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# The Marketing Mix (4Ps)

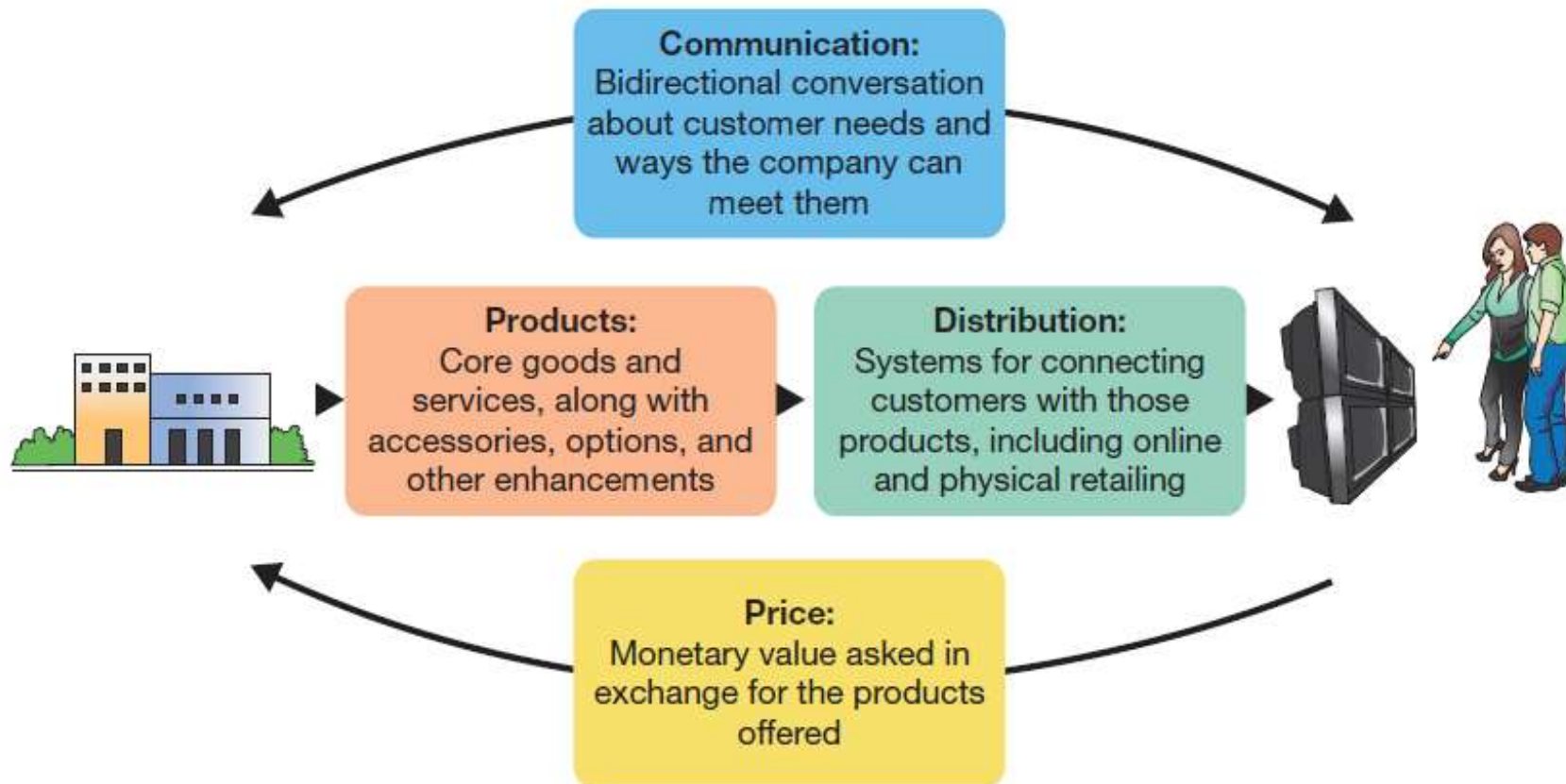
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# The Marketing Mix (4Ps)

The four key elements of marketing strategy: product, price, distribution, and customer communication

