

The Marketing Mix - Product, Price, Place and Promotion

The Marketing Mix- The 4 'Ps Product Price Place Promotion

Products come in several forms. Consumer products can be categorized as convenience goods, for which consumers are willing to invest very limited shopping efforts. Thus, it is essential to have these products readily available and have the brand name well known. Shopping goods, in contrast, are goods in which the consumer is willing to invest a great deal of time and effort. For example, consumers will spend a great deal of time looking for a new car or a medical procedure. Specialty goods are those that are of interest only to a narrow segment of the population-e.g., drilling machines. Industrial goods can also be broken down into subgroups, depending on their uses. It should also be noted that, within the context of marketing decisions, the term product refers to more than tangible goods-a service can be a product, too.

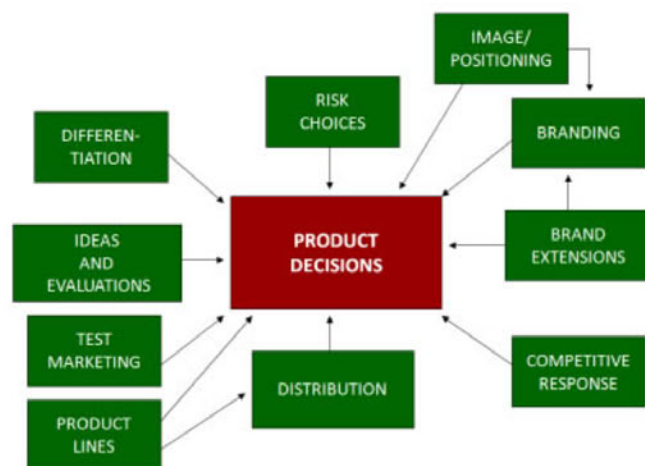
A firm's product line or lines refers to the assortment of similar things that the firm holds. Samsung, for example, has both a line of laser printers. They have different types to suit the different needs of their different consumer segments. In contrast, the firm's product mix describes the combination of different product lines that the firm holds.



Boeing, for example, has both a commercial aircraft and a defense line of products that each take advantage of some of the same core competencies and technologies of the firm. Some firms have one very focused or narrow product line (e.g., KFC does only chicken right) while others maintain numerous lines that hopefully all have some common theme.

This represents a wide product mix 3M, for example, makes a large assortment of goods that are thought to be related in the sense that they use the firm's ability to bond surfaces together. Depth refers to the variety that is offered within each product line. Maybelline offers a great deal of depth in lipsticks with subtle differences in shades while Morton Salt offers few varieties of its product.

Products may be differentiated in several ways. Some may be represented as being of superior quality (e.g., Maytag), or they may differ in more arbitrary ways in terms of styles-some people like one style better than another, while there is no real consensus on which one is the superior one. Finally, products can be differentiated in terms of offering different levels of service-for example, Volvo offers a guarantee of free, reliable towing anywhere should the vehicle break down. American Express offers services not offered by many other charge cards.



[Video](#)

<http://www.marsdd.com/buzz/video-detail.html?viddlerUri=http://www.viddler.com/explore/marsdd/videos/120/> (Watch Video Online)

Marketing mix

The **marketing mix** is the set of controllable, tactical marketing tools that a company uses to produce a desired response from its [target market](#). It consists of everything that a company can do to influence demand for its product. It is also a tool to help marketing planning and execution.

Marketing mix: Kotler on marketing

Marketing mix describes the set of tools that management can use to influence sales. The traditional formulation is called the 4Ps- [product](#) , [price](#) , place, and promotion.

From the very beginning questions were raised about the 4P formulation of the marketing mix.

- *Perfume companies wanted packaging to be added as a fifth P. 4P guardians said that packaging is already in the scheme, under product.*
- *Sales managers asked whether the sales force was left out because it began with an S. No, said the guardians, sales force is a promotion tool, along with [advertising](#) , [sales promotion](#) , [public relations](#) , and direct marketing.*
- *Service managers asked where services were in the marketing mix, or whether they, too, were excluded because the first letter was S. Here the guardians said services are part of the product. As services grew more important, service marketers suggested adding three Ps to the original 4Ps, namely [personnel](#) , [procedures](#) , and [physical evidence](#) . Thus a restaurant's performance will depend on its staff, the process by which it serves food (buffet, fast food, tablecloths, etc.), and its physical looks and features as a restaurant.*
- *Others suggested adding [personalization](#) to the marketing mix. The marketer has to decide how personalized to make the product, the price, the place, and the promotion.*
- *In my own case, I suggested adding politics and public relations to the 4Ps, because these can also influence a company's ability to sell.*
- *At one time, I had also proposed escaping from the prison of the letter P by redefining the essential function of each P:*

