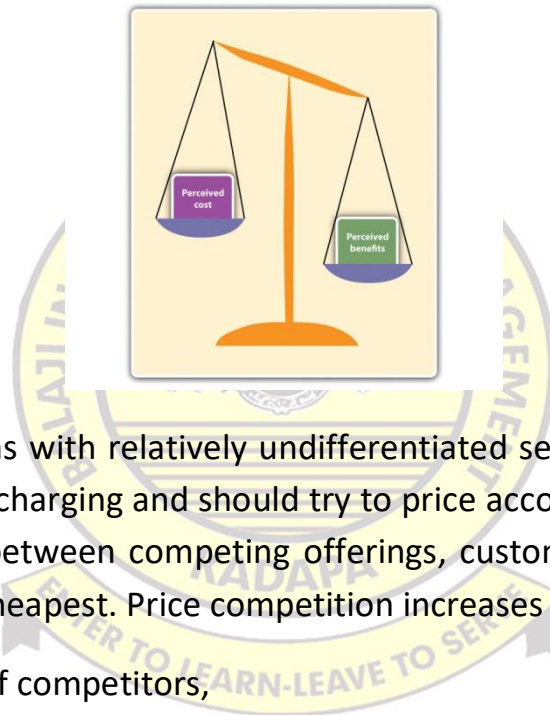
1. **COST**: Companies seeking to make a profit must recover the full costs associated with producing and marketing a service, and then add a sufficient margin to yield satisfactory profit.



2. **VALUE**: The term 'value' is one that is rather loosely used. Research by ZEITHAML found that "what constitutes a value – even in a single product category – appears to be highly personal and idiosyncratic. In explanatory research on beverages, she found four broad expressions of value.

- i) Value is low price,
- ii) Value is whether I want in a product,
- iii) Value is the quality I get for the price I pay, and
- iv) Value is what I get for what I give.

If the sum of all the perceived benefits (gross value) minus the sum of all the perceived costs, it follows that the greater the positive difference between perceived benefits and perceived costs, the greater the net value.



3. **COMPETITION**: firms with relatively undifferentiated services need to monitor what competitors are charging and should try to price accordingly. When they see little or no different between competing offerings, customers may choose what they perceive as the cheapest. Price competition increases with:

- i) Increasing number of competitors,
- ii) Increasing number of substituting offers,
- iii) Wider distribution of competitor and /or substitution.

QUESTION NO: 4

PRICING AND DEMAND

In most services, there is an inverse relationship between price levels and demand (p) levels. Demand tends to fall as price rises. This phenomenon has implications for revenue planning and also for filling capacity in businesses that experience wide swings in demand over time.

This relationship can be understood with the help of following figure:

Relationship between pricing and demand

Price elasticity	yield management
Fencing mechanism	customer – led pricing:
	Auctions and Bids

PRICE ELASTICITY:

The concept of Elasticity describes how sensitive demand is to changes in price and is computed as follows:

$$\text{Price Elasticity} = \frac{\text{percentage change in demand}}{\text{Percentage change in price}}$$

When price elasticity is at “unity”, sales of a service rise (or fall) by the same percentage that prices fall (or rise). When a small price change has a big impact elastic. But when a change in price has little effect demand is described as price inelastic.

Demand can often be segmented according to customers sensitivity to price or service features. For example, few theatres, concert halls, and stadiums have a single, fixed admission price for performances. Instead, prices vary according to :

1. Seat locations
2. Performance locations
3. Projected staging costs, and
4. The anticipated appeal of the performance.

In established prices for different blocks of seats and deciding how many seats to offer within each price bloke (known as scaling the house), theatre managers need to estimate the demand within each price category. A poor pricing decision may result in many empty seats in some price categories and immediate sell-outs (and disappointed customers) in other categories.

YIELD MANAGEMENT:

Service organizations often use the percentage of capacity sold as a measure of operational efficiency. By themselves, however, these percentage figures tell us little about the relative profitability of the customer base. High utilization rates may be obtained at the expense of heavy discounting, or even outright give a ways.

Yield management is a process for capacity – constrained industries to maximize profitability by allocating the right inventory to the right customers at the right price. RM concepts are pertinent to virtually everything that is sellable in advance, transient, has inconsistent demand patterns and (how) low marginal servicing cost.

FENCING MECHANISM:

Firms need to be able to separate or “ fence off different value segments so that customers for whom the services offers high value are unable to purchase it cheaply. Rate fences can be either physical or non-physical and involve setting qualifications that must be met in order to receive a certain level of discount from the full price.

Physical fences include observable characteristics such as class of travel, type of hotel room, or inclusion of certain amenities with a higher price (free breakfast at a hotel,) free golf cart at a golf course).

Non-physical fences includes penalties for cancelling or changing an inexpensive reservation, requirements for advance purchase, group membership or affiliation, and time of use (e.g., happy hours in bars before 8:00 pm., travelers must stay over a Saturday night to obtain a cheap airline booking).

CUSTOMER –LED PRICING: AUCTIONS AND BIDS:

One method of pricing that has attracted a lot of attention with the advent of the internet is inviting customers to bid the price that they are prepared to pay. The internet provides a good medium for auctions because of its ability to aggregate buyers from all around the world. In the same line, the web also offers many opportunities for customers to bid on prices for goods and services.

Rather than approaching individual financial institutions for a mortgage or other loan, borrowers can enter their requirements and personal situations at a website that solicits bids for the required loans. And online market makers let buyers decide how much they are willing to offer for many other types of services.

QUESTION NO. 5:-**PUTTING SERVICE PRICING STRATEGY INTO PRACTICE:****Factors considered in developing service pricing strategies:**

To put services pricing into practice, service marketers need to consider several points to have a well thought out pricing strategy. These points are as follows:

1. **Total amount of pricing:** Realistic decisions on pricing are critical for financial health. The task begins with determining the relevant costs, which set the relevant “floor” price. The second step is to establish a “ceiling” price for specific market segments. This involves assessing market sensitivity to different prices, which reflects both the overall value of the service to prospective customers and their ability to pay. Competitive prices provide a third input.
2. **Basis for pricing:** - To set a price, managers must define the unit of service consumption. Basis of pricing may include :
 - i) Completing a specific service task, such as repairing a piece of equipment.
 - ii) Cleaning a jacket, or cutting a customer’s hair.
 - iii) Entry to a service performance, such as a conference, films, concert, or sports event.

- iv) Using an hour of a lawyer's time,
 - v) Occupying a hotel room for a night, or
 - vi) Renting a car for a week.
- i) **PRICE BUNDLING:** - Some products require a mixture of tangible and intangible elements. Many hospitals and restaurants fall in the middle of the continuum because they rely on expensive equipment or facilities and skilled personnel to deliver a product.
- ii) **DISCOUNTING:** - To attract the attention of prospective buyers or to boost sales during a period of low demand, firms may discount their prices, often publicizing this price cut with coupons or an advertising campaign.
- iii) **COLLECTION OF PAYMENT:** Sometimes firms choose to delegate provision of supplementary services like billing to an intermediary. Although the original supplier pays a commission, using a third party may still be cheaper and more efficient than performing those tasks itself.
- iv) **PLACE OF PAYMENT:** Payment for many services is collected at the service facility just before or immediately following service delivery.
- v) **TIMING OF PAYMENT:** Two basic options are to ask customers to pay in advance (e.g., an admission charge, airline ticket, or postage stamps), or to bill them on completion of service delivery (e.g., restaurant bills and repair charges).
- vi) **MODE OF PAYMENT:** Service businesses must decide on the types of payments they will accept. Although cash is a simple payment method, it raises security problems and is not always convenient for customers (especially for large purchases).
- vii) **COMMUNICATING PRICES TO THE TARGET MARKETS:** - The final task is to decide how the organization's pricing policies can best be communicated to its target markets. People need to know the price for some product offerings well in advance of purchase.