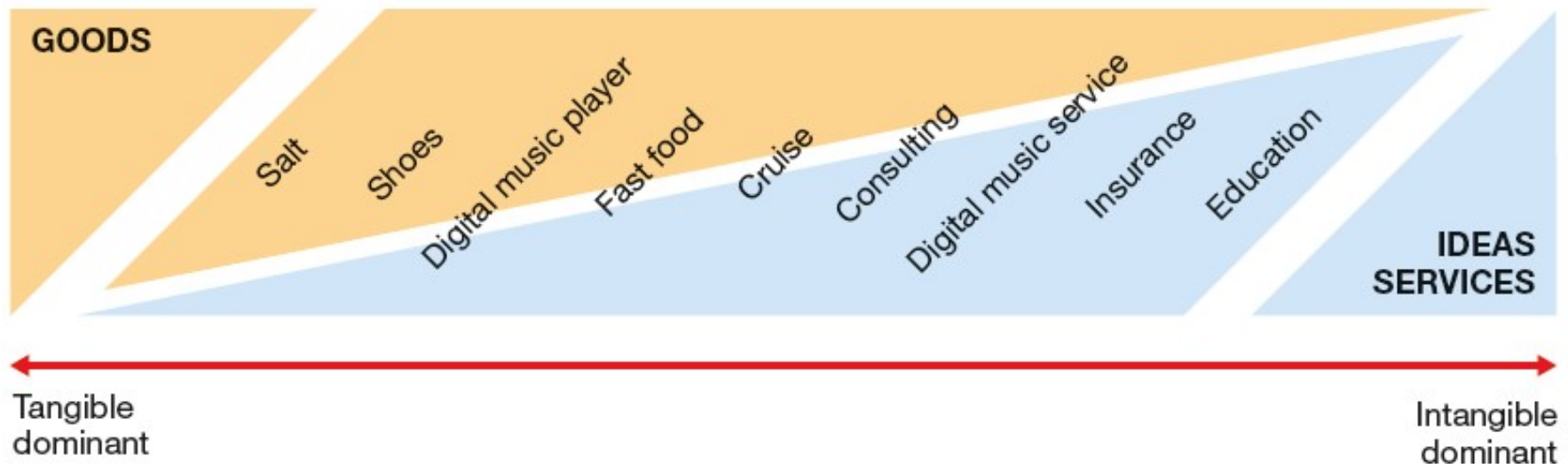


# Learning Objectives

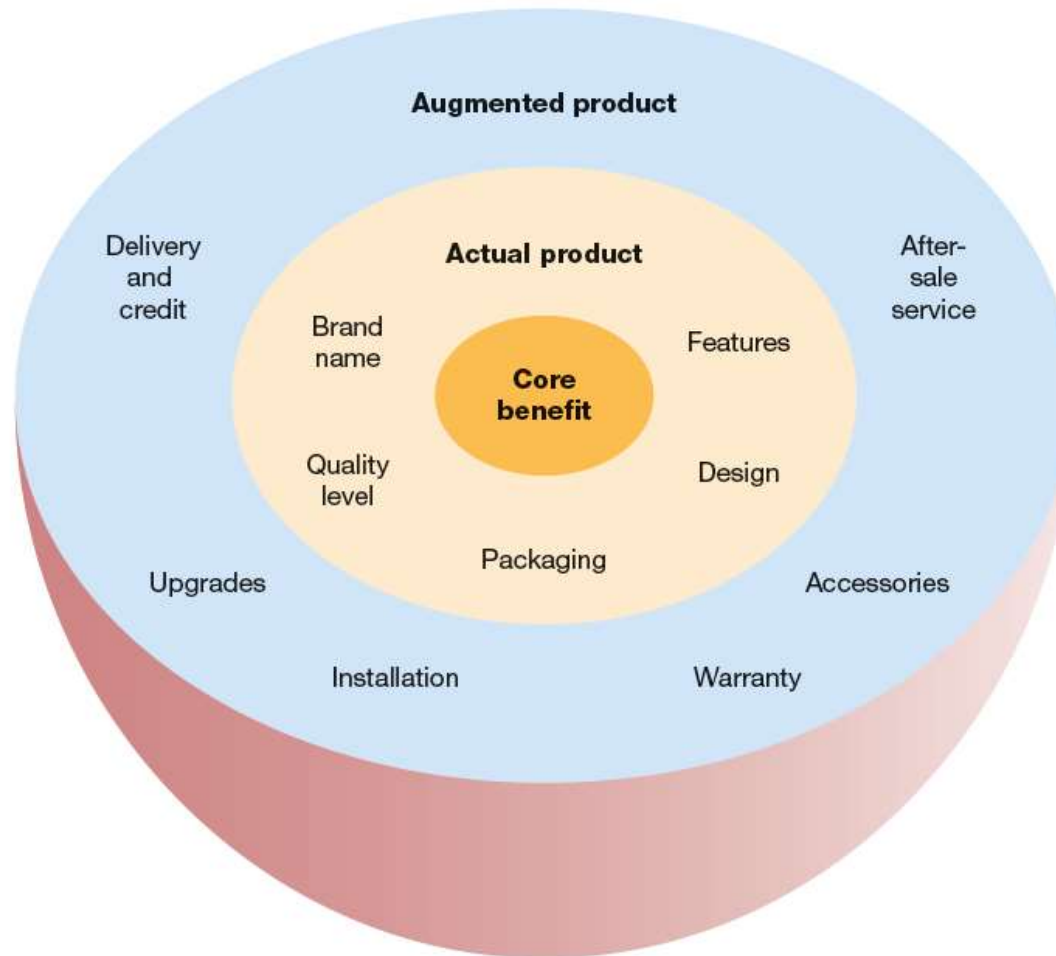
1. Identify the main types of consumer and industrial products and describe the four stages in the life cycle of a product
2. Describe options in product and service decisions
3. List the factors that influence pricing decisions and identify nine common pricing methods
4. Explain the role of marketing intermediaries in contemporary business
5. Highlight the major components of physical distribution and logistics
6. Describe the three major tasks in crafting a communication strategy
7. Identify six communication vehicles and their proper usage

# Product Continuum

Products contain both tangible and intangible components; predominantly tangible products are categorized as goods, whereas predominantly intangible products are categorized as services.



# Augmenting the Basic Product



Product decisions also involve how much or how little to augment the core product with additional goods and services.

# Product Classification

## Consumer Products

### Convenience Products

Everyday goods and services that people buy frequently, usually without much conscious planning



### Shopping Products

Fairly important goods and services that people buy less frequently with more planning and comparison



### Specialty Products

Particular brands that the buyer especially wants and will seek out, regardless of location or price




### Unsought products

are consumer products that the consumer does not know about or knows about but does not normally think of buying.



