

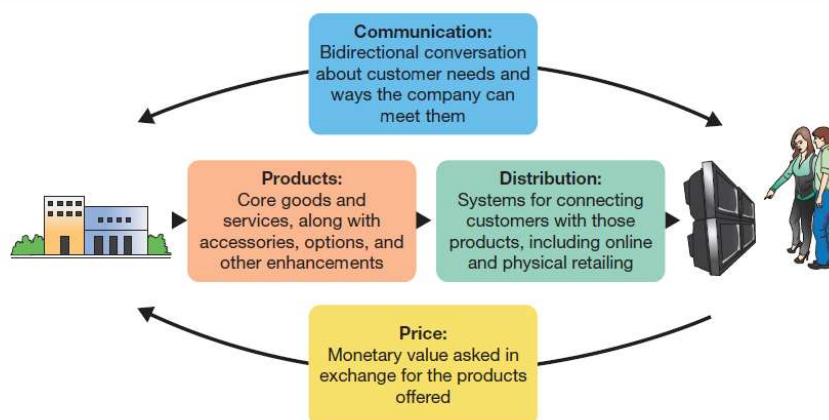
# The Marketing Mix (4Ps)

BA291



## The Marketing Mix (4Ps)

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



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## Learning Objectives

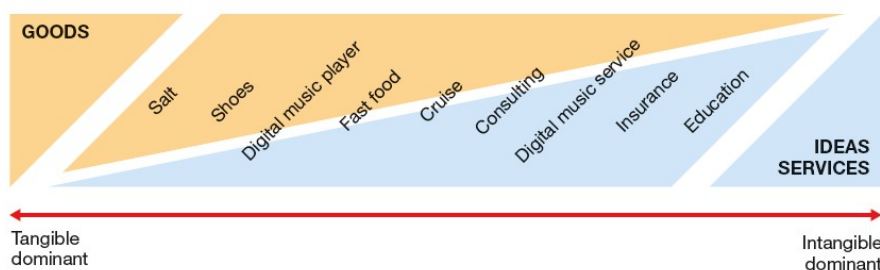
1. Identify the main types of consumer and industrial products and describe the four stages in the life cycle of a product
2. Describe options in product and service decisions
3. List the factors that influence pricing decisions and identify nine common pricing methods
4. Explain the role of marketing 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

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## Product

### Product Continuum

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



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## Augmenting the Basic Product

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

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## 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

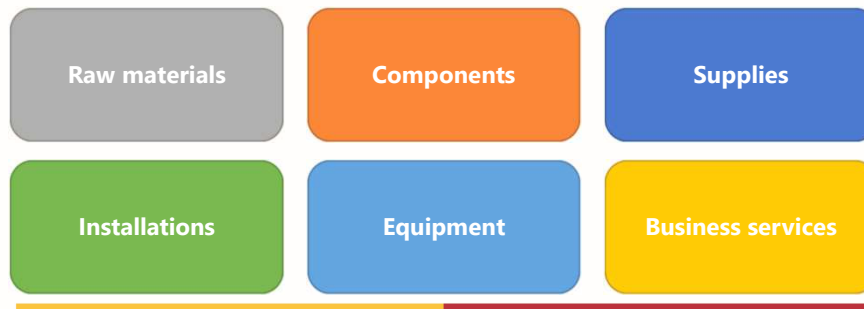
#### Unsought products

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

## Product Classification

### Industrial and Commercial Products

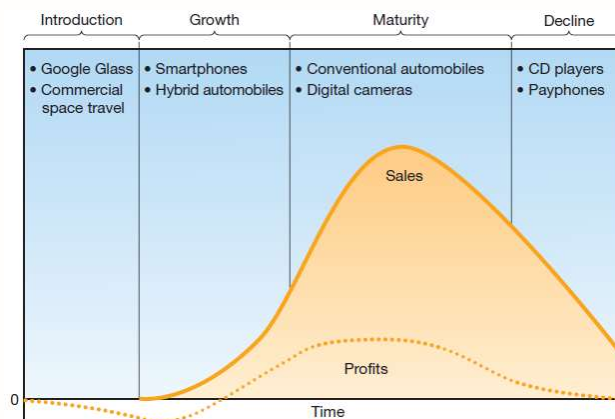
- **Expense Items**
  - Inexpensive generally use within a year of purchase
- **Capital Items**
  - More expensive organizational products with a longer useful life, ranging from office and plant equipment to entire factories



