Chapter 5

AN OVERVIEW OF PROMOTIONAL TOOLS AND STRATEGIES WITH REFERENCE TO CLARIANT (INDIA) LIMITED
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Promotional strategies play a vital role in the overall marketing strategies. They are the end plans and programmes by which the final selling effort is made for pushing up the acceptability of the product and capturing an increasing market share. In the previous chapter, we have dealt with the conceptual foundation of marketing, marketing strategies and strategic market planning. The discussion there has provided us with a holistic perspective for understanding the marketing management in general and promotional strategies in particular. The present chapter (Chapter 5) intends to highlight on the promotional strategies, tools and techniques with reference to the Clariant (India) Limited. Since the thesis is focused on Designing Promotional Strategies for Effective Marketing in a Competitive Marketing: A Case Study of Clariant (India) Limited, the present chapter purports to explain the promotional strategies and techniques in general and those of the company under the study. After a thoughtful perusal of the relevant literature and a detailed discussion with the corporate officials, we intend to present the following topics encompassing the wide spectrum of promotional tools and strategies with reference to Clariant (India) Limited (CIL).

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5.1 Concept of Marketing Promotion

Marketing is one of the important business functions that aim to accomplish the delivery of an offer, which would meet the needs and wants of the customers in the target market. The attributes of such an offer should be beneficial and acceptable to the customer groups in the target market and the terms of exchange should be agreeable to both parties—the marketer and the
customer. In this process the organisation achieves its objectives and earns a reasonable profit.

The starting point for the marketer is to carefully segment the market, select one or more segments and identify the unmet needs and wants. Subsequent steps include developing a product or service, decide about the positioning strategy, pricing the product or service appropriately so that the product or service becomes available to the customers and developing suitable promotional strategy.

Promotion is the marketing function concerned with persuasive communication of the components of the marketing programme to target audiences with the intent to facilitate exchange between the marketer and the consumer. It seeks to persuade the audience in the target market to develop a new attitude or change the existing one and engage in a new behaviour. It is responsible for awakening and stimulating demand, capture demand form the rivals and maintain demand even against keen competition. In general the meaning of the terms “promotion” and “promotional” are same. When we refer the term “promotional”, it is generally used in the discussion of promotional tools and strategies in marketing for the simplicity, convenience and also for better understanding.

5.2 Elements of Promotion Mix
Marketers have to adopt promotional activities in its marketing operations for sales and expand its market share. The task of marketing may not be complete unless ‘informing’, ‘persuading’, and positioning’, of the product in the target market is undertaken successfully. This can be achieved only by developing suitable promotional strategies. In communicating with the target market, a firm can employ various promotional tools, which are categorised as advertising, sales promotion, personal selling, public relations (PR) and
publicity, direct marketing and database marketing. Figure 5.1 shows the different types of promotional elements.

**Figure 5.1: Elements of Promotion Mix**

![](image)

A company’s total marketing communications mix is called its promotion mix. The promotion mix is specific mix of advertising, personal selling, sales promotion, public relations, and direct and database marketing tools that a company uses to pursue its marketing objectives.³

**Advertising:** It is defined as a paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor.

**Sales Promotion:** Sales promotion is an important promotional element to stimulate the interest of the target buyers. It covers those marketing activities that stimulate consumer purchasing intention and dealer’s effectiveness. Such activities are referred as product’s displays, trade shows or exhibitions, product’s demonstrations and many other non-routine selling efforts at the point of purchase. Sales Promotion devices are also used to stimulate the interest of middlemen—distributors, dealers and retailers etc.

**Personal Selling:** It is oral and face-to-face communication between the salesman and one or more prospective buyers for the purpose of making sales.
Public Relations (PR) and Publicity: Public relations practice is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its public. Publicity is a tool of public relations. It is non-personal mass communication, but not paid for by the benefiting organisation for the media space or time. It appears in the form of news story about an organisation, its products and its activities.

Direct marketing: Direct marketing is a method that cuts out the middleman to reach out to the customer directly. As a result of advancement of telecommunications and computer technology, companies are now using telephone, fax, e-mail or Internet to communicate with its prospective customers in one-to-one basis.

Database Marketing: Database marketing is a form of direct marketing using databases of customers or potential customers to generate personalised communications in order to promote a product or service for marketing purposes. It maintains a database of current and potential customers for personal visits, telemarketing, sending catalogues and follow up for further sale. It emphasizes gathering all available customer, lead and prospect information into a central databases and using statistical techniques to develop models of consumer behaviour which are later used to select customers for communications.

5.3 Elements and Importance of Promotional Strategies

Promotion is one of the main activities in the marketing programme. It performs the marketing task by informing, persuading and reminding the target customers (existing and probable), counters the competition, and builds a favourable company/ brand/ product image. Though every element of the marketing-mix and its related strategies are very important in the marketing but promotional strategies need to be defined separately to understand clearly
Schultz et al. defines promotional strategies as a comprehensive plan that evaluates the strategic roles of different promotional tools like advertising, sales promotion, personal selling and public relations. The objectives of comprehensive marketing promotion are to co-ordinate all the marketing promotional efforts to project and reinforce a consistent, unified image of the company or its brand to the marketplace. The integrated marketing promotional approach is an attempt to create brand awareness, to educate the consumers, to create a positive image, to build preference and the ultimate goal is to sell the product or providing service to consumers who have a need for it.