## Food for thought:



***What is a product  
that could be  
convenience,  
shopping, and  
specialty?***

# Product Classification

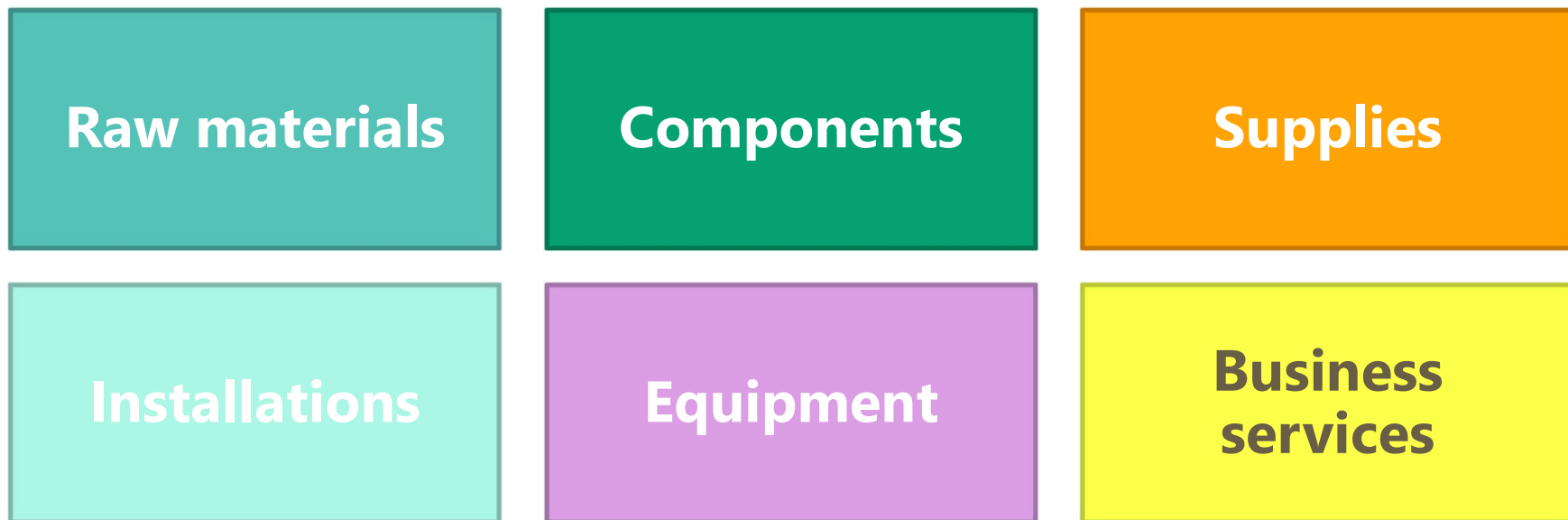
## Industrial and Commercial Products

### Expense Items

Inexpensive generally use within a year of purchase

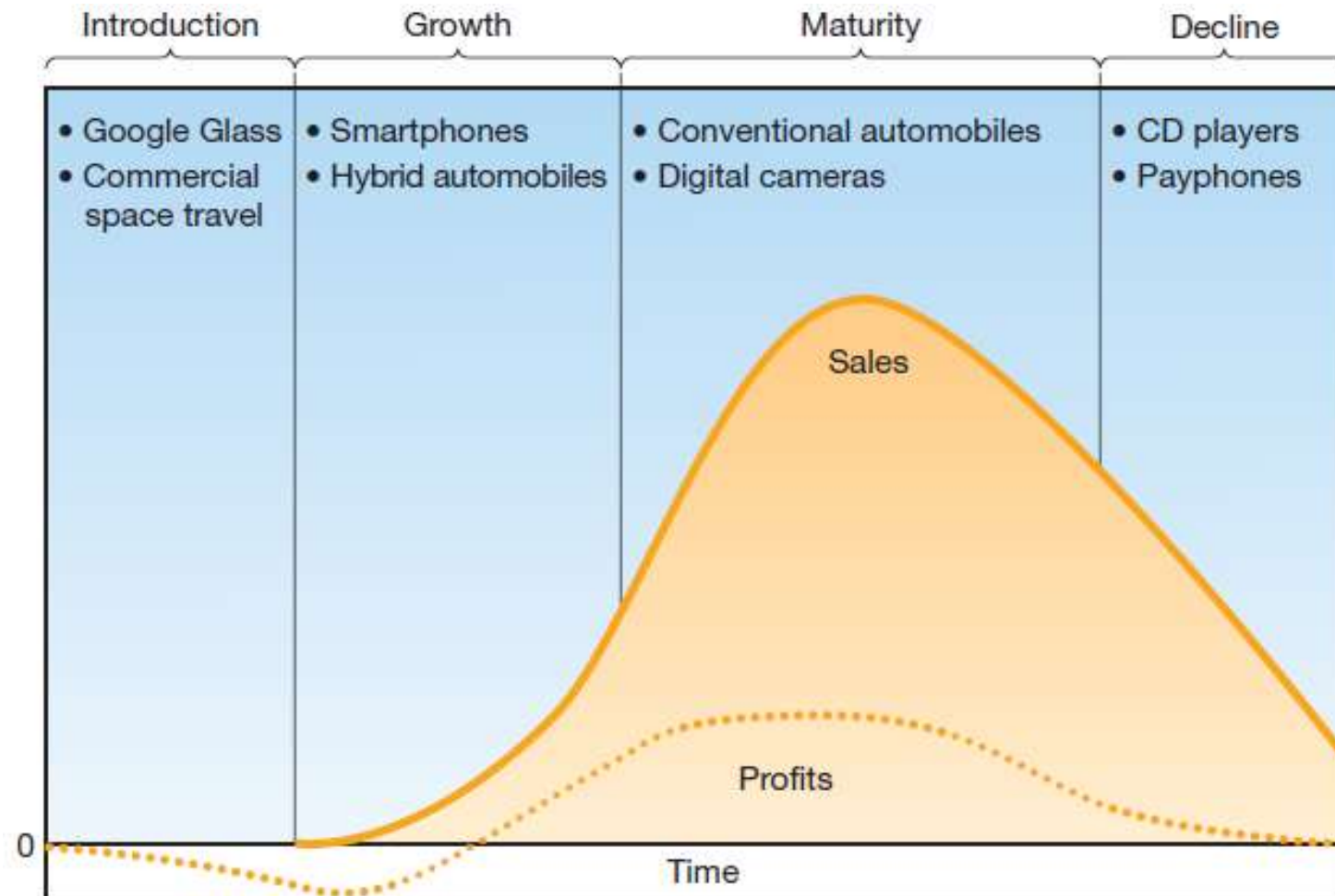
### Capital Items

More expensive organizational products with a longer useful life, ranging from office and plant equipment to entire factories



# The Product Life Cycle

Four stages through which a product progresses: introduction, growth, maturity, and decline



# Product and Service Decisions

## Product Line Decisions

**Product line** is a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges.

# Product and Service Decisions

## Product Line Decisions

**Product line length** is the number of items in the product line.

- Line stretching
- Line filling



● **Product line stretching and filling:** Through skillful line stretching and filling, BMW now has brands and lines that successfully appeal to the rich, the super-rich, and the hope-to-be-rich.

BMW of North America

**Product line stretching** occurs when a company lengthens its product line beyond its current range – downward, upward, or both ways.



*Marriott offers a full line of hotel brands,  
each aimed at a different market.*

**Product line filling** involves adding more items within the present range of the line for earning extra profits, satisfying dealers, using excess capacity, being the leading full-line company, and plugging holes to keep out competitors.

Vehicle model



Saloons



Coupés



Cabriolets



SUVs



Roadsters

Coupés



Mercedes-AMG CLA 45 4MATIC



Mercedes-AMG C 43 4MATIC Coupé



Mercedes-AMG C 63 S Coupé



Mercedes-AMG GLC 43 4MATIC Coupé



Mercedes-AMG GLE 43 4MATIC Coupé



Mercedes-AMG GT R



Mercedes-AMG GT C Roadster



Mercedes-AMG SLC 43

Cabriolets / Roadsters

SUVs



GLA SUV



GLC SUV



GLE SUV

# Product and Service Decisions

## Product Mix Decisions

**Product mix** consists of all the product lines and items that a particular seller offers for sale.

- Width
- Length
- Depth
- Consistency



● The product mix: Colgate-Palmolive's nicely consistent product mix contains dozens of brands that constitute the "Colgate World of Care"—products that "every day, people like you trust to care for themselves and the ones they love."