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## The Product Life Cycle

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



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## Product and Service Decisions

**Figure 8.2** Individual Product Decisions



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## Product and Service Decisions

### Individual Product and Service Decisions

**Product quality** refers to the characteristics of a product or service that bear on its ability to satisfy stated or implied customer needs.

- Total quality management
- Return-on-quality
- Quality level
- Performance quality
- Conformance quality

### Level & consistency

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## Product and Service Decisions

### Individual Product and Service Decisions

#### Product Features

- Competitive tool for differentiating a product from competitors' products
- Assessed based on the value to the customer versus its cost to the company

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## Product and Service Decisions

### Individual Product and Service Decisions

**Style** describes the appearance of the product.

**Design** contributes to a product's usefulness as well as to its looks.

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## Product and Service Decisions

### Individual Product and Service Decisions

**Brand** is the name, term, sign, or design or a combination of these, that identifies the maker or seller of a product or service.

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## Product and Service Decisions

### Individual Product and Service Decisions

**Packaging** involves designing and producing the container or wrapper for a product.

**Labels** identify the product or brand, describe attributes, and provide promotion.



● Distinctive packaging may become an important part of a brand's identity. An otherwise plain brown carton imprinted with only the familiar curved arrow from the Amazon.com logo—variously interpreted as “a to z” or even a smiley face—leaves no doubt as to who shipped the package sitting at your doorstep.  
© Lux Lifestyle

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## Product and Service Decisions

### Individual Product and Service Decisions

**Product support services** augment actual products.



● **Customer service:** From the start, under the Lexus Covenant, Lexus's high-quality support services create an unmatched car ownership experience and some of the world's most satisfied car owners.

Toyota Motor Sales, U.S.A., Inc.

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## 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.

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## Product and Service Decisions