Product	=	Configuration
Price	=	Valuation
Place	=	Facilitation
Promotion	=	Symbolization

A more basic criticism has been that the 4Ps represent the seller's mind-set, not the buyer's mind-set. Robert Lauterborn suggested that sellers should first work with 4Cs before setting the 4Ps. ¹ The 4Cs are customer value (not product), customer costs (not price alone), convenience (not place), and communication (not promotion). Once the marketer thinks through the 4Cs for the [target customer](#) , it becomes much easier to set the 4Ps.

The Ps can substitute for each other in driving sales. A car dealer sold cars with 10 salespeople and normal markups. His sales were poor. Then he cut his staff to five salespeople and lowered his car prices significantly. He did a land-office business. Similarly, Jeff Bezos, CEO of Amazon, reduced his advertising expenditures and lowered his book prices, and Amazon's sales shot up significantly. Setting the 4Ps is difficult because of their interactions. Take product and place:

- *Suppose product is 0 and place is 1. How much is 0×1 ? Answer = 0.*
- *Suppose product is 1 and place is 0. How much is 1×0 ? Answer = 0.*
- *Suppose product is 1 and place is 1. How much is 1×1 ? Answer = 3.*

One selects marketing tools that are appropriate to the stage of the product's life cycle . For example, advertising and publicity will produce the biggest payoff in the introduction stage of a product; their job is to build consumer awareness and interest. Sales promotions and personal selling grow more important during a product's maturity stage. Personal selling can strengthen customers' comprehension of your product's advantages and their conviction that the offering is worthwhile. Sales promotions are most effective for triggering purchases today. In the decline stage, the company should keep pushing sales promotions but reduce advertising, publicity, and personal selling.

The marketing vice president of a major European airline wanted to increase the airline's traffic share. His strategy was to build up customer satisfaction through providing better food, cleaner cabins, better trained cabin crews, and lower fares. Yet he had no authority in these matters. The catering department chose food that kept down food costs; the maintenance department used cleaning services that kept down cleaning costs; the human resources department hired flight crew people without regard to whether they were naturally friendly; the finance department set the fares. Because these departments generally took a cost or production point of view, the vice president of marketing was stymied in creating an integrated marketing mix.

The choice of tools is also influenced by company size. Market leaders can afford more advertising and use sales promotion more sparingly. Smaller competitors, in contrast, use sales promotion more aggressively.

*Consumer marketers tend to emphasize advertising over personal selling, and [business marketers](#) do the reverse. But both tools are required in both types of markets. Consumer marketers who emphasize *push strategies* need their sales force to convince retailers or dealers to carry, promote, and sell the company's product to end users. By contrast, consumer marketers who emphasize *pull strategies* rely heavily on advertising and consumer promotions to draw customers into stores.*

For marketing to work, you must manage the marketing mix in an integrated fashion. Yet in many companies, responsibility for different elements of the marketing mix is in the hands of different individuals or departments.

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<http://www.wiley.com/WileyCDA/WileyTitle/productCd-0471268674.html>

The four Ps of marketing

The marketing mix can be divided into four groups of variables commonly known as the four Ps: [product](#), [price](#), place (or [distribution](#)), and [promotion](#).

Product: The goods and/or services offered by a company to its customers.



Price: The amount of money paid by customers to purchase the product



Yet another unbelievable feature: The price.

With iPad, you get all our latest innovations. And all our most advanced technologies. In one of the most revolutionary products we've ever created. All at a price that's well within reach.

	16 GB	32 GB	64 GB
Wi-Fi	US\$499	US\$599	US\$699
Wi-Fi + 3G	US\$629	US\$729	US\$829

Prices in US dollars for the 16 GB Wi-Fi model. International pricing will be announced at a later date. © 2010 Apple and its subsidiaries.

Place: The activities that make the product available to consumers. - Product Placement (at the Emmy's) in Apple Corporate Stores, Electronic Stores such as Best Buy



Promotion: The activities that communicate the product's features and benefits and persuade customers to purchase the product.

Here's your chance to hop on the iPad fever! Tweet & Win!