IMPORTANT QUESTIONS:

1. What are the different product lines and approaches in managing the services?
2. What is meant by on-line marketing? Explain its importance in present organization
3. What is meant by pricing? What are the various types of strategies used in pricing decisions?
4. What are the different steps involved in developing and managing an advertising program?
5. Explain the process of introducing new products into the markets.

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UNIT-4

DELIVERING VALUE

1. MANAGING RETAILING:

1.1. INTRODUCTION:

The origin of word retail is related with the French word retailer which means to break the bulk or to cut a piece off. In the process of distribution the products move from the manufacturers to the final customers. Several intermediaries or middlemen are involved in this process and the retailer is the last ones. Retailers directly offer the firms product to the customers and thus link the customers with the manufacturers. They collect feedback from the customers directly and convey it to the manufacturers.

The comprehensive combination of different activities or steps which are used to sell a product or a service to the customer for self or family consumption is termed as retailing. Individual demands of targets customers and supplies of available producers are effectively matched by the retailers.

According to **CUNDIFF AND STILL**, retailing consists of all those activities involved in selling directly to ultimate consumers.

1.2. FUNCTIONS OF RETAILING:

Following are the main functions of retailing

1. **SORTING**: Sorting is one of the main functions in retailing. Producers generally offer large quantities of similar or different products and expect it to be sold in lists to concerned buyers to reduce costs. Whereas customers require variety of products to choose from and buy only in small quantities.
2. **BREAKING BULK**: Another function of retailing is breaking bulk. Big lots of the products are transported by the producers and wholesalers in order to reduce the costs which are then divided into smaller quantities by the retailers so that these products can match with the consumption needs to consumers.
3. **HOLDING STOCK**: Holding stock is a function of retailing which is significant to the producers. In order to support the producers in inventory control and production.

4. **SUPPLEMENTARY SERVICES**: Through variety of services retailers make the buying process simple and convenient and thus ease of process of changing merchandise ownership.
5. **CHANNEL OF COMMUNICATION**: Acting as a channel of communication between producers/wholesalers and the customers is also a function of the retailing. Customers learn a lot about the features traits of a product or service with the help of sales force advertisement and displays.
6. **TRANSPORT AND ADVERTISING SERVICES**: Retailers can also provide assistance to the small manufacturers in advertising storing transporting and pre-payment of goods.

1.3. IMPORTANCE OF RETAILING:

Retailing is important to producer's wholesalers as well as customers which is described below.

1. **IMPORTANCE FOR PRODUCERS AND WHOLESALERS**: Retailers are important to the producers and wholesalers in the following manner.
 - a. **SELLING GOODS**: In order to help the producers as well as the wholesalers retailers sell the products directly to the customers in required quantities.
 - b. **ASSESSING CONSUMERS TASTES AND PREFERENCES**: The producers/wholesalers can collect the information about the customers their taste and preferences with the help of retailers as these retailers are in direct contact with the customers.
 - c. **PROMOTING NEW PRODUCTS**: Retailers help the producers/wholesales in promoting a new product. As they understand the needs and preferences of the consumers it becomes easy for the retailers to promote a new product among the consumers.
2. **IMPORTANCE FOR CONSUMERS**: Retailers are important to the consumers in the following manner.
 - a. **VARIETY OF GOODS**: A large variety of products is stored by the retailers which are produced by the different manufacturers. These products are offered to the customers at a reasonable price.
 - b. **DEMAND CREATION**: Retailers create demand for specific products on behalf of the consumers.

- c. **DISTRIBUTION:** Retailers distribute different products of the producers directly to the customers. They are able to deliver appropriate goods to the concerned customers.
- d. **CREDIT FACILITY:** Retailers offer credit services to the consumers so as to build relations.
- e. **PERSONAL SERVICES:** Deferent additional services like exchange free home delivery after sales services etc., are provided by the retailers to the customers.
- f. **SALE OR APPROVAL:** Retailers provide sale on approval service to the customers. Under this facility the product can be returned to the retailer within the specified time if the product is not approved by the family or if it does not match the requirement of the customers.

2. MANAGING WHOLESALING:

2.1. INTRODUCTION:

A comprehensive process of selling goods and services to the people who buy those goods or services for business use or resale is calling as wholesaling.

A wholesaler is a person who is engaged in the wholesaling activities.

According to **PHILIP KOTLER** wholesaling consists of the sale and all activities in selling goods or services to those who buy for resale or business use.

The working principal of any kind of wholesaler is to generate optimum results for efforts taken. They generally have small margins and are expected to maximize effectiveness of services offered and reduce inaccuracy in operations.

2.2. FUNCTIONS OF WHOLESALERS:

1. **SALES AND PROMOTION:** Wholesalers have their very own sales force. Wholesalers render the services of their sales force to the manufacturers to help them reach several business customers operating at a relatively smaller scale at a reasonable low cost.
2. **BUYING AND ASSORTMENT BUILDING:** A substantial amount of work a customer's does is done by a wholesaler on their behalf by way of choosing the products and preparing a mixed bag of all those products as needed by the customers.

3. **BULK BREAKING**: Wholesalers can save big time for their buyers through purchasing products in bulk, large carload stacks and then dividing this bulk into smaller units as per individual requirements.
4. **WAREHOUSING**: The suppliers and customers do not have to bear the inventory costs because wholesalers hold inventories which decrease inventory costs as well as the risks associated with them.
5. **TRANSPORTATION**: Because of selection of a prime location for conducting business, a wholesaler or generally deliver the goods faster to the buyers as they are located closer to them.
6. **FINANCING**: Wholesalers finance suppliers by adopting the policy of early ordering and paying all the bills punctually. They also finance customers by granting credit.
7. **RISK BEARING**: As wholesalers own the title of the manufacturers they bear the risk of all the consequences cost of all kinds of flows is borne by wholesalers.
8. **MARKET INFORMATION**: All relevant information about the market like new products competitive position pricing policies and developments are conveyed to the suppliers or manufacturing by the wholesalers. They also communicate required information to the customers about variety of products.

2.3. IMPORTANCE OF WHOLESALING:

Wholesaling is important to different parties (manufacturer's retailers and customers or society) differently. This is describes below

1. **IMPORTANCE FOR RETAILERS**: The entire activity of wholesaling is very important for retailers. Wholesalers buy goods in large quantities and then sell it to retailers in smaller quantizes. They also deliver goods to retailers.
 - a. **PROMOTION**: There are some wholesalers who promote the products which they sell to retailers. Generally they perform; this work at a fixed cost or for free. Variety of display materials and pros are used by wholesalers to promote the products and stimulate impulse buying.
 - b. **MARKET INFORMAITON**: Significant information about the market and the customers is transferred to the retailers by the wholesalers. Wholesalers having many contacts with the local business and suppliers are able to collect reasonable

information about the market, i.e. about supply conditions pattern of demand trade related changes and development prices industry personal etc.

C. FINANCIAL AID: Wholesalers usually provide a kind of financial aid to the retailers. Retailers tend to take such financial aid for granted. Wholesaler's facilities the retailers to keep their own stock investments less in context of sales generated by making frequent and expeditious deliveries.