The major reason for the growing importance of promotional activities in marketing is the ongoing revolution in global business practice after the globalisation that has changed the rules of marketing and the role of the traditional advertising activities. The major factors underlying the strategic shift in marketing activities are as follows:

i) More budget allocation for sales promotion due to intensifying competition,

ii) At present advertising has become more expensive and less cost effective,

iii) Escalating price competition is resulting in more price promotions than advertising,

iv) Power of trade compels companies to offer fees and allowances for promotion.

v) Companies are using computer to build databases containing customer names, geographic, demographic and psychographic profiles; purchase patterns, media preferences and other relevant characteristics

vi) Companies are increasingly relying on direct marketing methods, rather than relying on mass medias.
Figure 5.2 depicts the different types of marketing and promotional strategies and their strategic tools, which are used quite often in the company's overall marketing and business policy depending upon the company's product, market, market condition and also competitors' movement in capturing the market.

**Figure 5.2: Marketing Strategies including Promotional Strategies**

- **Marketing Strategies**
  - Product Strategies
  - Price Strategies
  - Promotional Strategies
  - Place Strategies

**Product Strategies**
- Advertising Strategy
- Sales Promotions Tools & Strategy
  - Trade Allowances /Incentives
  - Buy-back Allowances
  - Contests & Special Incentives
  - Sales Training
  - Sales Force Incentives & Sales Meetings
  - Trade Shows/Trade Fair

**Price Strategies**
- Personal Selling Strategy
- Direct Marketing tools & Strategy
  - Public Relations & Publicity Strategy
  - Press Release
  - Newsletter & Publications
  - Press Conferences
  - Sponsorship & Event Marketing

**Promotional Strategies**
- Database Marketing Strategy
  - Catalogues & Data sheets
  - Direct Mail
  - Telemarketing
  - Internet

**Place Strategies**
- Database Marketing Strategy
Obviously, promotional activities are gaining importance in the contemporary scenario and regarded as the most effective marketing tools for improving the sales performance of business firms in a competitive environment.

5.4 Advertising and Advertising Strategies

Advertising is a powerful non-personal promotional force, highly visible, and one of the most important tools of promotional marketing that helps the marketer to sell products, services, ideas and images. Almost all companies, whether large or small, domestic or multinational in the consumer goods and services marketing and many industrial goods manufacturers use advertising. Alexander has defined advertising as a paid form of non-personal presentation through various media to present and promote products, services and ideas etc., by an identified sponsor. Ulanoff has also stated that advertising is a tool of marketing promotion, which provides ideas and information about goods or services to a group.

Advertising is primarily used to reach consumers and is suitable for marketing low cost, and low involvement products. In case of higher priced products or in case of products that require considerable amount of explanation to be given by the marketer, advertising plays a supportive role to personal selling. According to the nature of product and business situation, advertising is classified into consumer advertisements, business and industrial advertisements, retail advertisements, and corporate advertisements. The most visible type of advertising is consumer advertising. Consumer advertising focusses on the development of a long-term brand identity and image. Industrial advertising includes only messages directed at retailers, wholesalers, and distributors but not to general consumers. A great deal of retail advertising focusses on retailers or manufacturers that sell their merchandise in a restricted area. Corporate
advertising is also called Institutional advertising. These messages focus on establishing a corporate identity or winning the public over the organisation’s point of view.

Advertising strategies must dovetail with marketing strategies. It is a major element of promotional strategies and is very important in marketing to convey the right messages to the right customers at the right time. Clariant (India) Limited (CIL) is a multinational company, operating for more than five decades in India, produces speciality chemicals for the industrial customers which are in the textile, leather, paper, paint, plastic industries. Therefore, to convey the products and business messages to its resellers and customers, the company follows industrial advertising. Over the years, CIL also follows the corporate and institutional advertising to build up brand image.

CIL follows certain steps to implement its advertising strategies in its marketing operations to cover its market as well as to reach its target customers: They are: (i) situation analysis, (ii) determining target customers, (iii) setting advertising objectives and budgets, (iv) determining suitable advertising media, and (v) evaluation of advertising effectiveness.

5.5 Concept of Sales Promotion

Sales promotional activities are mainly taken by the business firms to simulate sales within a short time period. There is a wide spectrum of views and different experts have defined sales promotion in different ways. So there is no single definition of sales promotion that is universally accepted by one and all. Some selected definitions of different researchers in this field are presented here with the intention to give an in-depth insight into the meaning and essence of this chapter related to the research study. Totten and Block 8 have defined sales promotion activities are the many kinds of selling
incentives and techniques for a short period in order to stimulate the interest of target buyers in the company’s products and it involves offering samples, coupons, discounts, premiums, refunds and rebates, contests and sweepstakes, trade discounts as incentives to increase sales. Haugh has defined sales promotion as a direct inducement that offers an extra value or incentive for the product to the sales force, distributors or the ultimate consumer with the primary objective of creating an immediate sale. Nielsen et al. has stated that sales promotion is essentially an acceleration tool, designed to speed up the selling process and maximize the sales volume. Blattberg and Neslin have defined sales promotion as an action focused marketing event whose purpose is to have a direct impact on the behaviors of the firm’s customers. Quelch also has defined sales promotions as temporary incentives targeted at the trade (called trade promotions) or at end consumers (consumer promotions). Stanton et al. define sales promotion as demand-stimulating devices designed to supplement advertising and facilitate personal selling. The objectives of sales promotion are: (i) to increase sales volume and expand the target market, (ii) to speed up the sales of slow moving products, (iii) to attract new customers, (iv) to launch new product and increase trial, (v) to encourage repeat purchase, (vi) to clear of excessive inventories, (vii) to motivate dealers to stocks and sell more, (viii) to gain advantageous shelf space, (ix) to increase store traffic and (x) to motivate sales force.