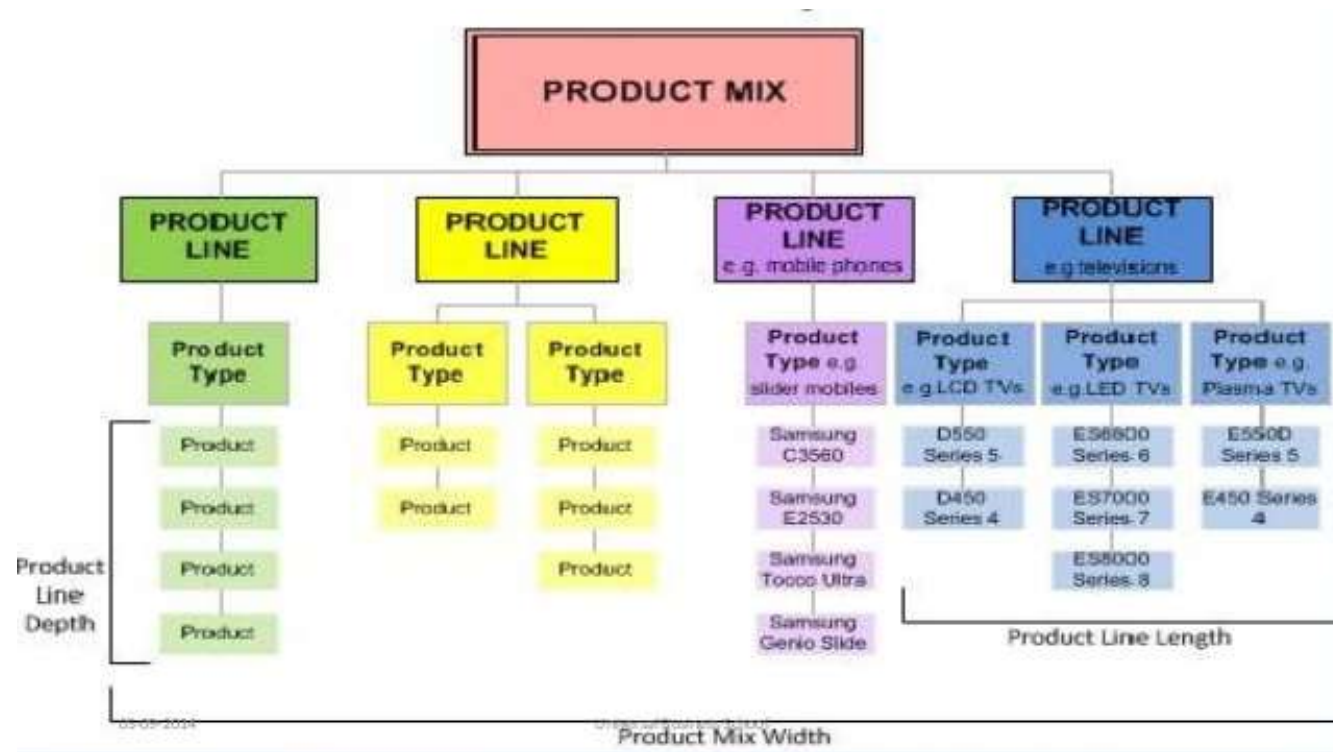
Bloomberg/Getty Images

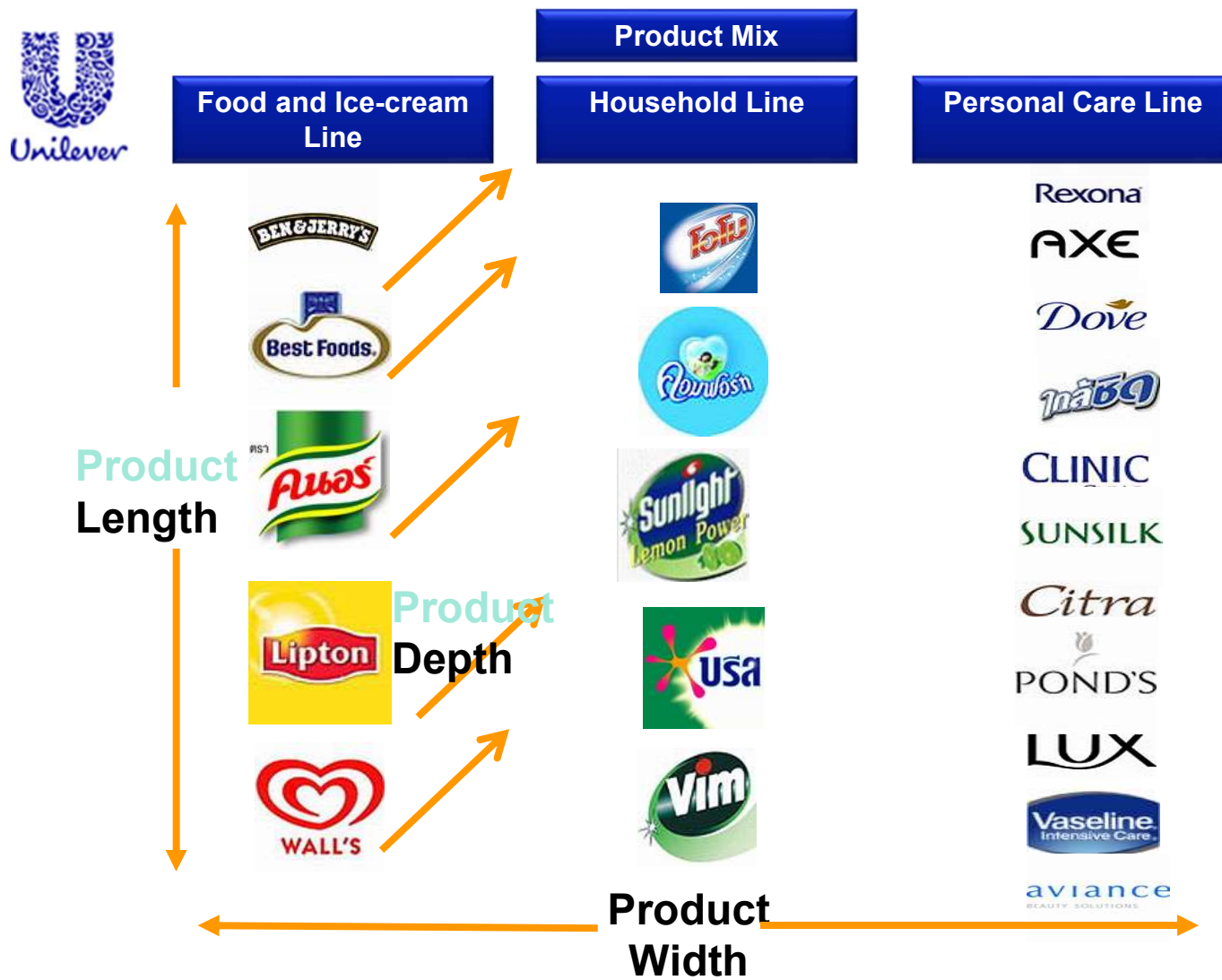
**Product mix width** is the number of different product lines the company carries.

**Product mix length** is the total number of items the company carries within its product lines.

**Product mix depth** is the number of versions offered of each product in the line.

**Consistency** is how closely the various product lines are in end use, production requirements, or distribution channels.





# Strategic Considerations in Pricing

Marketing objectives

Government regulations

Customer perceptions

Market demand

Competition

# Cost Structure

## Fixed Costs

Business costs that remain constant regardless of the number of units produced

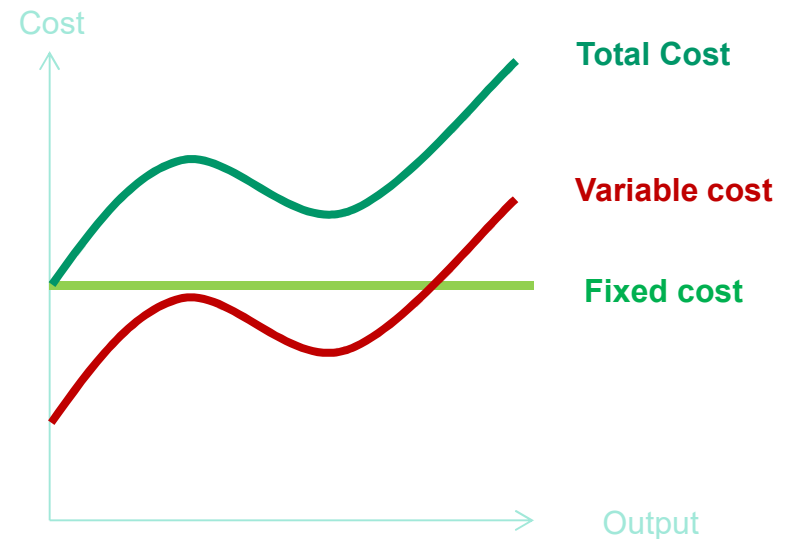
“Fixed”

## Variable Costs

Business costs that increase with the number of units produced

“Vary”

**Total cost = variable cost + fixed cost**



# Pricing Methods

**Cost-Based Pricing:** A method of setting prices based on production and marketing costs, rather than conditions in the marketplace

**Value-Based Pricing:** A method of setting prices based on customer perceptions of value

**Optimal Pricing:** A computer-based pricing method that creates a demand curve for every product to help managers select a price that meets specific marketing objectives

**Skim Pricing:** Charging a high price for a new product during the introductory stage and lowering the price later

**Penetration Pricing:** Introducing a new product at a low price in hopes of building sales volume quickly

**Loss-Leader Pricing:** Selling one product at a loss as a way to entice customers to consider other products

**Auction Pricing:** The seller doesn't set a firm price but allows buyers to competitively bid on the products being sold

**Participative Pricing:** Allowing customers to pay the amount they think a product is worth

**Free-mium Pricing:** A hybrid pricing strategy of offering some products for free while charging for others, or offering a product for free to some customers while charging others for it

# Price Adjustment Tactics

## Discounts

Temporary price reductions to stimulate sales or lower prices to encourage certain behaviors such as paying with cash.



## Bundling

Offering several products for a single price that is presumably lower than the total of the products' individual prices.



- High-Speed Internet up to 20 Mbps with PowerBoost
- Over 80 Digital Cable Channels
- Unlimited Nationwide Calling

## Dynamic pricing

Continually adjusting prices to reflect changes in supply and demand.