2. IMPORTANCE FOR MANUFACTURERS: Wholesalers are important to manufacturers in the same way as they are important to the retailers. Following points describe the importance of wholesalers to the manufacturers.

a. SALESFORCE FOR RETAILERS: Wholesalers offer their own sales force service for the manufacturers. They direct their sales force to communication to the retailers on behalf of the manufacturers and save their time money and effort.

b. REDUCING INVENTORY COSTS: Manufacturers have large quantities of finished goods that they have to store.

c. AVOIDING CREDIT RISKS: The issue of credit risk of the manufacturers is eliminated by the wholesalers as they offer credit on their own.

d. MARKET INFORMATION: Along with providing information to the retailers wholesalers also transfer relevant market information to the manufacturers.

3. IMPORTANCE FOR THE SOCIETY: Wholesalers are also important for the society as they offer variety of goods at required time in required quantity. Following points describes the importance of the wholesalers for the society.

a. SUPPORT TO ECONOMIC GROWTH: With its supportive function focused towards the retailer's manufacturers and the customers it contributes to the overall development of the business.

b. FACILITATING MASS CONSUMPTION: It is the wholesales that facilitate mass consumption of the goods produced by the manufacturers.

c. CONTRIBUTION TO OTHER BUSINESS AND EMPLOYEMENT: More employment opportunities are generated by the wholesaling business as it links with different other business like banking transportation insurance etc.

d. SUSTAINING MARKET EQUILIBRIUM: Wholesalers assist in maintaining stability of prices and general equilibrium of the market by helping manufacturers in evaluating consumer requirement and offering stocks in required locations at required time.

3. MANAGING LOGISTICS:

3.1. INTRODUCTION:

Logistics refers to the skill and discipline engaged in the administration and control of the way in which the flow of energy goods information and related resources takes place. In the present scenario the term logistics has a vast scope which includes the flow of raw materials to manufacturers from suppliers and final delivery of finished products to end users.

According to council of logistics management (**CLM**), logistics is the process of planning flow and storage of raw material in process inventory finished goods and related information from point of origin to point of consumption for the purpose of confirming customer requirement.

3.2. OBJECTIVES OF LOGISTICS:

The objectives of logistics are as follows,

- 1. IMPROVING CUSTOMER SERVICE:** By attaining customer satisfaction highest level of profits can be ensured. Thus continuous improvement in customer service acts as the core objective of logistics.
- 2. SPEEDY RESPONSE:** It refers to the organization ability to give prompt response to the customer's queries. In today's era of IT. It has become completely manageable to give immediate response to the customer's queries by acquiring related data and postponing logistical functions to latest time for increasing the response rate.
- 3. DECREASING COSTS OF TOTAL DISTRIBUTION:** Decreasing the costs associated with overall distribution is another virtual objective of logistics.
- 4. LEAST PRODUCT DAMAGES:** Damaged products contribute to extra expenditure on logistics. This extravagant expenditure on damage can be avoided by using mechanical system for handling materials using logical and efficient system of packaging.

5. **GENERATING PLACE AND TIME UTILITIES:** Ensuring the utility of product to right time and right place is another main objective of logistical functions. The product is not good for the consumers until it reaches them at the right place and right time.
6. **STABILITY OF COSTS:** Another purpose of logistics is to ensure the stability of costs. It can be attained by managing the supply of goods through thoughtful use of the accessible transportation and suitable storage facilities.
7. **INVENTORY REDUCTION:** One of the major factors which can prove to be unfavorable for the firm is heaps of records conventionally abundant inventory was maintained for ensuring good customer care services which indulged a lot of expenditure.

3.3. COMPONENTS OF LOGISTICS:

MARKET LOGISTIC DECISIONS:

Following are the fundamental components of logistics

1. **ORDER PROCESSING:** Order processing refers to the process of receiving and delivering information of sales orders. An effective order processing leads to the efficient flow of goods order processing leads to the efficient flow of goods. Order processing is mainly responsible for maintaining high standards of customer's services in an organization.
2. **STOCK OR INVENTORY MANAGEMENT/CONTROL:** The management of inventory requires the development and maintenance of a wide range of products to fulfill the demand of customers.
3. **MATERIAL HANDLING:** The physical management and handling of goods is known as material handling. It is one of the factors in transportations and warehouse operations.
4. **WAREHOUSING:** It is the decision of the organization to opt either for its own warehouse or for shared outbound warehouse. In comparison to outbound warehouse in house warehouse offers more flexibility less expenditure and better administration. Yet the major advantage of outbound warehouse is that its needs no fixed investment on part of the organization.
5. **TRANSPORTATION:** Transportation of goods i.e. physical movement of products from manufacturers to end users is a pretty expensive form of physical distribution.

6. **CUSTOMER SERVICES:** The standards of customer services set the objectives and derived performance level expected by the organization.

3.4. IMPORTANCE OF LOGISTICS:

The important of logistics can be stated as follows

1. **FORM UTILITY:** It refers to the procedures through which goods and services are produced and put into appropriate form for usage by the customers. Form utility refers to the worth of a product which has been created by putting together all its parts.
2. **POSSESSION UTILITY:** It refers to the value added to the goods or services so that the customer is actually able to possess it. It is usually arranged by providing loans credits etc.
3. **TIME UTILITY:** It refers to the value of getting the product when required. Time utility occurs within the firm so that all the materials and parts are available at the right time and production line remains unaffected.
4. **PLACE UTILITY:** It implies that all the requisite goods services are available at the right place when required. If a product required by a customer is on its way or in warehouse or in some other store it fails to serve the purpose of place utility for the customer.

4. DESIGNING AND MANAGING INTEGRATED MARKETING CHANNELS **INTRODUCING TO MARKETING CHANNELS**

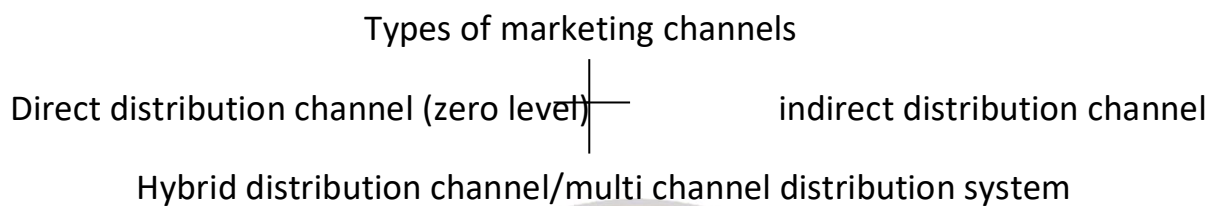
Channels of distribution are the route between producers and users through which goods are distributed. These routes are also known as distribution channels or trade channels. In case of services the distribution channel is direct, since the services are intangible in nature. A distribution channel generally requires a buyer and a seller. The buyer can either be an industrial consumer or the end customer. Other than the buyer and seller in the marketing channel various middlemen are also involved in the supply chain. Here middlemen may be distributor's wholesaler's retailers or dealer.

ACCORDING TO AMERICAN MARKTING ASSOCIATION

A channel of distribution or marketing channel is a structure of intra company organization units and intra company agents and dealers wholesalers and retailers through which a commodity product or service is marketed.

4.1. TYPES OF MARKETING CHANNELS:

The three types of distribution channel are as follows,



1. DIRECT DISTRIBUTION CHANNEL (ZERO LEVEL): It is the shortest channel used by the manufacturer for distribution of goods or services. Under this system the goods and services directly move from the manufacturers to the consumer with no intermediaries. The reasons for selecting this distribution channel system is as follows,

- When direct marketing is preferred by buyers
- When the competitors are using direct marketing
- When the company has sufficient finances to invest in the market
- When appropriate intermediaries are not available to market the product.
- When the company is expert in marketing
- When the company is capable of handling its marketing activities at a rational costs.