5.5.1 Identifying Sales Promotional tools & Developing Sales Promotion Strategies of Clariant (India) Limited

Sales promotions are announced both by manufactures and retailers. Manufacturer announced promotions are directed towards consumers, resellers or both. Consumer promotion tools include samples, coupons; cash refund offers, price packs, premiums, prizes, patronage rewards, free trials,
product warranties and point-of-purchase displays and demonstrations. Trade promotion tools include trade allowances/incentives, buy-back allowances, free goods, contests and special incentives, organising sales meetings, speciality-advertising items and conducting trade fairs or trade shows. Sales Promotion strategies calls for establishing the sales promotion objectives, selecting the tools, developing, pretesting, and implementing the sales promotion programs and evaluating the results.

CIL manufactures speciality chemicals products, which are used in textile, leather, paper, paint and other industries for producing the ultimate finished goods that will be consumed by business enterprises. As the company is producing industrial products, so to increase the sales in a short period, it follows trade promotional activities in its marketing and business operations. The prime objective of trade promotion is to push the product through marketing intermediaries and also to get them to market the product aggressively. Trade sales promotions are “push” strategy of the manufacturers. The tools of trade promotional activities, which CIL generally follows, are as below:

(I) Trade Allowances/ Incentives: The purpose of trade allowances is to offer financial incentives to resellers in order to motivate them to make a purchase. The types of allowances, which are offered to retailers, are buying allowances and promotional or display allowances. Buying allowances are financial discounts given to resellers in the form of price reduction on merchandise ordered during a fixed period. Theses discounts are in the form of Off-invoice allowance, which means a certain per case amount or percentage is deducted form the invoice. Promotional or display allowance can be given to retailers for performing certain promotional or merchandising activities in support of their brands. CIL gives trade allowances in the form of trade commission.
(II) **Buy-Back Allowances**: CIL uses this kind of sales promotion. In this kind of sales promotion, the channel members are offered a monetary incentive for each additional unit purchased after the initial deal. This method aims at stimulating the channel members to purchase additional quantities of stock that is over and above the normal stock, as the monetary incentive they receive is proportional to the amount of additional stock they purchase.

(III) **Contests and Special Incentives**: CIL organises trade contests and provide special incentives to stimulate greater support and selling efforts from dealers and sales people to achieve sales targets, and others objectives. The dealer or retailer incentives are as follows\(^1\)

i) **Cash bonuses**: It is in the form of one extra case for every number ordered. It will encourage volume sales, period stock building, display or in support of a cut-price to consumers.

ii) **Credit terms**: It is provided to support promotions aimed at bulk retail buyers.

iii) **Staff incentives**: It is the payments or prizes provided by manufacturers for the attainment of particular promotional targets.

(IV) **Sales Training Programme**: - CIL imparts sales training programs to the members of the sales staff at a retailer location or to wholesalers. Impart of training and investment in a skilled workforce has helped the company to enhance its services in a better way that it provides. The company has been organising training programmes aimed at developing managerial competencies of its marketing executives. A series of workshops are being conducted in every year to enhance the salespeople’s technical and human relations skills with the focus being on bringing effectiveness in Management systems\(^1\)
(V) Sales Force Incentives and Sales Meetings: CIL has taken sales force incentives policies to motivate its salesperson to put in more efforts to increase sales, increase distribution, promote new or seasonal products, sell more deals to re-sellers and develop prospects list. Holmes and Smith\(^{17}\) have stated a number of objectives for sales force incentives. According to them, they are; (i) to increase sales volume, (ii) to increase sales of specific products, (iii) to reduce high inventory, (iv) to introduce new products, (v) to balance seasonal sales variations, (vi) to gain new accounts, (vi) to reactivate ‘old’ customers and (vii) to decrease credit exposure.

CIL’s sales meetings are generally held periodically. These meetings bring together its sales people form different territories, which are considered a popular way of educating sales people. Training manuals and programmed learning books are provided to sales people, which are very much useful education and learning. The sales manuals contain product details, applications, manufacturing processes, prices, sales techniques and others. Sales people also receive this company’s in-house journals and magazines, which provide the provides information about company programmes and policies, new products arrival, research activities, etc.\(^{18}\)

(VI) Trade Shows and Trade Fair: A trade fair, show, or exhibition is a temporary exhibit, generally held at some interval in a major city. CIL organises and actively participates in trade shows to offer the opportunity to discover potential customers and to sell new products. The relationships with current customers can be strengthened at a trade show. Form the retailer’s perspective; a trade show allows the prospective buyers to compare products and to make contacts with several prospective manufacturers in a short period of time. Therefore, it is an ideal place for buyers and sellers to meet in an informal, low-pressure setting to discuss how to work together effectively.\(^{19}\)
In designing the sales promotion strategies, it starts with situation analysis. This includes product or brand performance analysis, competitive situation including the promotional activities taken by major competitors, distribution situation and consumer behavior with respect to sales promotion. Political, legal aspects concerning sales promotion are also considered. Based on marketing objectives and strategies, the promotional objectives will be developed. The next step is the allocation of budget to sales promotion, out of the combined total budget for advertising and sales promotion.

Considering the objectives and the budget allocation, each promotional tool, which will be implemented at CIL’s marketing operations, must be carefully selected. Each promotion tools has its own advantages and disadvantages and these may change when different tools are combined. A clear understanding of various tools and techniques is essential for the marketing managers of CIL to make the winning choice from among alternatives.