Marketing tools

Each of the four Ps has its own tools to contribute to the marketing mix

Product: variety, quality, design, features, brand name, packaging, services

Price: list price, discounts, allowance, payment period, credit terms

Place: channels, coverage, assortments, locations, inventory, transportation, logistics

Promotion: advertising, personal selling, sales promotion, public relations

(<http://www.marsdd.com/entrepreneurs-toolkit/articles/Marketing-Mix>) (Read Online)

The First P - Product

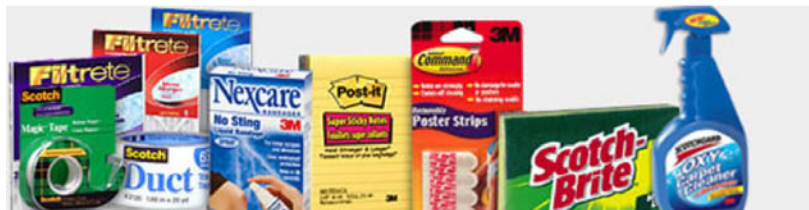
(<http://www.learnmarketing.net/product.htm>)

Product strategies

When an organisation introduces a product into a market they must ask themselves a number of questions.

1. Who is the product aimed at?
2. What **benefit** will they expect?
3. How do they plan to **position** the product within the market?
4. What **differential advantage** will the product offer over their competitors?

3M has a varied product line:



We must remember that Marketing is fundamentally about providing the correct bundle of benefits to the end user, hence the saying 'Marketing is not about providing products or services it is essentially about providing changing benefits to the changing needs and demands of the customer' (P.Tailor 7/00)

Philip Kotler in Principles of Marketing devised a very interesting concept of benefit building with a product

For a more detailed analysis please refer to Principles of Marketing by P.Kotler.

Kotler suggested that a product should be viewed in three levels.

Level 1: Core Product : What is the core benefit your product offers?. Customers who purchase a camera are buying more than just a camera they are purchasing memories.

Level 2 Actual Product : All cameras capture memories. The aim is to ensure that your potential customers purchase your one. The strategy at this level involves organisations *branding*, *adding features* and *benefits* to ensure that their product offers a differential advantage from their competitors.

Level 3: Augmented product: What additional non-tangible benefits can you offer? Competition at this level is based around after sales service, warranties, delivery and so on. John Lewis a retail departmental store offers free five year guarantee on purchases of their Television sets, this gives their customers the additional benefit of **peace of mind** over the five years should their purchase develop a fault.

Product Lifecycle

Product Lifecycle

<http://youtu.be/CRfiJ9vQyp0> (Watch Video Online)

Product Decisions

When placing a product within a market many factors and decisions have to be taken into consideration. These include:

Product design - Will the design be the selling point for the organisation as we have seen with the iMAC, the new VW Beetle or the Dyson vacuum cleaner.

Product quality: Quality has to consistent with other elements of the marketing mix. A premium based pricing strategy has to reflect the quality a product offers

Product features : What features will you add that may increase the benefit offered to your target market? Will the organisation use a discriminatory pricing policy for offering these additional benefits?

Branding: One of the most important decisions a marketing manager can make is about branding. The value of brands in today's environment is phenomenal. Brands have the power of instant sales, they convey a message of confidence, quality and reliability to their target market.

Brands have to be managed well, as some brands can be cash cows for organisations. In many organisations they are represented by brand managers, who have huge resources to ensure their success within the market.

A brand is a tool which is used by an organisation to differentiate itself from competitors. Ask yourself what is the value of a pair of Nike trainers without the brand or the logo? How does your perception change?

Increasingly brand managers are becoming annoyed by 'copycat' strategies being employed by supermarket food retail stores particular within the UK. Coca-Cola threatened legal action against UK retailer Sainsbury after introducing their Classic Cola, which displayed similar designs and fonts on their cans.

Internet branding is now becoming an essential part of the branding strategy game. Generic names like Bank.com and Business.com have been sold for £m's. (Recently within the UK banking industry we have seen the introduction of Internet banks such as **cahoot.com** and **marbles.com** the task by brand managers is to make sure that consumers understand that these brands are banks!

Pricing Strategy

Deciding your pricing strategy involves determining how you will price your product or service in order to ensure it fits your product, your targeted consumer and how much they are willing to pay, with the goal of generating a reasonable profit.



www.bized.ac.uk

Penetration Pricing

This type of pricing is usually considered when launching a new product that is anticipated to have a long life cycle. It involves establishing a low price to secure large sales volumes that will penetrate a large mass of consumers.

Cost Plus Pricing

- Set the price at your production cost, including both cost of goods and fixed costs at your current volume, plus a certain profit margin. For example, your widgets cost \$20 in raw materials and production costs, and at current sales volume (or anticipated initial sales volume), your fixed costs come to \$30 per unit. Your total cost is \$50 per unit. You decide that you want to operate at a 20% markup, so you add \$10 (20% x \$50) to the cost and come up with a price of \$60 per unit. So long as you have your costs calculated correctly and have accurately predicted your sales volume, you will always be operating at a profit.