Some of the methods used by manufacturers for conducting direct distribution channel system are as follows,

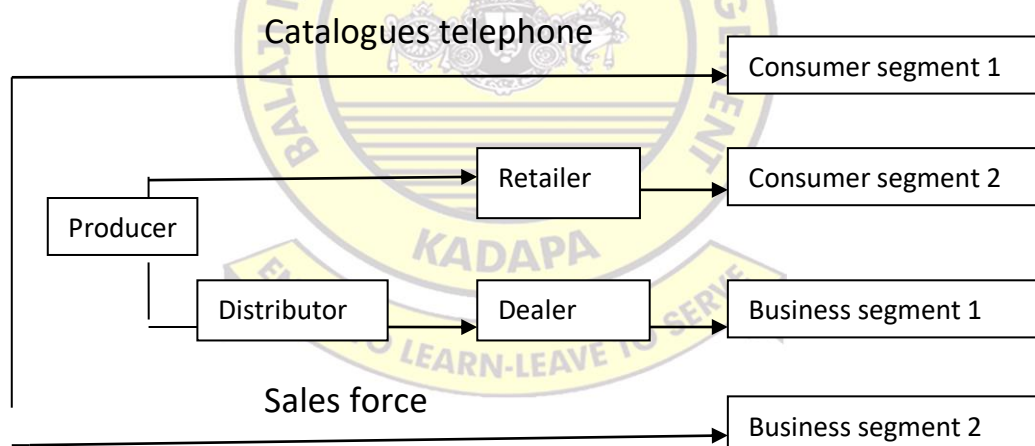
- 1. SELLING AT MANUFACTURERS PLANT:** This method is also known as direct selling. It is the oldest cheapest and most convenient method of distribution.
 - a. DOOR TO DOOR SALES:** This is the most unique way of selling goods and services. Under this method a sales agent visits house to house for selling the products face to face.
 - b. SALE BY MAIL ORDER TECHNIQUE:** In this technique products are delivered through mail to the customer by taking their orders beforehand.

- c. **SALES BY MULTIPLE SHOPS:** Manufacturers dealing in perishable and non perishable goods usually open their own shops to sell their products.
- d. **SALES BY MUTLIPLE SHOPS:** Manufacturers dealing in perishable and non perishable goods usually open their own shops to sell their products.
2. **INDIRECT DISTRIBUTION CHANNEL:** Here, goods are distributed via intermediaries. Under this channel there may be one intermediary such as a sole selling agent to distribute the goods through several intermediaries.

TYPICAL INDIRECT DISTRIBUTION CHANNELS:

ONE LEVEL CHANNEL: In this type of distribution system there is a single intermediary between the manufacturer and consumer. The intermediary used in this system can be either a retailer or a wholesaler.

HYBRID OR MULTI CHANNEL DISTRIBUTION SYSTEM: Earlier most of the companies used single channel distribution system to sell products in a single market.

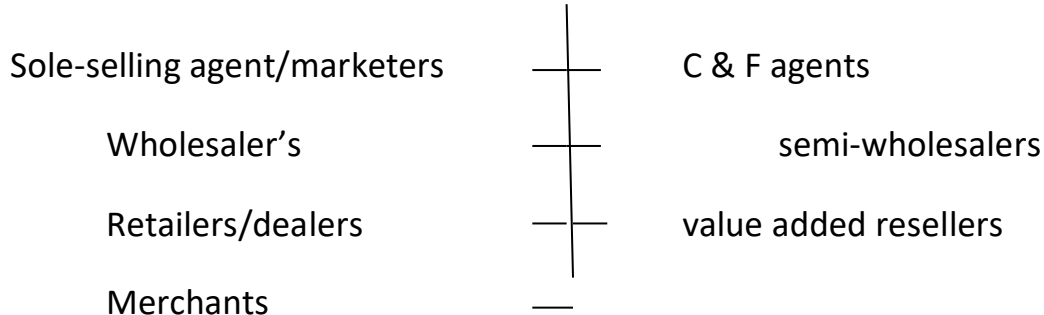


Hybrid distribution systems

DISTRIBUTION CHANNEL INTERMEDIARIES

The types of channel member in indirect distribution channels (excluding the zero level) are as follows,

Distribution channel intermediaries



- SOLE SELLING AGENT/MARKETER:** A sole selling agent is a large marketing intermediary having huge resources and wide spread region to operate.
- C & F AGENTS (CFAs):** A person who is involved in rendering services to any other person directly or indirectly like clearing and forwarding activities in any form or involves a consignment agent is called C&F agent or CFA.
- WHOLESALERS:** Wholesalers are the second largest intermediary after the sole selling agents in comparison with the size, resources and territory of operation.
- SEMI WHOLESALERS:** They purchase goods from manufacturers or distributions in bulk and then resell the goods to retailers I assortments as per their needs.
- RETAILERS:** Retailers sell their goods directly to the final consumers. They are at the lowest level of the distribution hierarchy and operate under wholesalers/ distributors/ stockiest/ semi wholesalers.
- VALUE ADDED RESELLERS (VARs):** They are intermediaries who purchase the basic goods from manufacturers then add value to it or modify it on the basis of product attributes and finally resell the goods at the end consumers.
- MERCHANTS:** Merchants are those intermediaries who buy or take physical possession of goods and then sell them to customers retailers and other intermediaries.

IMPORTANT QUESTIONS:

1. Explain various distribution channels. Give an example for FMCG product distribution.
2. How does integrated marketing channels designed? Explain.
3. Describe the classification of retailer, explain its functionalities briefly.
4. What do you mean by retailing? Discuss various trends and importance of retailing.

CASE STUDY:

Sachin and Virag are two enterprising youth. They have passed out from IIM, Bangalore. They thought instead of doing a job, they will launch fresh vegetables in Indian markets. Having learnt of the future conventional foods, they decided to venture into cultivation of mushrooms. Mushrooms are known to be the best alternative food for vegetarians. For Sachin and Virag fund raising was a serious handicap for mass production. However, the first trial batch of mushrooms that they produced was bought by Star Hotel in Bangalore. Further, the hotel placed orders for supply of 20 kgs every day. Now mushroom industry is run by small entrepreneurs, like Sachin and Virag. Another big player M/s Ashtavinayak Mushrooms, equipped with cold storage facility was more interested in the export market. Sachin and Virag have set their sights high. They aim to sell mushrooms in a very big way all over India. Mushrooms have a great market potential and is a perishable food.

QUESTIONS

A. How will you advise Sachin and Virag, as how to increase the consumer awareness about this new food?

POSSIBLE SOLUTIONS

- Consumer awareness can be created by test marketing. Through sales persons and customer response to the product.
- Samples can be distributed in big malls and Variety stores.
- Awareness can also be created through outdoor publicity such as wall hoardings, banners, insertions in news papers etc.

Targeted Customers:

Hotels

* Household sector

* Restaurants

* Industrial canteens

Brand name of the company along with the product can also be highlighted to the customer by using the concept of event marketing.

• For different kinds of selling modes they can target different customers
Institutional sale: Hotel / Restaurants/Industrial canteens Individual sale:

Household

• Approach to hotel industry can be made and product benefit can be shown to convince the customer. Mushroom related recipe booklet can be given to them for use.