# The Role of Marketing Intermediaries

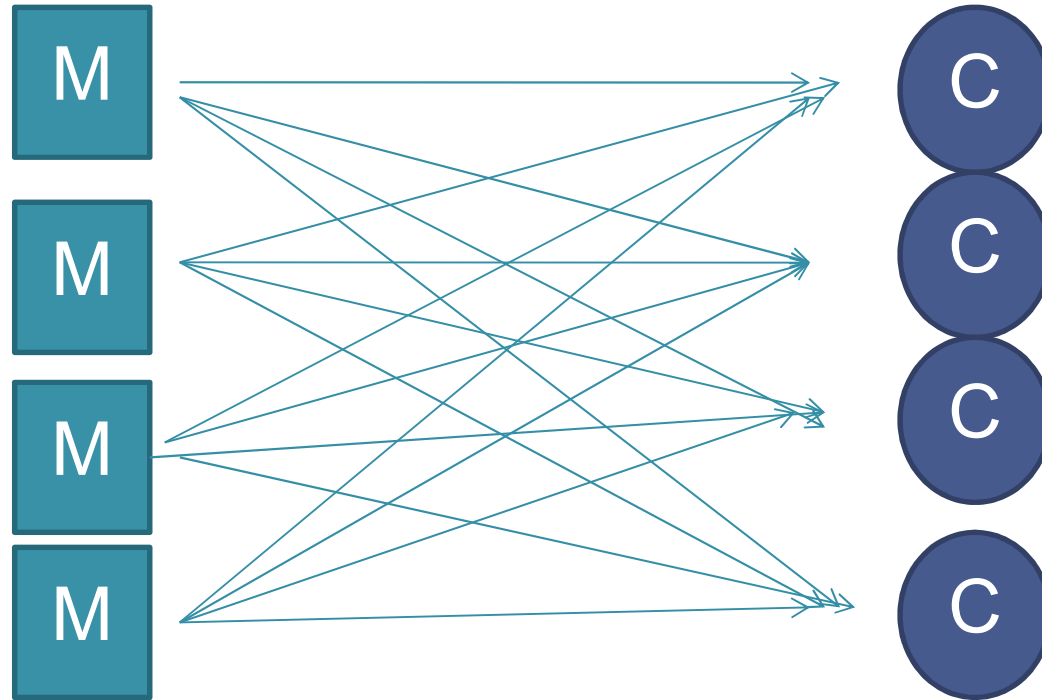
## Distribution Strategy

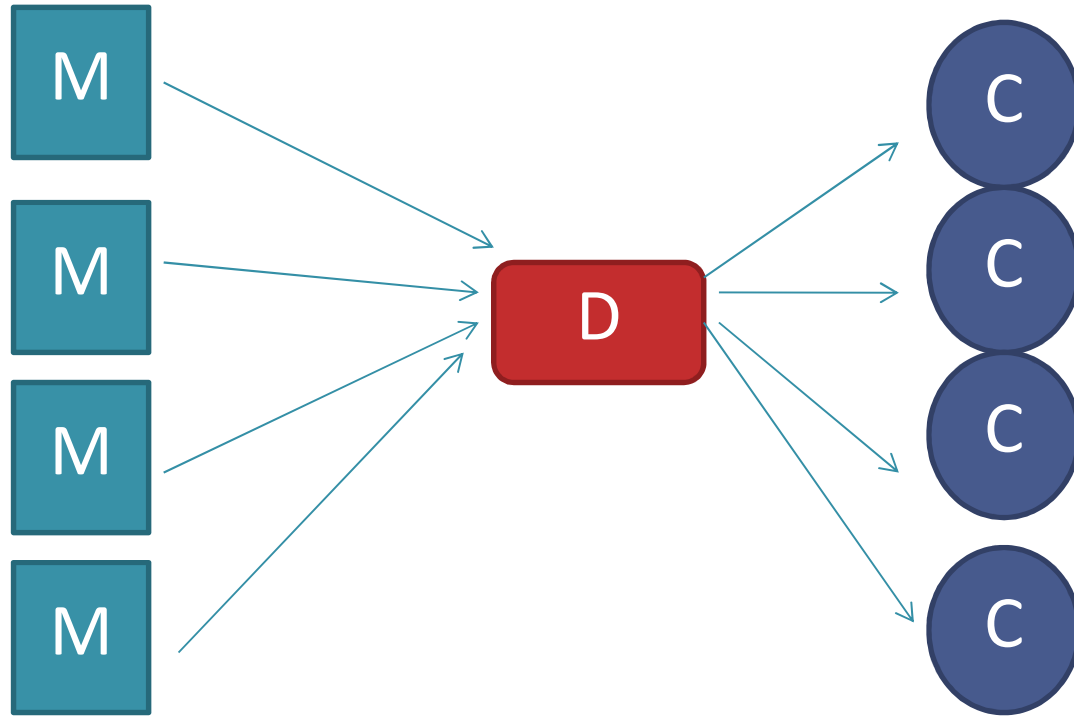
A firm's overall plan for moving products through intermediaries and on to final customers

## Marketing Intermediaries

Businesspeople and organizations that assist in moving and marketing goods and services between producers and consumers







# Wholesaling versus Retailing

## Wholesalers

Intermediaries that sell products to other intermediaries for resale or to organizations for internal use

## Retailers

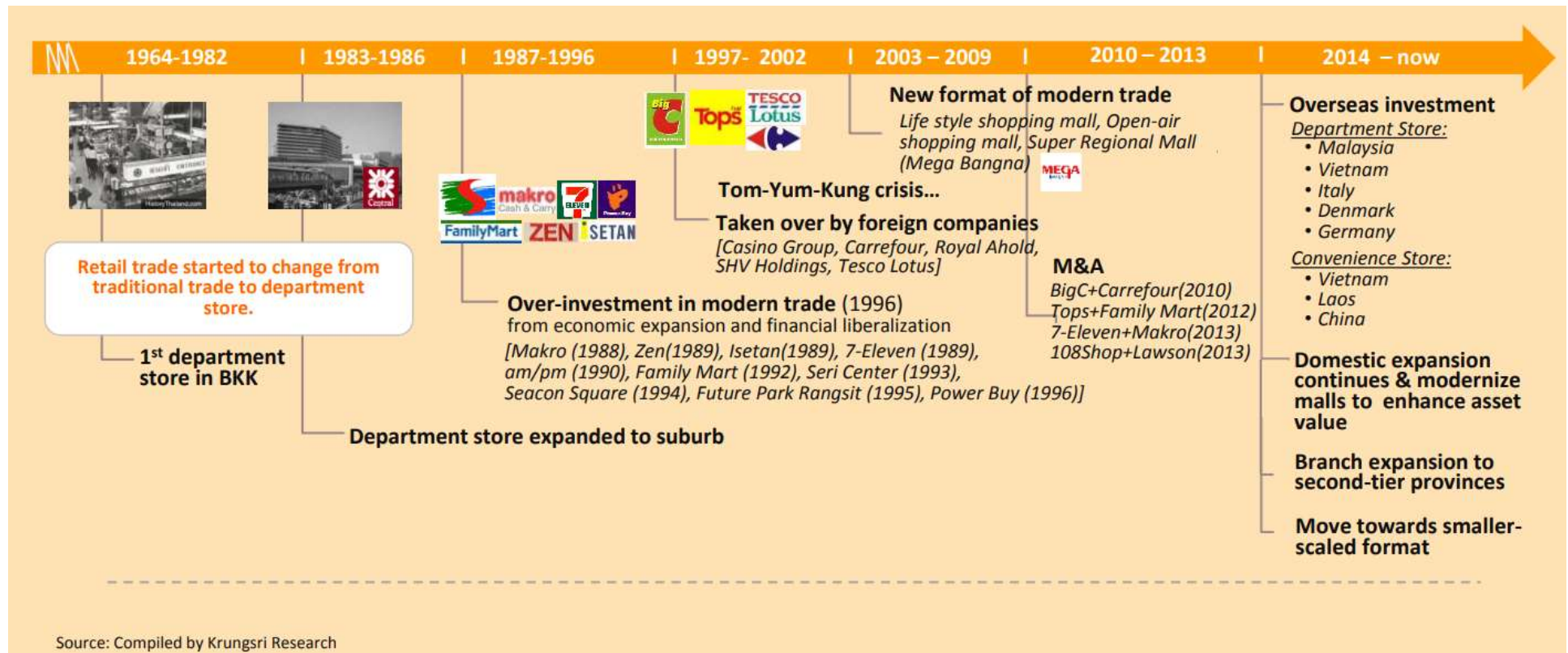
Intermediaries that sell goods and services to individuals for their own personal use



# Contributions of Marketing Intermediaries

- Matching buyers and sellers
- Providing market information
- Providing promotional and sales support
- Gathering assortments of goods
- Transporting and storing products
- Assuming risks
- Providing financing
- Completing product solutions
- Facilitating transactions and supporting customers

# Timeline of Retail Business in Thailand



# Retailing Formats

## Department Stores

Large stores that carry a variety of products in multiple categories, such as clothing, house wares, gifts, bedding, and furniture



## Specialty Stores

Stores that carry only a particular type of goods, often with deep selection in those specific categories

*Bata*



“Category killer”

## Discount Stores

Retailers that sell a variety of everyday goods below the market price by keeping their overhead low



## Off-price Retailers

Stores that sell designer labels and other fashionable products at steep discounts



**TJ-maxx**

## Online Retailers

Companies that use e-commerce technologies to sell over the Internet; includes Internet-only retailers and the online arm of store-based retailers

## E-commerce

The application of Internet technologies to wholesaling and retailing

**Table 1: Store Format of Modern Trade**

|                    | Department Store                                     | Discount Store /<br>Hypermarket / Super<br>Center | Supermarket                       | Convenience Store                                | Specialty Store                             |
|--------------------|--|---|-----------------------------------|--|---|
| Product categories | various:<br>fashionable, high<br>quality / guarantee | consumer goods,<br>basic quality                  | consumer goods,<br>fresh foods    | consumer goods,<br>prepared foods, small<br>size | personal care<br>products, own<br>brand     |
| Target consumer    | middle-upper   | lower-middle /<br>grocery                         | middle-upper                      | those favoring<br>convenience                    | middle-upper                                |
| Supplier           | domestic, foreign,<br>brand name                     | domestic  | domestic                          | domestic   | domestic, foreign                           |
| Stock inventory    | 60-90 days   | 30-45 days  | 10-15 days                        | 15-20 days                                       | 30 days and 7<br>months for import<br>stuff |
| Pricing            | more expensive<br>than others                        | low price /<br>wholesale price                    | mixed pricing                     | higher than discount<br>store and<br>supermarket | similar level to<br>department store        |
| Key Player         | Central, The Mall,<br>Robinson                       | Tesco Lotus, Big C                                | Tops, Gourmet<br>Market, Foodland | 7-Eleven, Family Mart                            | Watson, Boots,<br>Supersports               |