Value Based Pricing

Video

<http://youtu.be/fH887xbAcoc> (Watch Video Online)

When you decide on a value based strategy you must understand how high you can price your product or service with respect to the consumer perceptual value.

Examples of value-based pricing strategies



- Price the same as competitors.
- Establish a low price (compared to the competition) in order to capture a large number of customers in that market.
- Price a prestige or unique product that is valuable to customers high.

Cost Plus Pricing

This is when the prices "to the market" are established, with cost (plus minimum profit) serves as a minimum pricing.

This type of pricing strategy may increase sales, but may be temporary from a profit perspective.

- For example, hockey sticks cost \$20 in raw materials and production costs, and at current sales volume (or anticipated initial sales volume), your fixed costs come to \$30 per unit. Your total cost is \$50 per unit. You decide that you want to operate at a 20% markup, so you add \$10 (20% x \$50) to the cost and come up with a price of \$60 per unit. So long as you have your costs calculated correctly and have accurately predicted your sales volume, you will always be operating at a profit.

example from : http://entrepreneurs.about.com/od/salesmarketing/a/pricingstrategy_2.html

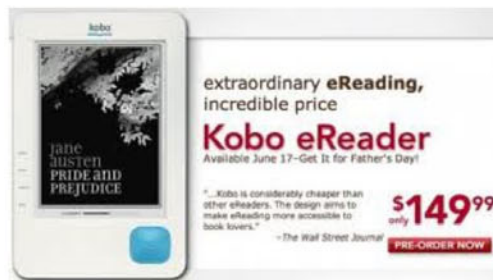
Loss Leader

Loss Leaders (products or services) is a pricing strategy used when companies want to attract new customers, where the customer will come in buy the product or service on sales but have the intent for these customers to purchase goods / services at regular prices.



Penetration Pricing

Penetration pricing strategy is when you set the price low to penetrate the market to attract a large volume of buyers - usually used when a new product is introduced into the market, Kobo e-reader is an example



Skimming - Pricing Strategy

Price Skimming is when a company charges a higher price during a short period of time. Typically this occurs when a new, innovative, or much-improved product is launched onto a market. The strategy here is to skim (like cream at the top of milk) those consumers who have the income and are willing to afford/purchase this new product.

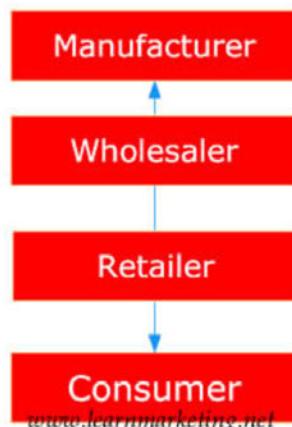
Task Reflection

Task Reflection

Considering your team that either you play on now, or a team you have played on in the past, can you please -write about the product (the team), how it is priced (ticket prices to the consumer) the place you were located (the building - hockey arena), and how the Team (product) was promoted (what marketing tools? - PR, Sponsorship, Sales Promotions, Web ads - web page, web marketing, TV, print, radio.....)

After you established the 4 P's - I would like you to reflect and comment on whether you believe that they (the team) made successful choices which resulted in ticket sales. email your reflection task to the professor mspergel@ryerson.ca

Place



Distribution refers to how you are going to get the product/service to your customer/consumer. You question whether you will sell it through a bricks and mortar



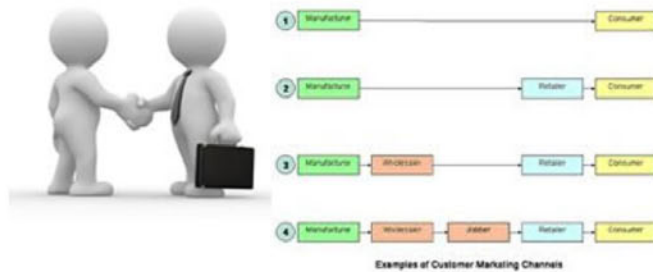
- store via an e commerce scenario.



how will the goods be shipped? Train, plane ship.....?



Will you need an intermediary? Someone who could be a sales agent, a wholesaler.....?



There are 3 types of distribution :

Intensive Distribution: This type of distribution is usually used to distribute lower priced or impulse purchase products such as candies and gum.