5.6 Concept of Personal Selling
Personal Selling is a face-to-face paid personal communication whose aim is to inform and persuade prospects or customers to purchase products services or accepts ideas of issue. The face-to-face interaction with a customer is used here to establish the credentials of the company. It provides the marketer with more information about customer preferences and also serves as a means of obtaining feedback about the company and its products. It also helps the marketing managers to obtain feedback to improve their new product development and customise the product to suit the requirements of individual customers.

5.6.1 Designing Personal Selling Strategy of Clariant (India) Limited
Personal selling strategy is not a stand-alone strategy but it must be considered as a part of the company’s overall promotional strategy. CIL has
taken personal selling function as the most effective promotional tools in its marketing promotion with an aim to aware and communicate to its valued customers because the customers are industrial enterprises, where the roles of technical sales people are very much important to market and sale the products. The development of personal selling strategy requires an understanding of customer buying behavior. The aspects of customer buying behavior revolve around the buying situation, buying center, buying process and buying needs.\textsuperscript{20}

The term buying centre refers the involvement of many individuals from the firm that participate in the purchasing process. Organisational buying behavior can be viewed as a buying process consisting of several phases, which has described by Hutt in Speh\textsuperscript{21}. These areas are as follows: (i) recognition of problem or need, (ii) determination & description of the quantity needed, (iii) search for potential sources, (iv) acquisition and analysis of proposals, (v) evaluation of proposals and selection of suppliers, (vi) selection of an order routine, (vii) performance feedback and evaluation.

CIL follows most of the following tools in its Personal Selling strategy:

(i) **Call Rates**: It is followed when the intensity of competitive rivalry is high in the industry. In this case, customer asked the salespersons to visit their premises more frequently for technical discussion.

(ii) **Percentage of Calls on existing and Potential Accounts**: A salesperson has to divide the total time between existing and potential customers in a way that maximizes sales or profits of the company.

(iii) **Discount Policy**: A good salesperson should know thoroughly about the usage of products and its prices. Salespeople are prone to announcing discounts at every hurdle in the selling process. Salesperson offers some discount to its values customers, depending
on the market condition, because many deals can be clinched by offering small discounts.

(iv) **Percentage of Resources Targeted at New and Existing Products:** New Products will require a push from salespeople and is should be ingrained in salespeople that at the time of launch of a new product they have to work hard to make the launch successful. If customers like the new product, salespersons will pay more attention to it but if customer response is lukewarm their attention will shift back to their old products.

(v) **Improving Customer and Market feedback form sales force:** Salespeople have to be extra careful at sensing customer response to the new launches of the company. Detailed and early feedback is important is important for improving the product. In mature industries, where customers’ needs and enabling technologies are not changing perceptible, sales force can almost exclusively concentrate on selling what their companies make.

(vi) **Improving Customer Relationships:** A company has to deliberate if it needs to develop and maintain customer relationships in its industry and if it has to, it should identify the major accounts that deserve the investment in developing and maintaining relationship with them for mutual benefit.

A Personal selling strategy is the planned selling approach and is completely customised with the specific buyer seller situation. CIL has implemented the following seven steps process in developing its personal selling strategy, which is aimed to boost up sales, to capture the market and market share and also to convey the product features and usages into its customers in a better way.
They are:
(i) Prospecting and qualifying, (ii) pre-approach, (iii) approach, (iv) presentation and demonstration, (v) handling objections, (vi) closing, (vii) follow-up

Figure 5.3 highlights the seven steps in personal selling process.

**Figure 5.3: Steps taken for Effective Personal Selling at CIL**

![Diagram showing the seven steps in personal selling process](image)

Creative selling requires prospecting, assessing the situation, identifying the prospect’s needs, make presentation of need satisfying product or service, and close the sale. Prospecting involves identifying and locating buyers and developing their profiles. In the pre-approach stage, it involves developing an understanding about those prospective buyers who have been identified and on whom the salesman proposes to call. The approach stage is extremely important for the salesman to determine how the customer should be greeted. Relevant to prospect needs, the salesperson presents the product/service features according to the AIDA model (capture attention, hold interest, stimulate desire, and get attention). The salesperson describes product/service features, their advantages, benefits (economic, technical, service, and social or psychological), and the total value the customer will get if the purchase will be materialised.

Lukaszewski and Ridgeway observed that, to be effective in personal selling, the salesperson should ensure that the sales presentation is clear,
concise and well prepared. The next step is to handle and overcome objections arising during the time of demonstration. After overcoming objections, the salesperson is ready to ask for the order. Closing sales is the most important ultimate step. In business-to-business (B2B) buying situations, salespersons need to be skilled negotiators during the sales presentations. The negotiations may involve factors concerning price, quality, service, delivery, payment terms etc. The salesperson should be able to negotiate and work out a final settlement to which both buyer and seller are willing to agree to its terms and conditions. Post sales follow up helps salespersons in developing customer relationship, generating repeat sales, and sell firm’s additional products or services to the same customer and also to gather information from consumers regarding product-use problems.

5.7 Public Relations (PR) and Publicity

PR is a broad set of promotional activities employed to create and maintain favourable relationships with employees, shareholders, suppliers, media, educators, potential investors, financial institutions, government agencies and officials and society in general. In modern open market economies, the role of public relations is more marketing oriented to promote business organisation and its products and services.