• Can approach the T.V programs for Khana Khazana to show different recipes of Mushrooms in their shows.

• Dealer push through sales promotion campaign.

• Press meetings can be a way to consumer awareness. Editors, journalists of newspapers having maximum circulation can be contacted and samples to be distributed to them (such as 250 gm or 100 gm packs).

• Packaging should be attractive

B. What would be your suggestions for distribution channel for mushrooms?

Distribution network:

• Product having being perishable, company should go for faster and effective distribution network having cold storage facility.

• Distribution through company delivery vans in local market and distribution through rail or road transport to urban markets.

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KADAPA

(17E00202) MARKETING MANAGEMENT

The objective of the course is to have the basic concepts of Marketing which is one of the important areas of functional management. This is a pre-requisite for taking up any elective paper in 3rd and 4th semester in the stream of Marketing.

1. **Understanding Marketing Management:** Concepts of Marketing, Marketing Strategies & Plans, Creating long term loyalty relationships, Marketing mix, PLC, Analyzing Competitors ,Conducting Marketing research.
2. **Connecting with Customers & Building Strong Brands:** Analyzing Consumer Markets, Analyzing Business Markets, Tapping into global markets, Identifying market segments and targets, Crafting Brand Positioning, Creating Brand Equity- Addressing Competition and driving growth.
3. **Creating & Communicating Value:-** Setting product strategy, Designing & managing services, Introducing new market offerings. Developing pricing strategies & programmes. Designing & Managing Integrated Marketing Communications, Advertising & Sales Promotions, Events and experiences, Managing digital communication - online, social media & mobile, Personal selling.
4. **Delivering Value :-** Managing retailing, wholesaling and logistics. Designing and Managing Integrated Marketing Channels
5. **Sales Management:-** Nature & Importance of Sales Management, Skills of sales manager, Sales objectives, Concepts of sales organization, Types of sales organization.

Textbooks:

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UNIT-5

SALES MANAGEMENT

1. NATURE AND IMPORTANCE OF SALES MANAGEMENT:

1.1 CONCEPT OF SALES MANAGEMENT:

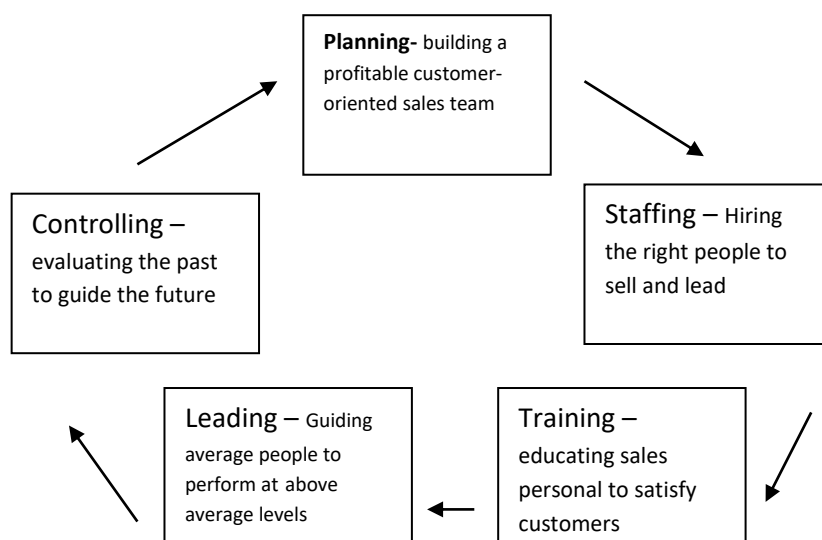
Sales management is a part of marketing management. It is the process which converts the marketing plan into actions. Because of this role of sales management it is called the driving force behind the marketing management. But sales management not only acts as a driving force but its scope is much wider.

Sales management can also be called as sales force management. Sales management manages the personal selling part of marketing programme of the company. It focuses on formulating the strategies that assist a company to reach its marketing objectives.

According to **HAMPTON AND ZABIN** sales management is primarily the direction of men with all the management functions of organization control recruitment training supervision and motivation.

1.2. FUNCTIONS OF SALES MANAGEMENT:

Sales management works with the group of individuals inside and outside the company to achieve its targets. The main role of sales managers is to increase the sales, revenue and customer satisfaction. A sales manager is successful when he is able to influence the behavior of customers as well as the sales persons. Sales management has following functions.



1.3. ROLE OF FUNCTIONS OF SALES MANAGERS:

1. **PLANNING**: Planning can be defined as the process of deciding where it wants to be in future and how to get there. It is an organized procedure to decide the goods and objectives that the organization wants to achieve in future and the resources and utilization in order to achieve them.
2. **STAFFING**: A sales manager cannot achieve the future goals and objectives alone. For this he needs to employ the personnel for the respective jobs and duties. Staffing includes hiring and maintaining efficient and capable personnel in the organization.
3. **TRAINING**: Sales training can be defined as the effort by the employer to provide the work culture, expertise, knowledge, and attitude to the salesperson to enhance the performance.
4. **LEADING**: Sales managers also act as the leader for sales personnel. Leading can be defined as the capacity to influence the behavior of others so that the predetermined objectives and goals can be achieved. In the sales perspective, leading implies conveying the sales goals to the group members and encouraging them to perform better.
5. **CONTROLLING**: Planning, staffing, training, and leading cannot achieve success without effective controlling. Controlling refers to monitoring the performance of sales personnel, evaluating and comparing, and then taking corrective action if and when needed.

1.4. IMPORTANCE OF SALES MANAGEMENT:

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

Importance of Sales force Management

Achieved broad organizational objectives	helps in decision-making & formulating strategies
Helps to face competition	ensures customer satisfaction
Promotes goodwill of the institution	managers sales personnel
Helps in managing sales force effectively	useful in promoting foreign trade
Creates employment opportunities	helps in controlling selling expenses

- 1. ACHIEVES BROAD ORGANISATIONAL OBJECTIVES:** Sales management accomplishes the broad organization objectives maximization of profit growth in sales and growth in business are the broad objectives that are achieved by the sales department by managing sales personal developing sales plans preparing the sales budget setting up the sales territories and quotes etc.
- 2. HELPS IN DECISION MAKING AND FORMULATING STRATEGY:** Sales management plays an important part in decision making process of top management.
- 3. HELPS TO FACE COMPETITIONS:** Sales management help the top level managers to formulate various competition strategies to deal with the competition in the market.
- 4. ENSURE CUSTOMER SATISFACTION:** It is important for any organization to ensure that their customers are satisfied. Sales management facilitates various ways that help in satisfying the customers such as communicating with customers at regular basis understanding their needs tastes and preference etc.
- 5. PROMOTES GOOD WILL OF THE INSTITUTION:** Sales manage believes in maintaining good relations with the customers who in turn improves the image of company in the market. It also helps in growing the sales volume as well as in the overall growth of the organization

6. **MANAGES SALES PERSONNEL**: Since in current becomes are the most powerful entities in market it becomes important for the sales management to manage the sale personal so that they can win over the buyer.
7. **HELPS IN MANAGING SALES FORCE EFFECTIVLY**: Sales management helps in managing the operations of sales forces effectively. Sales management monitors various aspects such as sizing the sales force recruitment selection training etc.
8. **USEFUL IN PROMOTING FOREIGN TRADE**: Sales management broadens the scope of an organizations sales coverage. It takes the sales to international level which encourages foreign trade.
9. **CREATES EMPLOYMENT OPPORTUNITIES**: Sales management converts the planning done by the marketing management which requires sufficient number of sales personnel.
10. **HELPS IN CONTROLLING SELLING EXPENSES**: Sales management controls the unnecessary expenses on various activities by setting the quota and routing the sales activates.