Exclusive Distribution: This product is higher priced, usually requires an intermediary and is limited to a single outlet. Car dealerships is an example of this.

Selective Distribution: This occurs when fewer retail outlets are used to distribute products such as computers.

PBS The Persuaders

<http://www.pbs.org/wgbh/pages/frontline/shows/persuaders/view/>

Americans are swimming in a sea of messages.

Each year, legions of ad people, copywriters, market researchers, pollsters, consultants, and even linguists – most of whom work for one of six giant companies – spend billions of dollars and millions of man-hours trying to determine how to persuade consumers what to buy, whom to trust, and what to think. Increasingly, these techniques are migrating to the high-stakes arena of politics, shaping policy and influencing how Americans choose their leaders.

Promotion

Watch the Persuaders Link above.

Promotion is one of the Ps in the marketing mix and has its own mix of communications tools which should be integrated as they work in harmony as long as the message is consistent.

It includes: P.R, Personal Selling, TV, radio, Print, web 2.0, sponsorships

(1) Advertising

This is any paid non-personal communication o i.e. television, newspapers, magazines, billboard posters, radio, cinema etc. Advertising is intended to persuade and to inform.

THE message

The medium (how you get the message to the consumer)

(2) Personal Selling

Oral communication with potential buyers of a product with the intention of making a sale. The personal selling may focus initially on developing a relationship with the potential buyer, but will always ultimately end with an attempt to "close the sale".

(3) Sales Promotion

Providing incentives to customers or to the distribution channel to stimulate demand for a product.

(4) Publicity

The communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly, otherwise known as "public relations" or PR.

Advantages and Disadvantages of Each Element of the Promotional Mix

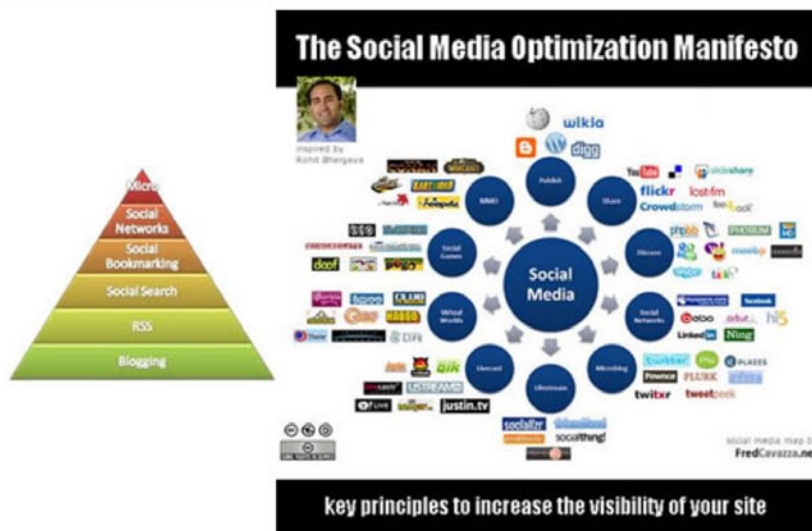
Mix Element	Advantages	Disadvantages
Advertising	Good for building awareness	Impersonal - cannot answer all a customer's

	<p>Effective at reaching a wide audience</p> <p>Repetition of main brand and product positioning helps build customer trust</p>	<p>questions</p> <p>Not good at getting customers to make a final purchasing decision</p>
Personal Selling	<p>Highly interactive - lots of communication between the buyer and seller</p> <p>Excellent for communicating complex / detailed product information and features</p> <p>Relationships can be built up - important if closing the sale make take a long time</p>	<p>Costly - employing a sales force has many hidden costs in addition to wages</p> <p>Not suitable if there are thousands of important buyers</p>
Sales Promotion	<p>Can stimulate quick increases in sales by targeting promotional incentives on particular products</p> <p>Good short term tactical tool</p>	<p>If used over the long-term, customers may get used to the effect</p> <p>Too much promotion may damage the brand image</p>
Public Relations	<p>Often seen as more "credible" - since the message seems to be coming from a third party (e.g. magazine, newspaper)</p> <p>Cheap way of reaching many customers - if the publicity is achieved through the right media</p>	<p>Risk of losing control - cannot always control what other people write or say about your product</p>

Social Media Marketing

Video

<http://youtu.be/pl5D4QF7uqg> (Watch Video Online)



Guerrilla Marketing

Video

Video

<http://youtu.be/QiBMF1MvAGY> (Watch Video Online)



"If you must persuade, 'tis better to appeal to emotion rather than intellect" - Benjamin Franklin 1793