Publicity: Publicity refers to the generation of news about an organisation or it’s product or service that appears in broadcast or print media. It involves building good relations with the company’s various publics, building up a good corporate image and handling or heading off unfavourable rumours, stories and events. Publicity is unpaid for media exposure about a firm’s activities or it’s products and services. It is concerned with generation of news about a company, product, service or person in print or broadcast media.
5.7.1 Strategic tools of PR and Publicity Practiced at Clariant (India) Limited

PR is a promotional tool designed to favourably influence the attitude towards an organisation, its products and its policies. It is the managed communication to establish goodwill and mutual understanding between an organisation and its publics. PR activities include participation in community activities, fund raising, sponsorship of special events and organising various public affairs programmes to enhance and build up the image of organisation. CIL follows the following PR tools to communicate its ideas and information to its customers:

(I) Press Release: - Press release allows a firm to pursue positive publicity about itself from the news media. CIL conducts the press meetings and disseminates its information through press release when the following important items are to be inducted in its organisational activities. They are: (i) New products, (ii) New scientific discoveries, (iii) New Personnel, (iv) New Corporate facilities, (v) Annual Shareholder Meetings, (vi) Charitable and community service activities.

(II) Company News Letter and Publications: - CIL has in house publications. They are newsletters and magazines (CLAP: Clariant Participation to improve Profitability through Performance of People), which can disseminate positive information to its publics.

(III) Press conferences: It is a very effective tool of communicating to a large number of target audiences. CIL calls for press conferences when it has newsworthy new product introductions or they have planned some exciting event. In this case the information must be factual, true and of interest to the medium as well as to its audience.
(IV) Sponsorship and Event Marketing: CIL also sponsors some events for its society in its societal marketing with an aim to build up its brand image. Sponsorship refers as a business relationship between a sponsor and an individual, event or organisation, which offers in return some rights, and associations that may be used for commercial advantage. Sponsorship programs enhance and build the company’s image and brand loyalty. Event marketing occurs when a firm sponsors an entire event.

5.7.2 Developing PR and Publicity Strategies of CIL

PR strategies are classified as either proactive or reactive. Proactive PR strategy is guided by marketing objectives, seeks to publicise a company and its brands, and takes an offensive rather than defensive posture in the public relations process. Reactive PR strategy is dictated by the influences, which is outside the control of a company and the company requires to take defensive measures. To implement a proactive PR strategy, a firm needs to develop a comprehensive PR program. PR strategies consists a series of stages, which are:

i) The determination and evaluation of public attitudes.

ii) The identification of policies and procedures of an organisation with a public interest.

iii) The development and execution of a communication program designed to bring about public understanding and acceptance.

Building brands is an area where PR is useful. Advertising builds brand by creating awareness but PR is particularly useful at building these brand relationships. CIL may implement the new version of its PR strategy, which will be based upon on three areas. They are:

i) the extent and frequency of the communications with the public.

ii) the degree of importance attached to the communications in terms of their ability to harm or help the organization.

iii) the effectiveness of these communications in achieving objectives.
Public Relations is as real as any other marketing activity, which is based on achieving something substantial for the stakeholders. CIL attaches much importance to PR and publicity as a promotional strategy. The company includes this strategy in the overall framework of marketing strategy.

5.8 Concept of Direct Marketing

Direct marketing is an important promotional tool and strategy by which a company sells a product directly to customers without involving the supply chain. CIL communicates directly with its target customers to generate the response regarding business. Bird33 defines direct marketing as an interactive system of marketing, which uses one or more advertising media to affect a measurable response and/or transaction at any location.

5.8.1 Tools and Strategies of Direct Marketing Practiced at CIL

CIL employs four primary direct marketing strategic tools to achieve its marketing and business objectives. These strategic tools are mail order catalogues and data sheet, telemarketing, Internet and e-commerce. Figure 5.4 depicts various direct marketing tools, which are most effective and used at the marketing operations of CIL.

Figure 5.4: Direct Marketing Tools used at CIL
(I) Catalogues and Datasheets

Catalogues and data sheet are one of an important direct marketing tool of CIL to provide more information to customers regarding its products and entire product lines, respective prices of the products and products applications. Industrial customers use catalogues quite often to compare products, products applications and price of the respective products. Data sheets provide detailed technical information on product dimensions its efficiencies performance data and cost savings and therefore it is an important complement to the personal selling effort.34

(II) Direct Mail

Direct mail communication attempts to create transactions by sending printing matter to target markets. CIL uses this useful tool for its better promotional and marketing purposes. It is observed that with the increasing sophistication of computer technology, industrial marketers like CIL have turned to direct mail35. Sending direct mail to customers requires mailing lists; that contain the names, titles and functions of the prospects36. Mailing lists can be developed from trade publication, industrial directories, trade shows and the company’s own marketing information system. Direct mail communication is a quantitative exercise and requires systematic processing of data. Therefore, computerisation is the basic requirement to handle the data, in reference to classifying customers, sorting type of orders, record of compliance to orders and other functions.

(III) Telemarketing

CIL applies telemarketing as one of a marketing communications tool to conduct marketing and sales activities by employing trained telemarketing specialists. These activities are conducted through incoming calls (calls originating with the customer) or outgoing calls (calls originating with the company). Marshall and Vredenburg37 have advocated that telemarketing
offers the largest future growth potential as the cost of face-to-face sales continues to increase. Successful telemarketing requires clear objectives, established target markets and above all careful planning.

(IV) Internet

The Internet is a worldwide means of exchanging information and communicating through a series of interconnected computers. It allows companies to create awareness, provide information; influence attitudes generate interest and create a strong brand image in a most cost-effective way. The companies can save 10 to 20 percent of the final cost of a good or service by using the web instead by traditional marketing channel activities.