2. **SKILLS OF SALES MANAGER**:

2.1. **SALES MANAGER**:

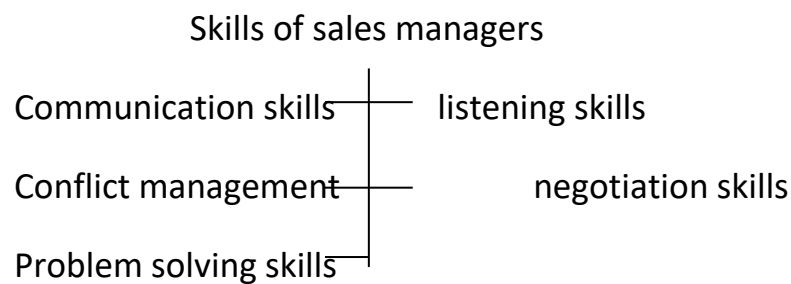
INTRODUCTION

The individuals who are assigned with the responsibility of leading guiding and controlling the team of salesperson are known as sales managers. The most important functions of a sales manager involve setting sales quotas assigning sales territories providing sales training mentoring salesperson developing sales plan taking decisions regarding hiring/firing of salesmen etc. in big organizations the executive level managers are responsible for setting

The sales plan and quotes while a sales manager is typically responsible for controlling monitoring and ensuring that the set sales quotes are fulfilled by the sales team.

2.2. SKILLS OF SALES MANAGERS:

There are various types of sales situations and jobs which require different kinds of quality and personality in sales managers. Hence different kinds of quality of range of selling skills are required for developing a success sales carrier. The following skills are essential for become successful sales managers.



1. **COMMUNICATION SKILLS:** In selling operation the expertise and ability to communicate are crucial. A sales person should have a good vocabulary and must be capable enough to express himself/herself logically to the customer further the salesperson should also possess the skills perceive and infer the verbal and non verbal sight of the customers as it significantly helps the sales person to handle customers doubts and aids in analyzing their intentions of making a purchase.
2. **LISTENING SKILLS:** A sales manager must realize its listening skills and use them to achieve sales realize for this purpose sales people should be great listen as most of the time, they are engaged in receiving information instead of providing
3. **CONFLICT MANAGEMENT AND RESOLUTION SKILLS:** No organization is free from conflict. In sales organization conflict is more evident as compared to other organizations due the fact that conflict of interests exists between individual of different levels having different goals to achieve.
4. **NEGOTIATIONS SKILLS:** When a person has what the other person wants and he/she is ready to give it by bargain then negotiation is said to occur. When two parties. Success achieve mutually acceptable solutions then a successfully negotiation occurs.
5. **PROBLEM SOLVING SKILLS:** For ensuring effective selling a good sales manager should have the problem solving skills. It is described under the consultancy and relational selling approach those salespeople should not

simply take orders instead they should solve issues and consults the customers. Thus salespersons should have problem solving skills.

3. OBJECTIVES OF SALES FORCE:

For a sales manager it is essential to establish sales force objectives in order to effectively manage the sales forces. Sales force objectives highlight the tasks for the sales forces and the time required to accomplish these tasks. These objectives direct the sales force towards accomplishing the given tasks. Moreover, the performance of the sales force is also evaluated and controlled on the basis of these objectives. Along with describing the sales objectives a detailed and achievable form, the time period and the concerned geographical areas should also be included in the sales forces objectives. Following objectives. Following objectives should be attained by any sales forces design.

1. BROAD OBJECTIVES:

- a. **TO ORGANIZE THE SALES FORCE STRUCTURE:** Organizations should effectively organize its sale force team by organizing its structure.
- b. **TO BALANCE THE SALES FORCE WORK LOAD:** Balancing the work load is the main objective behind designing the sales force. Here as pair the ability of the salesperson. Some amount of work is assigned to all the member of the sales force.
- c. **TO ENSURE THAT ALL ACCOUNTS ARE ASSIGNED TO A SALES REPRESENTATIVE:** In order to sustain the genuineness and integrity of the work among the salespersons, it is necessary to assign all the accounts to sales represent. It is the next broad objectives of the sales force design.
- d. **TO IMPLEMENT ON EFFECTIVE TWO WAY COMMUNICAITON CHANNEL BETWEEN FIRM AND CUSTOMER:** Other broad objectives includes implementing a two way communication channel between the organization and the prospective customer.

2. SPECIFIC OBJECTIVES:

- a. **TO PROSPECT:** It involves searching new prospects potential customers.
- b. **TO TARGET:** It includes deciding how the sales force time is distributed among customers and prospects.
- c. **TO COMMUNICATE INFORMATION:** It includes providing information about organizational products and services.

- d. **TO SELL PRODUCTS:** It includes selling organizational products and services through the process of sales approaching presenting dealing with objectives and closing the sales.
- e. **TO PROVIDE SERVICE:** It includes offering different of services like technical support improving deliveries consultation organizing finance etc.
- f. **TO GATHER INFORMATION:** It includes conducting market research and other intellectual work.
- g. **TO ALLOCATE:** It includes determining product allocation among customers in case of shortage.

3. OTHER OBJECTIVES:

- To council the unsatisfied customers
- To communicate organizational schemes and plans in order to deal with shortages
- To sell regulatory available organizational products and
- To acquire customer preferences in case of excess of organizational products.

4. SALES ORGANISATION:

4.1. CONCEPT OF SALES ORGANISATION:

According to American marketing association sales organization is the planning directing and controlling of personal selling including recruitment selection training equipping assigning routine supervising paying and motivating as these tasks apply to the personal force.

According to **STILL** and **CUNDLIFF** a sales organization like any organization is a group of individual striving jointly to reach certain goals and bearing formal as well as informal relations to each other.

4.2. PROCESS OF SETTING UP A SALES ORGANISATION:

1. **DEFINING OBJECTIVES:** The foremost step comprises of defining or figuring out the sales department's goals. Certainly it is the senior most management that determines the long term goals for the organization and from these. The common or long term goals for the sales division are attained. If common goals are regarded conjointly they include senior management's insight of the organization for sometimes ahead.

2. DETERMINATION OF ACTIVITIES AND THEIR VOLUME OF PERFORMANCE:

Identifying whether all the activities are being properly arranged acts as a basic to well found and credible organizational model various questions such as what execute positions are essential for smooth functioning of the organization.

3. GROUPING ACTIVITIES INTO POSITIONS: Different positions been assigned with the activities discerned as imperative. So manager designing the tasks should take into account that these tasks are intended at accomplishing some goals or targets and thereby eventually the combination provides the raw material from which job descriptions are organized with regard to work intentions.

4. ASSIGNMENT OF PERSONAL TO POSITIONS: After grouping activities into positions the next step is to allot staff to the positions. At this stage it is important to identify whether to change the positions to suit the companies of existing staff or to hire special persons to fill the positions.

5. PROVISION FOR COORDINATION AND CONTROL: Sales personal who are in change of other sales team members i.e., understand the line authority need different ways to manage their assistants and harmonies their efforts to attain sales targets.

