

THE MARKETING POCKETBOOK

By Neil Russell-Jones and Tony Fletcher

Drawings by Phil Hailstone

“A very useful introduction for anyone who wants to understand marketing terminology”.

Alan Dunstan, Director - Sales and Marketing, Lloyds Abbey Life

“An excellent introduction to the tools and techniques of marketing”.

Graham Howe, Group Finance Director, Orange

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UNDERSTANDING THE MARKETING MIX

UNDERSTANDING THE MARKETING MIX

THE 4 Ps

This is a key concept - the actions that a company uses to develop its business.

It is often represented, from the marketer's point of view, as encompassing four prime elements:

- 1 **P**roduct (or Service)
- 2 **P**rice
- 3 **P**lace
- 4 **P**romotion

The four **P**s.

The blend of these four elements shapes the way a product is marketed.

Get this right and you will be in marketing heaven; get it wrong and hell will beckon.



UNDERSTANDING THE MARKETING MIX

THE CHALLENGE

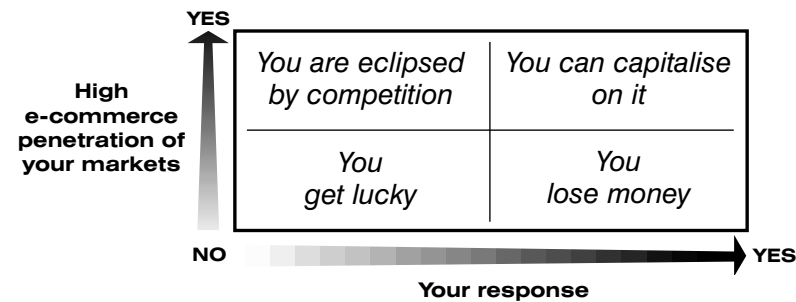


The challenge of the marketing mix is to get the balance right. All firms have finite resources (human/financial) and they need to be allocated effectively.

While research will help you here, there is no right way to allocate resources. Instead, you go through an interactive process, starting with the theoretical marketing mix which is progressively refined in response to feedback from the marketing. This will help you achieve your goals.

The internet brings a new dimension to this challenge: either you accept a cannibalisation of existing channels or you radically alter the marketing mix.

E-commerce preparedness - consequences

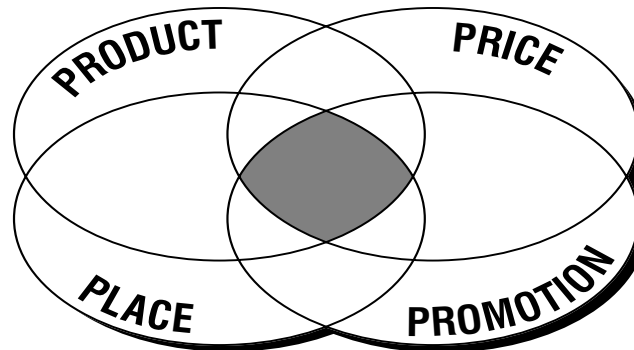


UNDERSTANDING THE MARKETING MIX

BLENDING THE MIX



MARKETING MIX



The blend differs from product to product, from location to location and from business to business but they need to be integrated to support the CVP.

Each of the four Ps is discussed in turn.

UNDERSTANDING THE MARKETING MIX



1. PRODUCT

Issues to consider include:

- Customer benefits
- Quality
- Design
- Technical features
- Branding
- Packaging
- Service
- Training



UNDERSTANDING THE MARKETING MIX



2. PRICE

There is much more to pricing than choosing a number. Your price may be used by consumers as a measure of all the benefits you offer. Then they decide if you offer good value or not (remember the CVP). It is the most flexible of the four, and you can use short-term or long-term pricing to maximise opportunities.