Marketing activities on the Internet are actually a part of e-commerce or e-business. The wonderful technology provides marketers with faster, more efficient, and powerful ways to handle for designing, promoting, distributing products and doing research instantly. Websites make possible for its users to share a complete range of communications including text, graphics and audio messages.

CIL has created its corporate website and post vast amount of information on it that includes latest and old product description, operating instructions, prices of its products, availability, and also has its own corporate e-mail through which the customers can get the requisite information on their queries easily.

5.9 Database Marketing and Database Marketing Strategy

Database marketing is an enhancement of conventional marketing efforts through the effective utilisation of customers' information. It helps the marketing managers to evaluate markets, to identify the number of
prospective customer segments and their features, and also to search for other
customer segments with similar needs and wants. Database marketing
emphasises gathering of all available customers, leads and prospects
information into a central database and using statistical techniques to develop
models of customers' behaviour, which all then used to select customers for
communications.

Rossiter and Percy\textsuperscript{39} have defined database marketing as the practice of (i)
collecting customer' names and contact details (address, phone number and
fax number, electronic mail address), (ii) customer's purchase records
(timing, monetary amount, type of purchase etc.) and (iii) using this
information to retain the customer or activate the individual's purchase
behaviour. A good database is crucial to the effectiveness of direct marketing.
CIL updates its mailing list based on \textit{RFM (Recency, Frequency, Monetary
value)} model. This gives the information regarding elapsed time after last
purchase (R), purchase frequency (F), and monetary purchase value (F). This
helps CIL to track regarding the purchasing quantity and the purchasing
amount of the customer, who has purchased recently.

Database marketing strategy helps the marketing managers to evaluate
competitors better, to manage their sales force well, to improve customer
service and enhance the profits of the firm. Database marketers like CIL, use
databases as a segmentation tool for communicating their offers to customers
and potential customers.

\section*{5.10 Overview of the Promotional Tools and Strategies Followed by
Clariant (India) Limited}

Clariant (India) Limited (CIL) is an affiliate of Clariant AG, the erstwhile
chemical division of Sandoz, and operates mainly in two specialised
divisions, viz, textile, leather & paper chemicals (TLP) and masterbatches. In India, CIL is the market leader in textile chemicals; leather dyes and is an important supplier to the high-end segment of textiles, leather, paper, paint and coating industries.\textsuperscript{40} As the company is market leader, so to be successful in business operations, it must follow and implement the promotional tools and strategies in its business activities. The company is producing the speciality chemicals and it is applicable to the textile, leather, paper, paint and other industries. From a systematic types of personal interview with the company officials and also in-depth scrutinising the company’s Annual Reports and other in-house magazines, it is understood that the company is following some tools and strategies, which are describes below to convey it products and applications to its target market as well as to be the market leader in specialty chemicals sector in India by augmenting its service level, applying customer relationship management in its business operations for retaining and expanding customer base and providing the proper training knowledge to its sales people.

5.10.1 Product Innovation: Key Input for Sales Growth at CIL

The Research and Development wing of CIL supports the marketing department of CIL by understanding the needs of customers and delivering optimum value and right solutions that meet the changing trends and demands of the ultimate customers. The company focuses for continuous realisation of products portfolio by development of new products and processes and aims to realise 15 percent of sales from new products.\textsuperscript{41} New products introduction system is one of the core business processes at Clariant (India) Limited and the progress of new product sales is monitored across all business units through a well designed system on monthly basis. Continuous thrust for development of new products create cost effective solution and provide value for its customers.
CIL has taken effective steps for strengthening organisational competence through involvement and development of people, as well as installing effective systems for improving productivity and quality. The areas, which have focussed, are new product management, improving speed of execution of customers' orders, and reducing in working capital. CIL continues to dedicatedly provide customer care knowing that customer loyalty is as valuable as business success⁴².

In the key business segments of CIL, its customers are constantly confronted with the opportunity to develop new shades, adopt new processes for the changing fashion demands. CIL is in the forefront to provide assistance to its customers in developing new processes, recipes and finishes. The company has identified its core business strategy is to provide solutions to customers. Therefore, the company has initiated and instructed its marketing managers and executives to visit customers for understanding their needs and in turn cater to them. This system has been further modified wherein more and more emphasis is being given to process optimisation, conducting process audits with focus on process and cost optimization. In developing products continuous feedback is taken form its customers as per their requirements.

5.10.2 Developing Organisational and Marketing Core Competencies

CIL has taken effective steps for strengthening organisational competence through involvement and development of people, as well as installing effective systems for improving productivity and quality. Some of the areas, which have been given priority, are new product management, improving speed of execution of customers’ orders, and reduction in working capital.
The aim of organizational capability is to provide speedy response to customers’ needs, strengthen relationships and improve service quality.

In today’s fast paced, ever changing world, a company is valued more for its intangible assets than tangible ones. One of the major reasons is that globalization is enabling the customers to have equal access to the products of the concerned firm and its competitors. This means companies are able to produce products and services of similar quality, which makes very difficult to differentiate between them. Companies need to find more and more unique to become different and for this knowledge management is very important to provide the desired service to its customers.