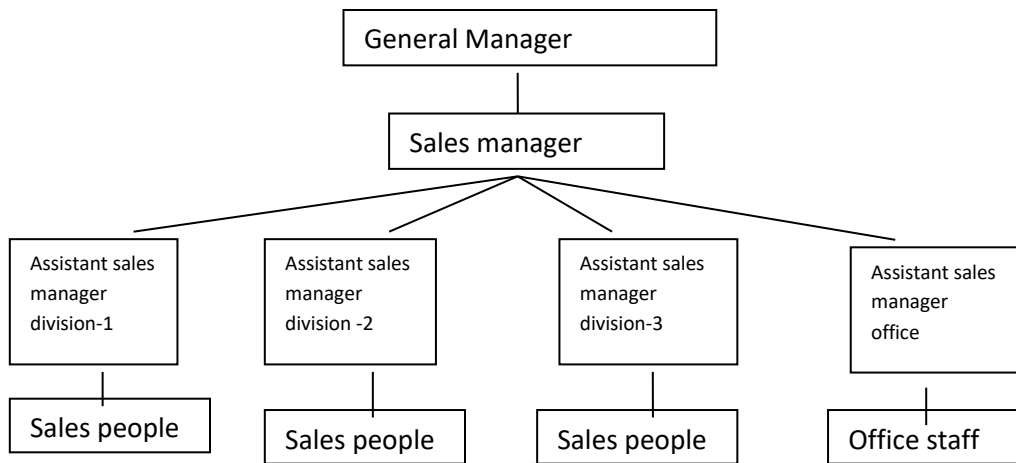
5. TYPES OF SALES ORGANISATION:

There are several kinds of sales organization structure or designs which are explained as follows.

1. LINE SALES ORGANISATION:

- The most uncomplicated and long established structure in line organization structure.
- Small scale business and companies with less number of sales staff use line organization in an extensive manner. For example, firms with limited number of product lines or those who focus on new few markets, i.e. geographic areas.
- Under the line sales organization starting from senior sales official the chain of command runs down to the assistance.
- All duties and responsibilities are next level of explicit and fixed and every person who has been delegated the authority is free to make

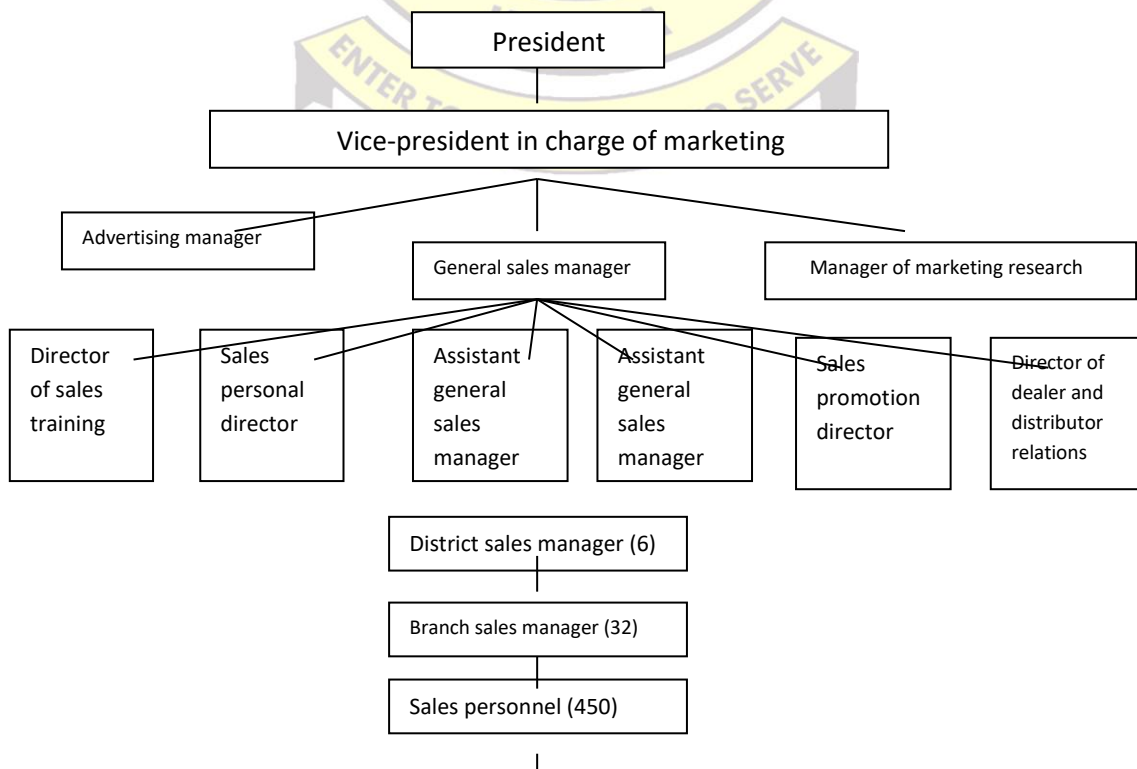
decisions and take necessary actions accordingly. And all people that are part of any one hierarchical level are independent of all others present on that level.



Line sales department's organization

2. LINE AND STAFF SALES ORGANISATION:

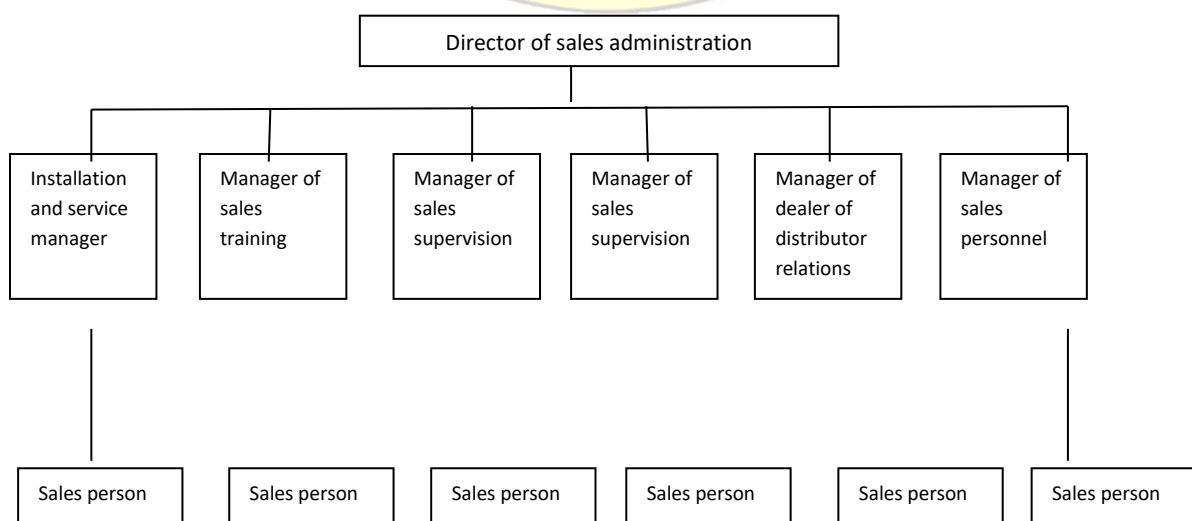
- Medium and big sized companies with large number of sales personnel and those engaged in selling varied product lines over market segments covering extensive geographic areas usually use line and staff organization design



- The line and staff department furnishes the top and senior sales executives with a group of consultants or experts unlike the line organization.
- Senior sales executives can save a lot of their time and are relieved from unnecessarily exhaustive jobs because of these group of professionals.