Some things that you can do with pricing:

- Discounts
- Bundling items or pricing separately
- Lump sum or piece rate
- Rebates or loyalty schemes
- Undersell the competition

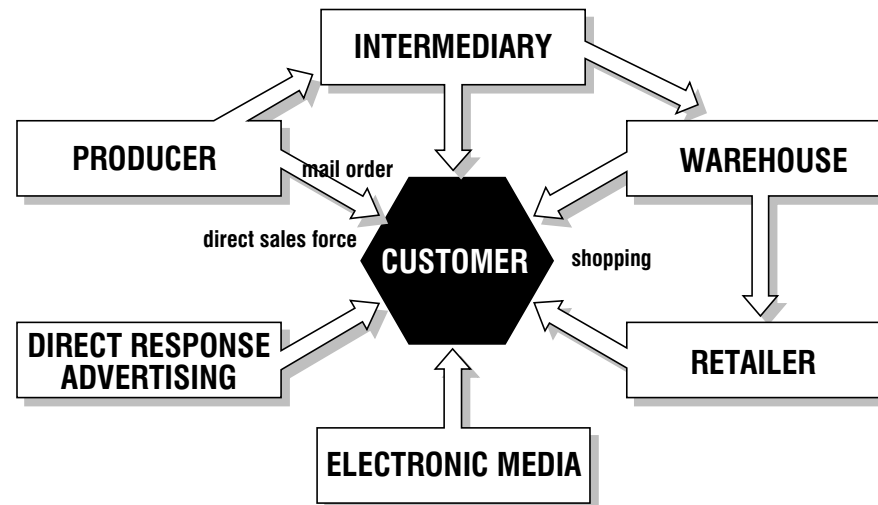
UNDERSTANDING THE MARKETING MIX

3. PLACE



This is about getting your product in front of your customers.

There are many methods of doing this - known as **distribution channels** or **supply chains**.

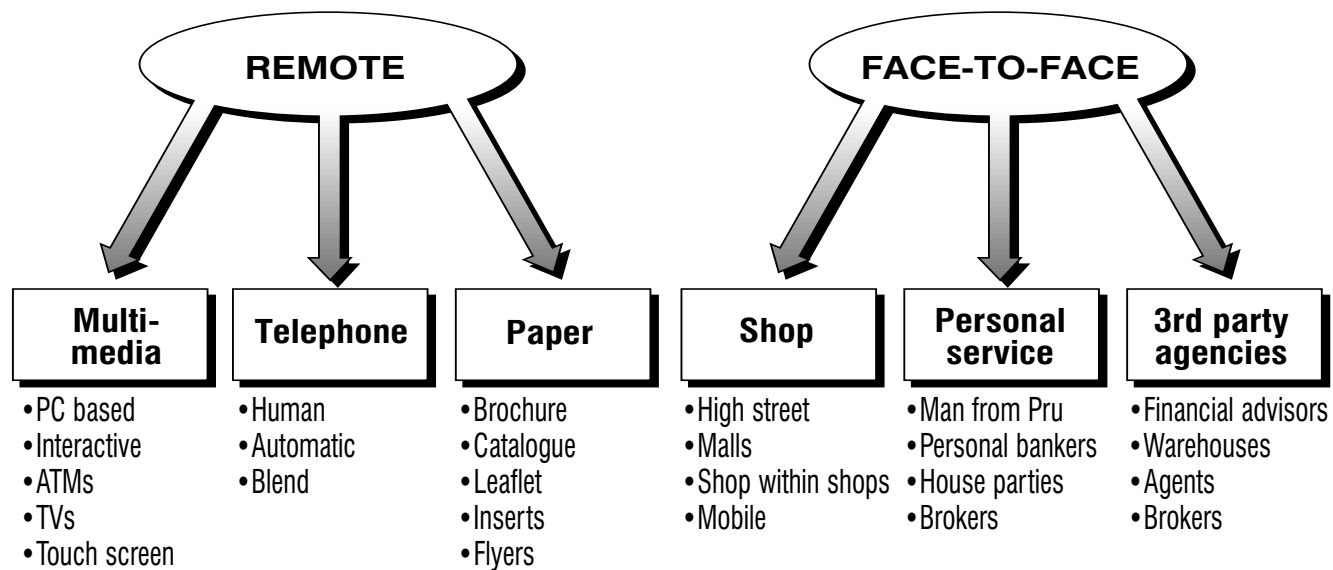


UNDERSTANDING THE MARKETING MIX



3. PLACE

DISTRIBUTION CHANNELS



Channels can be both remote and face-to-face. Each has pros and cons.