Source: BOT, compiled by Krungsri Research

**Table 4: Department Store Outlets in Thailand**

| Retailers      | Outlets   |           |           |           |           |
|----------------|-----------|-----------|-----------|-----------|-----------|
|                | 2013      | 2014      | 2015      | 2016      | 2017      |
| Central Group  | 17        | 19        | 21        | 21        | 22        |
| The Mall Group | 8         | 8         | 8         | 10        | 11        |
| Robinson       | 34        | 39        | 42        | 43        | 46        |
| <b>Total</b>   | <b>59</b> | <b>66</b> | <b>71</b> | <b>74</b> | <b>79</b> |

Source: Compiled by Krungsri Research

**Table 5: Discount Store Outlets in Thailand**

| Retailers                  | Outlets    |            |            |            |
|----------------------------|------------|------------|------------|------------|
|                            | 2014       | 2015       | 2016       | 2017E      |
| Tesco Lotus                | 183        | 180        | 190        | 199        |
| Big C                      | 123        | 125        | 136        | 140        |
| Makro                      | 77         | 91         | 115        | 124        |
| Top Superstore & Superkoom | 38         | 39         | 39         | 51         |
| <b>Total</b>               | <b>421</b> | <b>435</b> | <b>480</b> | <b>514</b> |

Source: Compiled by Krungsri Research

**Table 6: Supermarket Outlets in Thailand**

| Retailers           | Outlets    |            |            |            |
|---------------------|------------|------------|------------|------------|
|                     | 2014       | 2015       | 2016P      | 2017E      |
| Tops                | 85         | 85         | 100        | 107        |
| HFM, Gourmet Market | 17         | 18         | 20         | 14         |
| Foodland            | 16         | 18         | 21         | 21         |
| MaxValu             | 23         | 27         | 34         | 37         |
| Villa Market        | 33         | 33         | 34         | 34         |
| Big C Market        | 37         | 55         | 58         | 59         |
| Talad-Lotus         | 187        | 192        | 197        | 198        |
| <b>Total</b>        | <b>398</b> | <b>428</b> | <b>464</b> | <b>470</b> |

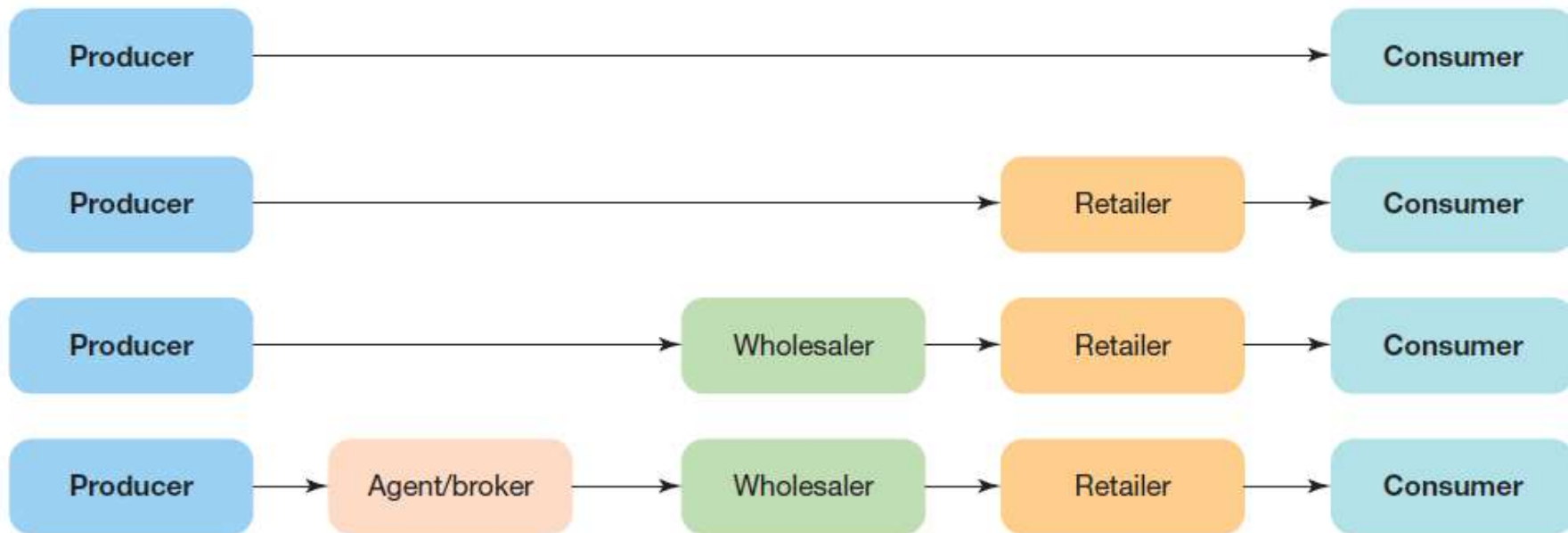
Note: P = Preliminary, E = Estimate  
Source: Compiled by Krungsri Research

**Table 7: Convenience Store Outlets in Thailand**

| Retailers      | Outlets       |               |               |               |
|----------------|---------------|---------------|---------------|---------------|
|                | 2014          | 2015          | 2016          | 2017P         |
| 7-Eleven       | 8,127         | 8,832         | 9,542         | 10,268        |
| FamilyMart     | 1,060         | 1,080         | 1,110         | 1,136         |
| Lawson 108     | 180           | 207           | 307           | 226           |
| Lotus Express  | 1,421         | 1,471         | 1,521         | 1,557         |
| Mini Big C     | 316           | 391           | 541           | 641           |
| Tops Daily     | 24            | 51            | 51            | 75            |
| MaxValu Tanjai | 48            | 50            | 67            | 69            |
| Others         | 2,037         | 1,933         | 1,708         | 1,911         |
| <b>Total</b>   | <b>13,213</b> | <b>14,015</b> | <b>14,847</b> | <b>15,883</b> |

Source: Compiled by Krungsri Research

# Common Distribution Channel Models



# Factors That Influence Distribution Mix

| Factor   | Issues to Consider   |
|--|--|
| Customer needs and expectations                | Where are customers likely to look for your products? How much customer service do they expect from the channel? Can you make your offering more attractive by choosing an unconventional channel? |
| Product support requirements                   | How much training do salespeople need to present your products successfully? How much after-sale support is required? Who will answer questions when things go wrong?                              |
| Segmentation, targeting, and positioning       | Which intermediaries can present your products to target customers while maintaining your positioning strategy?  |
| Competitors' distribution channels             | Which channels do your competitors use? Do you need to use the same channels in order to reach your target customers, or can you use different channels to distinguish yourself?                   |
| Established industry patterns and requirements | Which intermediaries are already in place? Can you take advantage of them, or do you need to find or create alternatives? Will retailers demand that you use specific wholesalers or distributors? |

# Considerations in Channel Design

| Factor                           | Issues to Consider   |
|----------------------------------|--|
| Channel length                   | Do you want to deal directly with customers? <i>Can</i> you? Do you need to engage other intermediaries to perform vital functions?  |
| Market coverage                  | Are you going for intensive, selective, or exclusive distribution? Are the right intermediaries available in your target markets? Can they handle the volumes at which you hope to sell?                         |
| Distribution costs               | How much will intermediaries add to the price that final customers will eventually pay? Put another way, how much of a discount from the retail price will intermediaries expect from you?                       |
| Channel conflict                 | What are the potential sources of channel conflict, both now and in the future? If such conflict can't be avoided, how will you minimize its effect?   |
| Channel organization and control | How much control do you need to maintain as products move through the channel—and how much can you expect to maintain with each potential intermediary? What happens if you lose control? Who leads the channel? |