CIL has taken several initiatives like “sharing of best management practices, participation in taskforces, motivational/learning awards” etc. with an objectives to strive to create a learning environment across the organization. The company believes that continuous knowledge, skill and competencies of its people are imperative to build a motivated workforce, which has high trust and high values, to ensure staying ahead of the rest. To be in line with its customer centric approach, the focus has been shifted from training to learning. Executives in service functions are being sent in market place for better understanding of customer needs and learning the business practices with a view to adapt to the customer needs.43

CIL empowers its employees with a high level of independence and individual responsibility through participation in cross-functional task forces. The company has been organising training programmes aimed at developing managerial competencies of its executives. A series of workshops have been conducted throughout the year to enhance their technical and human relations skills with the focus on bringing the Management effectiveness.44
The company has taken lead in implementation of in-house developed e-business strategy and established on-line connectivity with all its distributors and major suppliers. This has resulted into effective communication between its business partners and synchronisation of lead-time in order processing. In order to remain transparent, company’s product catalogue is made available through web. Easy mail, an e-tool developed in-house keeps in touch with customer and Business review Record (BRR) keeps informed of customer development needs. The company has developed an e-communication system called “CILFlash Net” which connects to all distributors. It facilitates transmission of indent requests, access to product requests, access to product catalogues, indent status and invoice details. This package is user friendly and reduces operational costs. Besides, it also saves on order processing time. The company further proposes to extend the system for on-line processing of payments and status of its account with distributors.

5.10.3 Identifying Key Account Customers and Developing Customers

CIL has constantly been improving its marketing process and systems. Its business units are now actively following the concept of Key Accounts Management (KAM). Each of these KAMs are identified, based on their potential for its products and services and have been assigned specific responsibility by marketing staff. Generally, 20 such KAMs are managed by each of the marketing executives. Each month, the concerned sales points identify key actions for product introduction and service. The marketing manager for each zone reviews the performance of each key account, and actions for the next three months are planned and monitored. The compilation of all key accounts is done by Business Support Executives of all Business units. The market information from these KAM customers, serve as the basis for market development and service improvement plans and actions. These
Over the years, CIL has launched and implement many marketing innovations, which are aimed at enhancing customer satisfaction as well as organisational performance. For this, the company has undertaken development projects at customers' premises to improve the process and profitability. To monitor customer development projects, CIL has introduced the concept of Customer Development File (CDF), which contains all relevant up to date information on customers existing business plus developing opportunities. The company has also developed electronic module Customer Development File (CDF) that provides total transparency to the company and all its technical and marketing force can understand the requirements and the development needs of its customers. The system is supported by various management information tools such as visit monitoring report, customer development report and distributor performance report for better understanding of the customers and to create confidence in serving them. Figure 5.5 highlights the steps on customer development strategy, which are followed at CIL while developing the customer.

**Figure 5.5: Strategies for Customer Development at CIL**
5.10.4 Customised Marketing: A New Approach to Database Marketing by Clariant (India) Limited

Clariant (India) limited gets the inspiration and strives to practice values of customer care. The Company believes that in the customer driven economy; customer centric approach is a requisite for sustained growth and long-term survival. It believes that growth comes from relationships and relationships with customers are built on trust. The Company is practicing well-coordinated customer interaction process, which is supported by providing quality service with a view to focus action on each of the customer care needs.

By applying direct and database marketing the company has improved its performance. In fact, by using extensive computer in its business operations, CIL can effectively target its customers and positioning its product. A database is a list of names, addresses and transactional behaviour of customers (existing or prospective). Information, such as types of purchase, frequency of purchase, purchase value and responsiveness to promotional offers will be have to be stored to make the database effective. Additionally, customer lifestyle patterns, interests, psychological profile (such as proneness to promotional offers, attitude towards the product, responsiveness to images, brand perceptions etc.) can be obtained and analysed. This allows future promotional activities to be targeted at those customers who are most likely respond.

CIL recognises that customers are constantly in need of up-to-date information of new products, technology and processes. CIL’s Colour Chronicle, which is mailed to customer, has new become an important tool to strengthen relationships between the company and customers. The magazine carries information that helps the customers upgrade their knowledge on new products and technology in the field of textiles, paper and masterbatches.
One of the key concerns in any commercial activity is the management of receivables. In order to effectively focus at the high cost on credit, CIL has established the system of Average Credit Days (ACD). This system helps the company to manage its receivables and set a leading benchmark in speciality chemicals industry in India. In order to improve profitability over a sustained period, the company is participating in Clariant Profit Improvement Programme (CPIP) initiated by Clariant globally.  

5.10.5 Customer Relationship Marketing (CRM): A New Approach initiated at CIL's Marketing Operations

Customer Relationship Marketing (CRM) is a customer-centric strategy that has been increasingly embraced by leading business houses worldwide. It is stated as an organisational effort to develop a long term, cost effective link with individual customers for mutual benefit.

The movement towards implementing customer relationship marketing strategy is due to several factors. First, company like CIL recognises that customers have become much more demanding. Customers desire superior customer value, which includes quality products and services that are competitively priced, convenient to purchase, delivered on time, and supported by excellent after-sales service. Advances in information technology, along with flexible manufacturing systems and new marketing processes, have led to mass customisation, whereby a company like CIL can make a product or deliver a service in response to a particular customer's needs in a cost-effective way.

CIL markets its products to over 2500 customers spread all over the India. It has over fifty technical and marketing executives who regularly interact with
the customers to offer products, services and solutions. There is nothing more important to the success of a business than satisfied customer. CIL considers that sustained growth can be possible only by partnering with customers by understanding their needs, providing cost-effective solutions and new ideas to help them strengthen their competitiveness and performance in their own industries. CIL offers range of products, services and technical applications based on customer needs and delivers quality products catering to changes in fashion and preferences and services in a cost effective manner. The company recognises the importance of sales meeting regarding the development of customers and has initiated Customer Development Project (CUDERPO) as key target for the marketing managers of CIL.