UNDERSTANDING THE MARKETING MIX



4. PROMOTION

It is vital to tell your customers about your products or they will not know where to go to get them.

Some of the more common methods include:

- Advertising (TV, papers, posters, radio, cinema, videos)
- Direct Mail
- Telephone selling
- Brochures and catalogues
- Exhibitions, 3rd party endorsements
- Sponsoring events, items
- Sales force

The cost varies from method to method.
Ensure that the blend you select is
cost effective for **you**.



UNDERSTANDING THE MARKETING MIX

MARKETING MIX IN PRACTICE



Manufacturers take account of their:

- Segments
- Resources - financial/human
- Market characteristics
- CVP

Then they construct a communications plan (part of the marketing plan) based on the 4 Ps. Example:

Price : will set our price at £3.95 (competition sell at £4.15)
Product : will add a bell and whistle
Place : will sell through garages as well as our usual retailers
Promotion : will use direct mail (30%); TV ads (40%); in store (30%)

Different companies use different combinations.

UNDERSTANDING THE MARKETING MIX

MARKETING MIX IN PRACTICE

EXAMPLES



The marketing mix must be a blend of the four elements but here are some examples where one predominates:

- **Tie Rack**, a great success story, decided in the 1980s that the key element would be **place** - outlets were mostly located in stations where people could quickly buy from a wide range of good quality ties
- **Tesco** for a long time sold on **price**, but has gradually changed to selling on product quality using major promotional campaigns; Kwik-Save sells on **price** in the same market
- **Marks & Spencer** sells on **product** and only its own brands; perfume and luxury goods are similarly product oriented (exclusivity)
- **Soap products** tend to be sold on **promotion**, ie: through heavy advertising (as are many beers)

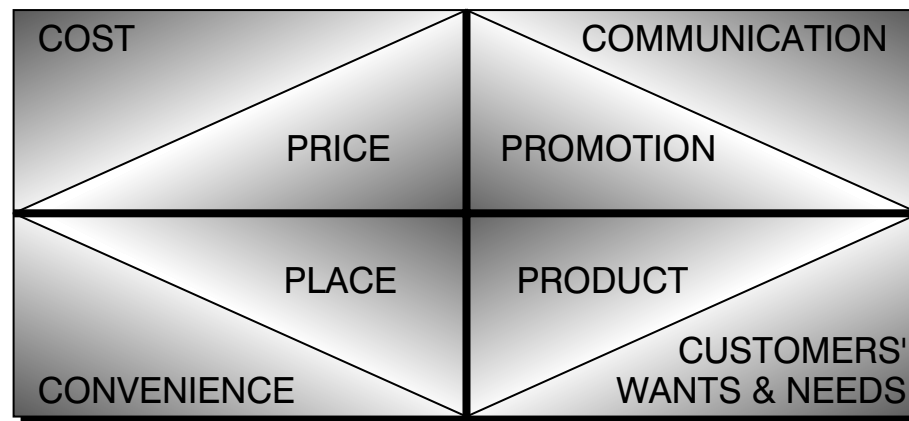
Of course, other elements of the marketing mix are employed here, but the examples given demonstrate a preference for a particular element.

UNDERSTANDING THE MARKETING MIX

CUSTOMERS' PERSPECTIVE - THE 4 Cs



From the customers' point of view, the 4 Ps can be seen to represent four benefits - often called **the 4 Cs**:



UNDERSTANDING THE MARKETING MIX



THE 4 Cs - COST

Perceived cost to the customer:

- May be more than just financial
- Must reflect value:
 - more for more (**upper end of scale**)
 - less for less (**pile it high - sell it cheap**)
 - more for less (**bargain**)

(NB: **less for more** is usually unsuccessful!)