3. FUNCTIONAL SALES ORGANISATION:

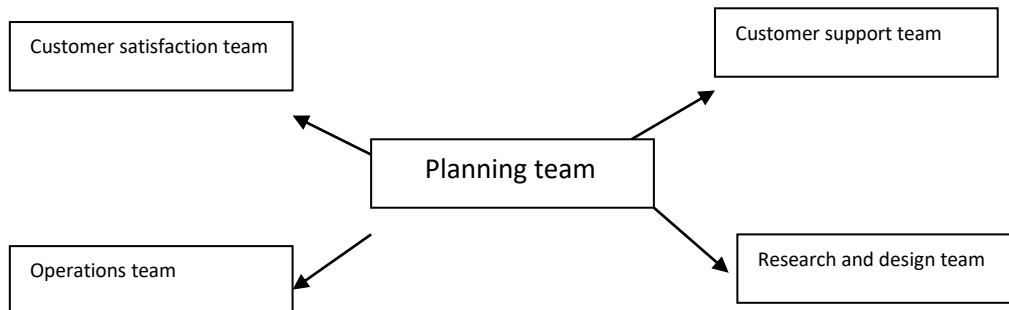
- Functional organization structure is utilized in some sales divisions. The famous American management consultant, **Frederick W. TAYLOR's** management theory forms the basis of functional sales organization.
- This structure is established on the basis that every person in a firm bear an employee or an executive must not have many well defined responsibilities.
- This enables the concept of specialization to be employed to the optimum level possible. Function of a position determines responsibility allocation and delegations of authority.
- The same executive is in control of a particular function irrespective of where it appears in the organization.
- Sales personnel under the functional divisions get orders from many officers but on distinct dimensions of their work. Executives at the lower level of the hierarchy are not accountable for coordination conditions for coordinating the functional official are developed by the top management.



Functional type of sales organization

4. HORIZONTAL SALES ORGANISATION:

- Horizontal structure eliminates all the divisional or departmental boundaries and management organizational levels.



Horizontal organization

- Few numbers of top executives manage support functions such as human resources finance and strategic planning.
- So mainly the cross functional teams have all the other individuals of the organization as their members who discharge fundamental activities such as production or operations sales and product design etc. these cross functional teams are also involved with customer teams for resolving customer concerns.

5. COMMITTEE SALES ORGANISATION:

- No committee forms the only foundation of arranging a sales division.
- Committee sales organization is a manner of assembling the executive group for devising policy and planning for the organization whereas assigning executive of plans and schemes and other actual operations to individual officials.
- This committee conducts meetings to outline training plans and devise sales training programmers at regular intervals.

IMPORTANT QUESTIONS:

1. What are the different procedures involved in managing the sales force.
2. Explain different types of sales organizations.
3. How important is sales for an organization? Explain.
4. What are the different skills of a sales manager?

CASE STUDY:**MARKETING CHANNELS: PEPSI INTERNATIONAL.****INTRODUCTION**

When a company enters a foreign market, the distribution strategy and channel it uses are keys to its success in the market, as well as market know-how and customer knowledge and understanding (Bellhouse and Hutchison, 1993; Ilonen, et al., 2011). Because an effective distribution strategy under efficient supply-chain management opens doors for attaining competitive advantage and strong brand equity in the market, it is a component of the marketing mix that cannot be ignored (Bowersox and Morash, 1989). The distribution strategy and the channel design have to be right the first time (Daugherty, 2011; Layton, 2011). The case study of Pepsi International provides evidence of the situation that a company faces when its distribution strategy in the international supply-chain management is, in fact, ineffective and not right!

Pepsi Cola International accessed the Ukrainian market via exports back in 1968 and since then has been trying to sustain its position in the market. It exports its concentrate, via routes to the country that are interchanged every now and then, to 12 local bottling companies who then sell it to distributors, who then deliver it to retail stores. Despite the fact that the supply-chain management has led Pepsi to gain local fame and popularity, it is inefficient in terms of cost which reduces the ability of the company to earn higher profits (Menachof, 2001). The discrepancies in demand and supply, conflicts between channel members, the environmental impact and theft along the way seriously harm the company's profitability. With Cola Cola entering the market, Pepsi needs to redefine and redesign its supply-chain strategy to meet the challenges faced in the market and sustain its position in the country. These

challenges are discussed in detail to provide possible solutions for the company to improve its supply chain and marketing channels in the light of existing literature, theories and models of marketing channels and logistics.

Task 1

CHALLENGE 1: GAPS IN DEMAND AND SUPPLY

One of the two big challenges faced by Pepsi is the gap in supply and demand. This is mainly a result of Pepsi's lack of presence in the market and its heavy reliance on outsourced distribution. Gaps in demand exist in the supply chain when the company fails to meet the demand via distribution. The delivery of irregular quantities produces this gap (Bowersox and Cooper, 1992). Gaps in supply exist due to the channel members' lack of expertise in the distribution process. Efficient supply-chain management has been widely advocated in the literature on marketing channels and logistics (Wetzels, et al., 1995; Harvey and Novicevic, 2002; Minuj and Sahin, 2011; and Rollins, et al., 2011).

Evidence that there is an efficient and effective supply-chain strategy comes from customer satisfaction and the quality of customer service provided. In the case of Pepsi Cola International, an entire rural segment of customers is excluded from distribution, which shows the lack of focus given to customer service in the supply chain. As much as Pepsi Cola International would like to blame the local distributors for this, the main responsibility lies on its own head for developing a distribution strategy without proper consideration of the customer segments that exist in the country and for not hiring managers to control the supply-chain operations in the country, who would have inculcated efficiency in the supply chain (Menachof, 2001).

Pepsi Cola International has two consumer segments in the Ukraine that have not been segmented properly. So far, Pepsi's focus has been on the urban consumers. This case study highlights the growing demand for Pepsi in the rural areas (Menachof, 2001), which is not surprising as recent studies of the developing economies of the world have found that the largest and fastest growing customer segment is rural populations. However, their variable income and therefore their purchasing power is different from that of the urban consumers. This results in marketers generally ignoring the rural population and focusing mainly on urban consumers, as Pepsi is doing in the

Ukraine. There is immense geographic dispersion and this, together with lack of proper infrastructure, prevents big companies from establishing tailored marketing channels to target these customers. Ignoring the rural consumers may be a disaster for Pepsi in terms of losing out on access to a larger market share in the country.

SOLUTION 1: REDUCING DEMAND AND SUPPLY GAPS

An effective distribution strategy is one that is designed and tailored according to the customer segment. Pepsi Cola International needs to tailor its distribution to meet the demands of the rural consumers. It first needs to segment its market for the two types of customers: rural and urban. According to Craig and Douglas (2011), despite of the fact that the rural consumer market has a low capital income that shrinks its buying power, the market has great potential due to the size of its population as a percentage of the total population. With the growing awareness of the developments in the urban population, the rural consumers aspire to consume brands to improve their standard of living. This is a factor which provides local and multinational brands the easy means to penetrating the market using low-cost marketing models (Craig and Douglas, 2011). Coca Cola in Africa has penetrated African rural villages by installing its own refrigeration system in stores to provide consumers with cold drinks. It often delivers its product by hand to individual consumers to meet demand in the area. This is a lesson to be learned by Pepsi as, with Coca Cola now in the Ukrainian market, it is only a matter of time before that the brand will spread its wings into the rural market of the Ukraine as well. Pepsi Cola International, with the help of the local institutions and NGOs, can make efforts to install the necessary developments in infrastructure to allow more efficient distribution in the rural areas which will benefit it greatly in the long run.

The biggest argument against this is the consideration of the costs involved. This brings in the need for effective supply-chain managers that Pepsi has completely ignored. Harvey and Novicevic (2002) deem effective supply-chain management to be highly important for balancing logistical cost factors and customer service factors.

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