# Physical Distribution and Logistics

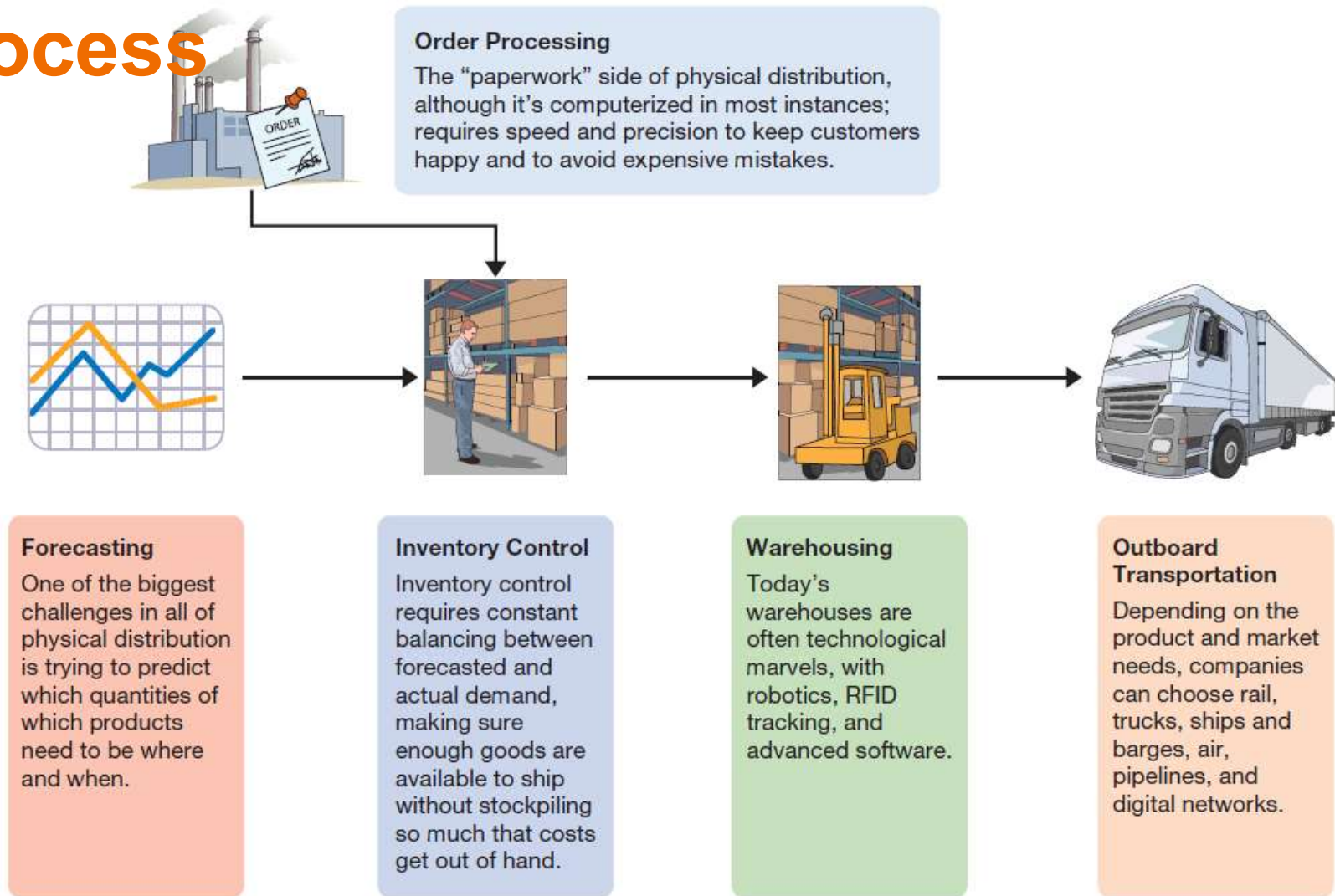
## **Physical Distribution**

All the activities required to move finished products from the producer to the consumer

## **Logistics**

The planning, movement, and flow of goods and related information throughout the supply chain

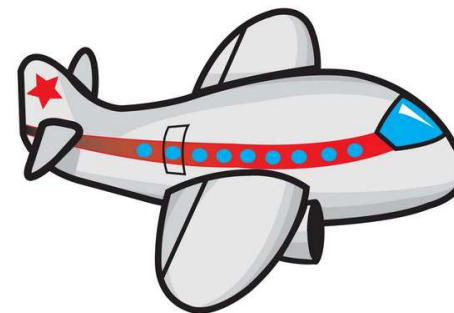
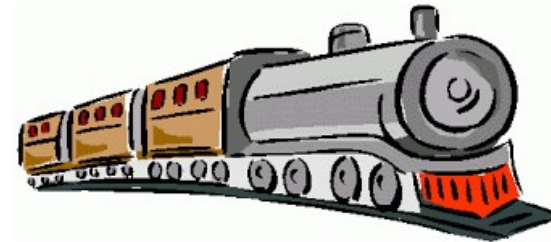
# Steps in the Physical Distribution Process



# Intermodal Transportation

The coordinated use of multiple modes of transportation, particularly with containers that can be shipped by truck, rail, air, and sea

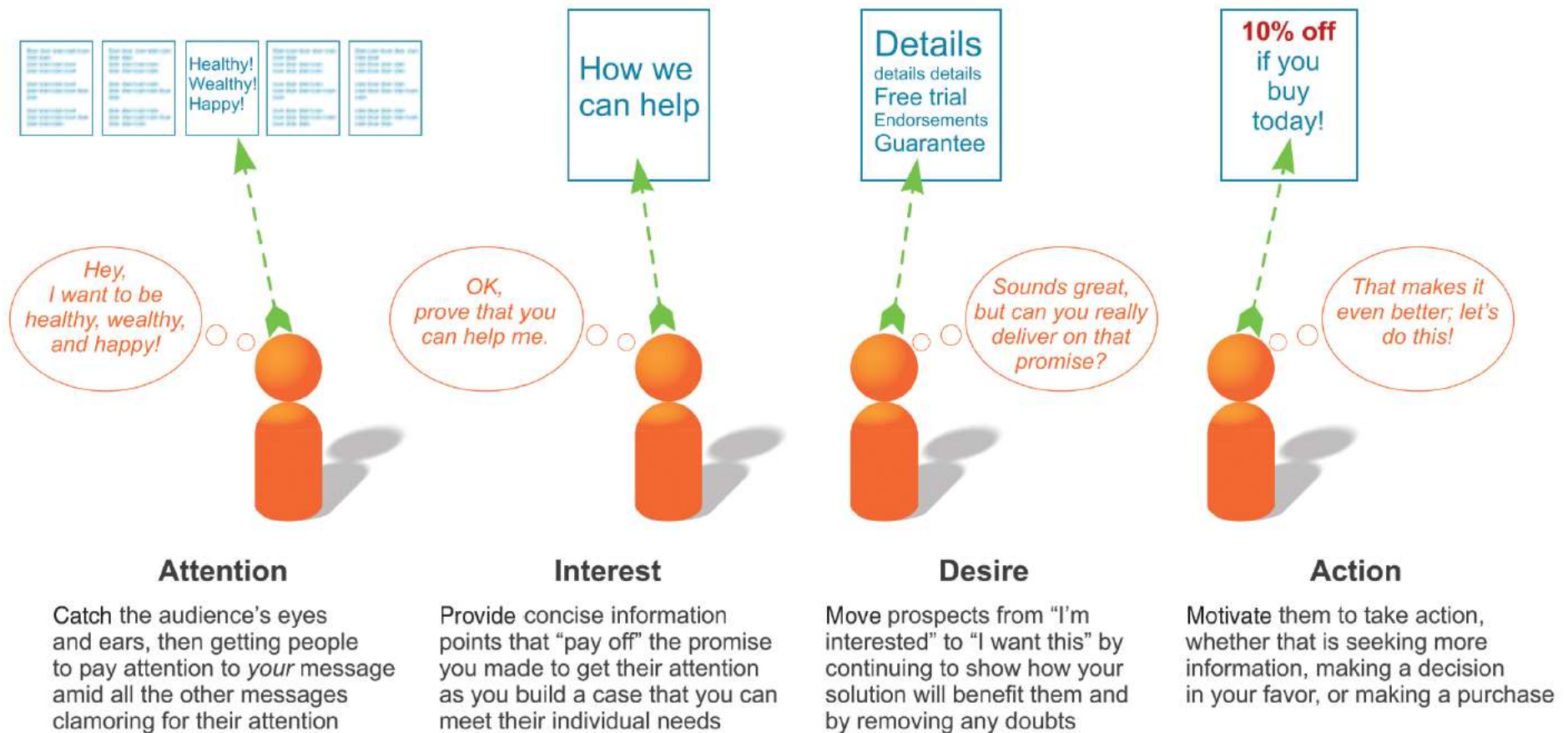
Managing the physical distribution system is an attempt to balance a high level of customer service with the lowest overall cost.