You must, therefore, get the cost right to equalise the cost/benefit equation of the CVP.

UNDERSTANDING THE MARKETING MIX



THE 4 Cs - CONVENIENCE

You have to make it as easy as possible for your customers to obtain your product. What seems fine to you may not to them. People are essentially lazy and most will trade convenience for much else.

Some good examples where convenience has driven change:

- The rise of direct banking over the phone, 24 hours a day
- The change from local shopping to once-a-week visits to out-of-town megastores selling most things
- Mail order catalogues and freephone telephone order lines
- Home visits by representatives to collect orders
- Greater use of 'plastic' (Switch, MasterCard, Visa and in-house cards, regional cards, Mondex)
- Internet shopping (eg: Amazon, Lycos)
- Internet banking (eg: Cahoot, Smile e-bank)

UNDERSTANDING THE MARKETING MIX



THE 4 Cs - COMMUNICATION

Every day customers receive hundreds of messages telling them to buy.
Make sure that:

- Your message stands out from the general clutter
- You tell customers about your offering in their terms **not** yours
- You focus on **benefits** not technical features
- Your communication is **targeted** appropriately (do not advertise meat in a vegetarian weekly)



UNDERSTANDING THE MARKETING MIX

THE 4 Cs - CUSTOMER NEEDS & WANTS



Needs differ:

- Across time (eg: as consumers get more sophisticated or as they age - lifecycle)
- According to circumstance (segment your customer groups)
- As the 'price-benefit' equation changes
- As fashion shifts (washing machines and vacuum cleaners, originally a luxury, are now considered essential)

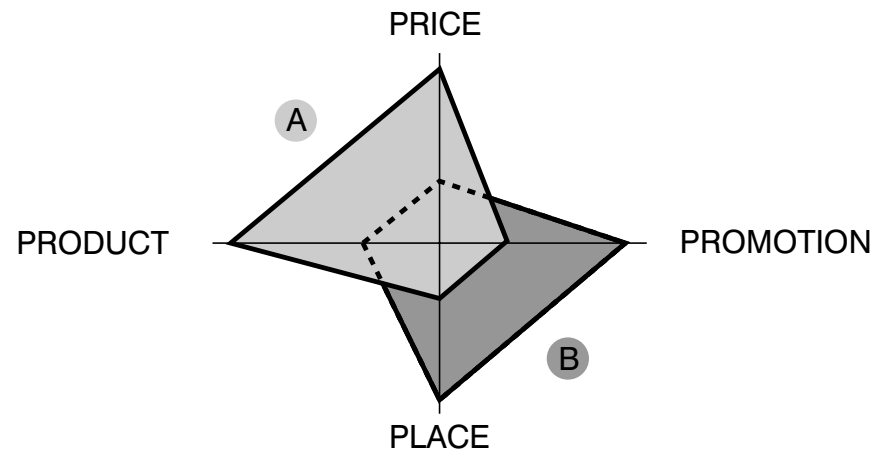
Understand customer needs through research and anticipate the changes in your offerings.

UNDERSTANDING THE MARKETING MIX

A GRAPHIC VIEW



Different pricing mixes can be viewed graphically to demonstrate the variations in tactics. The two examples below are competing on **Price/Product** **A** and **Promotion/Place** **B**, but both need to have a mix of all four components, reflecting their respective CVPs.



UNDERSTANDING THE MARKETING MIX

FINAL THOUGHTS ON MIX



- Make sure that there is the right balance between the four elements to reflect your CVP
- Think in terms of the four Cs rather than four Ps initially, then convert so that you reflect the customer's perception
- Change the mix to reflect different segments
- Be flexible and vary to suit needs
- Make sure that the sums add up before you spend a lot on promotion or cut prices

About the Authors

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