Knowledge about the customer’s business, purpose of business, relationship with key decision makers and meeting the customer’s expectations are essential ingredients of managing and delivering “value to customers”. To understand its customers, CIL has introduced various systems like developing Customer Profiles (CP), Customer Relationship Analysis (CRA), Decision making Unit Influencer Analysis (DIA), Business Record Review (BRR) etc. CIL also has implemented Business Intelligence System (BIS) to get the information about its customers and also the activities taken by competitors across its business systems.

The CLAP programme (CLAriant Participation to improve Profitability through Performance of People) introduced in 1996 at CIL and has resulted in enhancing employee sensitivity towards customer requirements. Customer visits are regularly conducted to improve customer-employee relations, which in turn allows the employee to recognise challenges that the customer faces and to tailor the products to meet the required specifications.
CIL has taken effective steps to strengthen and implement customer-focused services in its marketing function. The company has realized that customer activities is a dynamic process and would constantly require: (i) realigning organizational goals around customer, (ii) understanding and measuring sources of customer satisfaction and loyalty, (iii) using information to set priorities and allocate resources, (iv) implementing change by integrating customer priorities. 58

By observing the immense competition in the market place and realising the importance of customer value, CIL has already recognised CRM as a right tool for business decisions and has created databank that supports its business strategy in highly competitive market environment. 59 Expanding the research and development activities to meet the needs by accelerating the adaptability of production facilities to new trends in the market and by extending the services and distribution network backs the company’s relationship with its customers, is the company’s CRM strategy. Regular customer meets are organised where customers are updated about the latest product being offered. Key Account Managers are appointed who are responsible for meeting the needs of customers. Seminars and exhibitions are actively participated in. 60

5.10.6 Specific Promotional Devices at Clariant (India) Limited

From the investigation and perusal of the Annual Reports of Clariant (India) Limited and other in-house magazines and also by taking direct interview of company officials of marketing and accounts, we have found that there are four major elements in promotional expenditures incurred by the CIL. These elements are; (i) General Promotional Expenses, (ii) Discount on Sales, (iii) Trade Commission, and (iv) Cash Discount. But the cash discount is generally allowed for speedy recovery of their dues and it is an inducement by the marketer for remission on the credit sales value before the period of credit.
It is generally used to increase the working capital limit of the company. So the cash discount will not be considered as a promotional tool of the company.

(I) General Promotional Expenses: In the company under the study, we have identified through studying the Annual Reports and interviewing the company officials that the General Promotional Expenses are incurred for organising various trade meetings, sales meetings, and business plan for stimulating sales, exhibitions and symposiums. Expenses incurred on advertising, conducting PR and Public relations activities such as producing newsletter, catalogues, organising press meetings or conferences are also included in the General Promotional Expenses account. Distribution of Free samples to customers and participations in trade fairs are also included in the General Promotional Expenses.

(II) Discount on Sales: This is a special promotional tool used by CIL to push up the sales of slow moving products. The offers of discount on sales depend on the market competition, inventory position, chances of product obsolescence, arrivals of new products coupled with overall marketing strategies of the company.

(III) Trade Commission: The terms trade commission and trade allowances or trade incentives are the same. As this term (trade commission) is mentioned in the Annual Reports of CIL, so we are using this term in our research study to make it simple, easy and understandable. It is referred as an important tool for boosting sales in order to increase the volume of sales. This is generally adopted to encourage the resellers (distributors and wholesalers) to make bulk purchases and depends on such factors like the demand of the products in the market, market competition, cost of production, stock position and overall production and marketing strategies of the company.
5.11 Conclusion

Promotional strategies are concerned with the planning, implementation, and control of persuasive communication with the customers. For many organisations, marketing promotion represent the most visible face of the organisation. The questions of how the communications programme is to be managed is therefore a fundamental part of the strategic marketing task.

In developing the effective promotional strategies, the marketing manager needs to begin by recognising that the various elements of marketing promotion such as advertising, public relations, sales promotion and so on can not be looked at and managed in isolation. It is essential because the marketing manager wants to develop a clear understanding of the nature of the interrelationships that exist between the individual elements of the promotion mix and how these influence and are in turn influenced by the elements of the marketing strategies.

The present chapter is an attempt to find out the different promotional tools, strategies and techniques that CIL has adopted in their marketing strategies. Obviously, CIL is a big multinational company and the company is following the tools and strategies, which we have described earlier. As a big speciality chemicals major, the company is following the business-to-business advertising, respective sales promotion tools and strategies, PR and publicity tools, database and direct marketing tools and strategies, CRM techniques and above all the company is following personal selling strategies as this company is producing the speciality chemicals for which all the tools and techniques are very much necessary to convey the product message and benefits to its target customers.

In addition the company is specifically incurring all its promotional expenditures in three heads: (i) General Promotional Expenses, (ii) Discount
on Sales and (iii) Trade Commission. We have got this information by studying the Annual Report of the company as well as interviewing the company officials. In the next chapter, we want to analyse the data regarding all the promotional expenses and will try to find out the degree of relationships between all the three promotional expenses with its Sales, Operating Profit and Net Profit.
References


2. Ibid.


42. Annual Report (2001-02); Clariant (India) Limited, pp. 2-3.


46. Ibid.


49. Ibid, p.5-6.

50. Ibid, p.3.


60. Annual Report (2000-01), op.cit., p.3