## Customer Communication



# The AIDA Model of Persuasive Communication



Attention, building Interest, increasing Desire, and prompting Action

# Assembling the Communication Mix

A key decision is whether to focus communication efforts on the intermediaries or on final customers.

## Push Strategy

A promotional strategy that focuses on intermediaries, motivating them to promote, or *push*, products toward end users

## Pull Strategy

A promotional strategy that stimulates consumer demand via advertising and other communication efforts, thereby creating a *pull* effect through the channel

# Communication Vehicle: Advertising

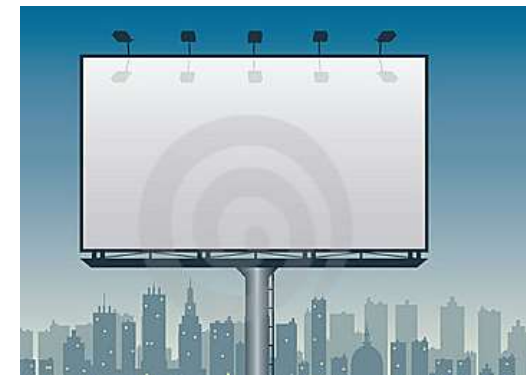
The delivery of announcements and promotional messages via time or space purchased in various media

## Advertising Media

Communication channels, such as newspapers, radio, television, and the World Wide Web

## Media Mix

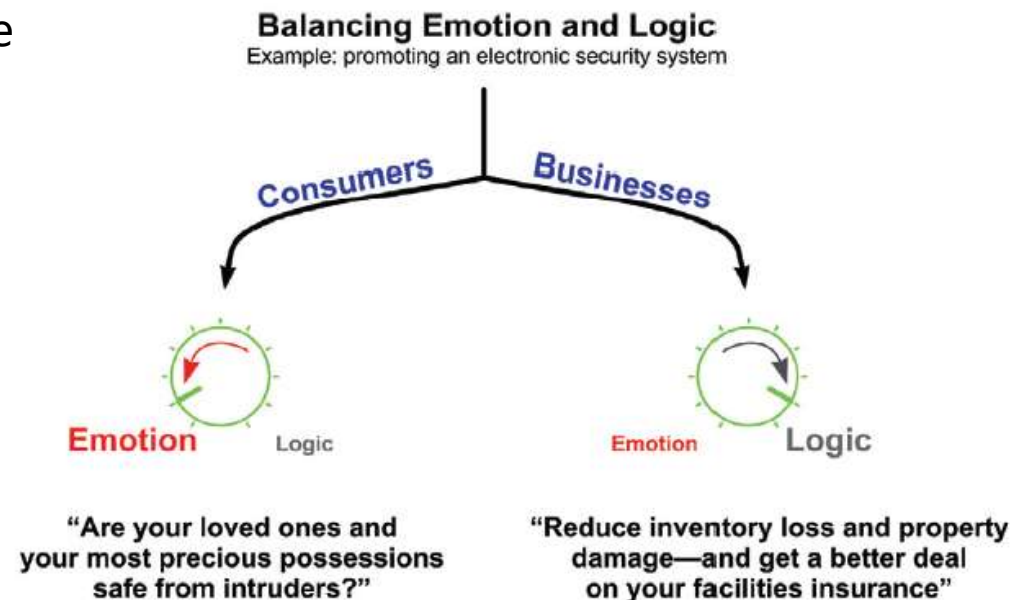
A combination of print, broadcast, online, and other media used for an advertising campaign



# Advertising Appeals

A creative tactic designed to capture the audience's attention and promote preference for the product or company being advertised

Logic, emotion, humor, celebrity, sex, music, scarcity



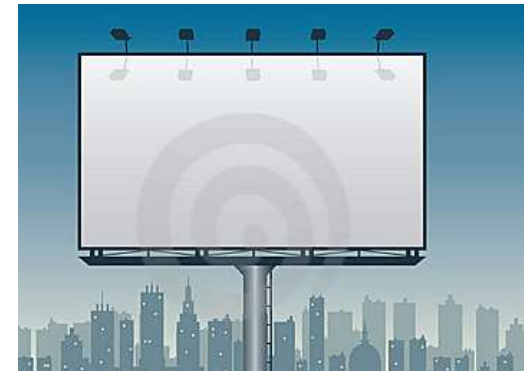
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A combination of print, broadcast, online, and other media used for an advertising campaign



# Communication Vehicle: Direct Marketing

## **Direct Marketing**

Direct communication other than personal sales contacts designed to stimulate a measurable response

Mail, email, search engine marketing, direct response online, telephone, and direct response television

## **Search Engine Marketing**

Automated presentation of ads that are related to either the results of an online search or the content being displayed on other web pages

## **Direct Response Television (Infomercial)**

The use of television commercials and longer format infomercials that are designed to stimulate an immediate purchase response from viewers

# Communication Vehicle: Personal Selling

## Personal Selling

One-on-one interaction between a salesperson and a prospective buyer

## Consultative Selling

An approach in which a salesperson acts as a consultant and advisor to help customers find the best solutions to their personal or business needs

### 1. Prospecting



Finding and qualifying potential customers; usually involves generating sales, identifying prospects, and qualifying prospects

### 2. Preparing



Getting ready for the sales call; researching the customer in more depth, establishing objectives, and preparing a presentation

### 3. Approaching



Taking steps to make a good first impression; crafting the right appearance, maintaining professional behavior, and preparing an engaging introduction

### 4. Aligning with Customer Needs



Listening to the prospect describe what is needed and proposing a solution to meet those needs

### 5. Handling Objections



Addressing any concerns the prospect might raise; exploring the deeper reasons that might be behind the expressed objections

### 6. Closing



Asking the prospect to choose the solution being offered

### 7. Following Up



Checking in with the customer after the sale to make sure the solution is working out as expected and to keep building a longterm relationship

# Communication Vehicle: Sales Promotion

A wide range of events and activities designed to promote a brand or stimulate interest in a product

## **Coupons**

Printed or electronic certificates that offer discounts on particular items and are redeemed at the time of purchase

## **Rebates**

Partial reimbursement of price, offered as a purchase incentive

## **Point-of-Purchase (POP) Display**

Advertising or other display materials set up at retail locations to promote products to potential customers as they are making their purchase decisions

## **Premiums**

Free or bargain-priced items offered to encourage consumers to buy a product

## **Specialty Advertising**

Advertising that appears on various items such as coffee mugs, pens, and calendars, designed to help keep a company's name in front of customers

# Communication Vehicle: Social Media

Any electronic media that transforms passive audiences into active participants in the communication process by allowing them to share content, revise content, respond to content, or contribute new content



## Word of Mouth

Communication among customers and other parties, transmitting information about companies and products through online or offline personal conversations

## Conversation Marketing

An approach to customer communication in which companies initiate and facilitate conversations in a networked community of potential buyers and other interested parties

# Communication Vehicle: Public Relations

Non-sales communication that businesses have with their various audiences (including both communication with the general public and press relations)

## **Press Release**

A brief statement or video program released to the press announcing new products, management changes, sales performance, and other potential news items

also called a *news release*

## **Press Conference**

An in-person or online gathering of media representatives at which companies announce new information

also called a *news conference*