### • Product Line Decisions

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

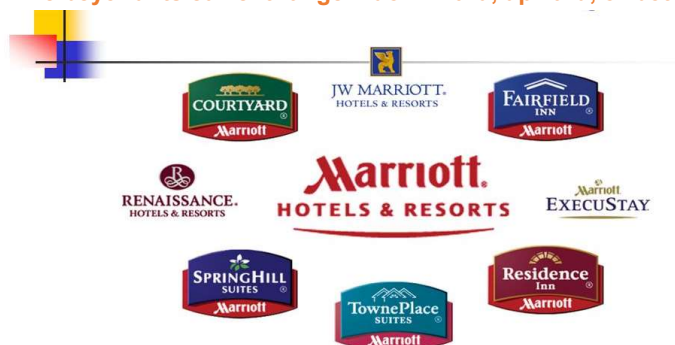
- Line stretching
- Line filling



• **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

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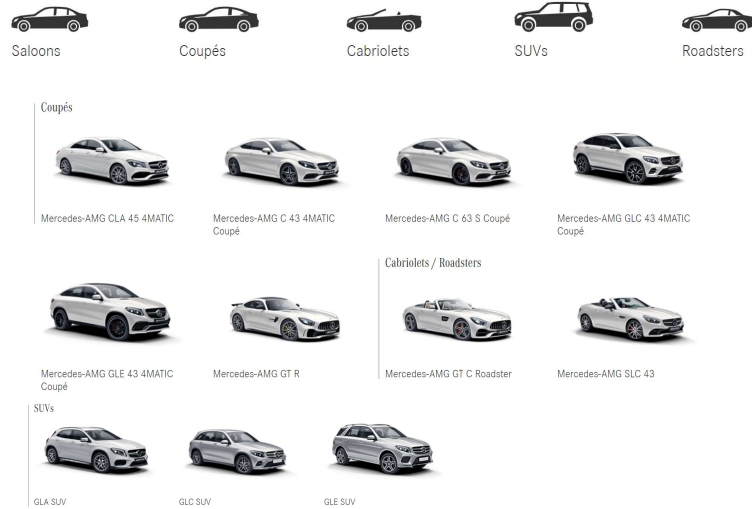
**Product line stretching** occurs when a company lengthens its product line beyond its current range – downward, upward, or both ways.



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



## 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."

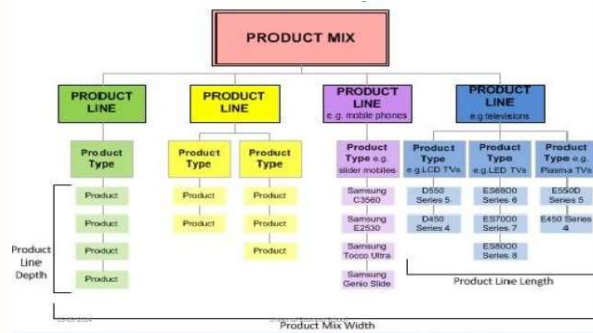
Bloomberg/Getty Images

**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.



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## Strategic Considerations in Pricing

Marketing objectives

Government regulations

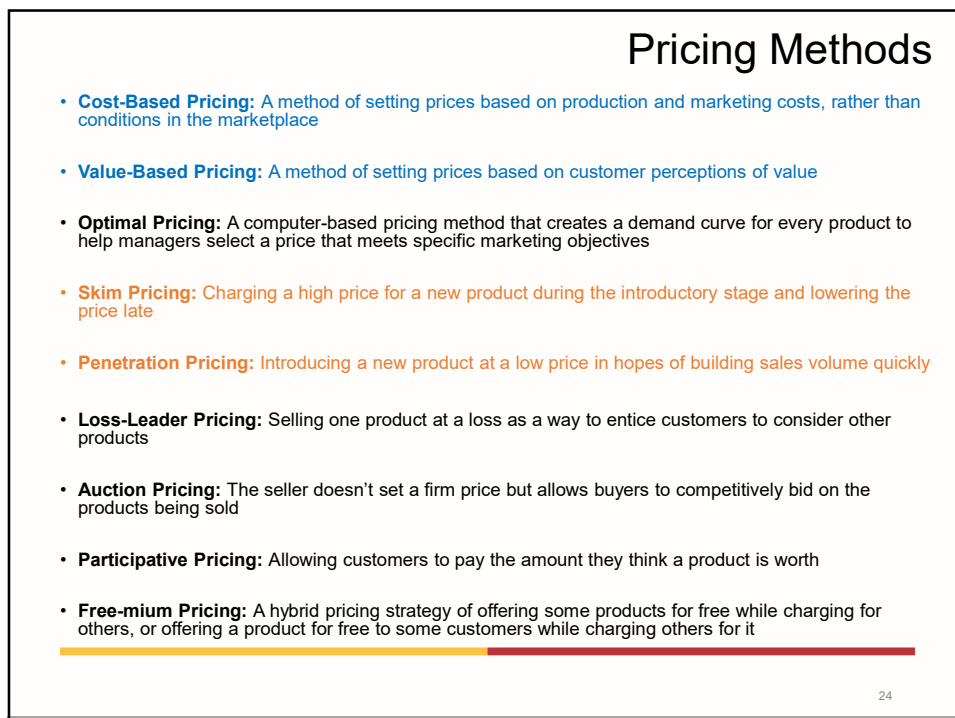
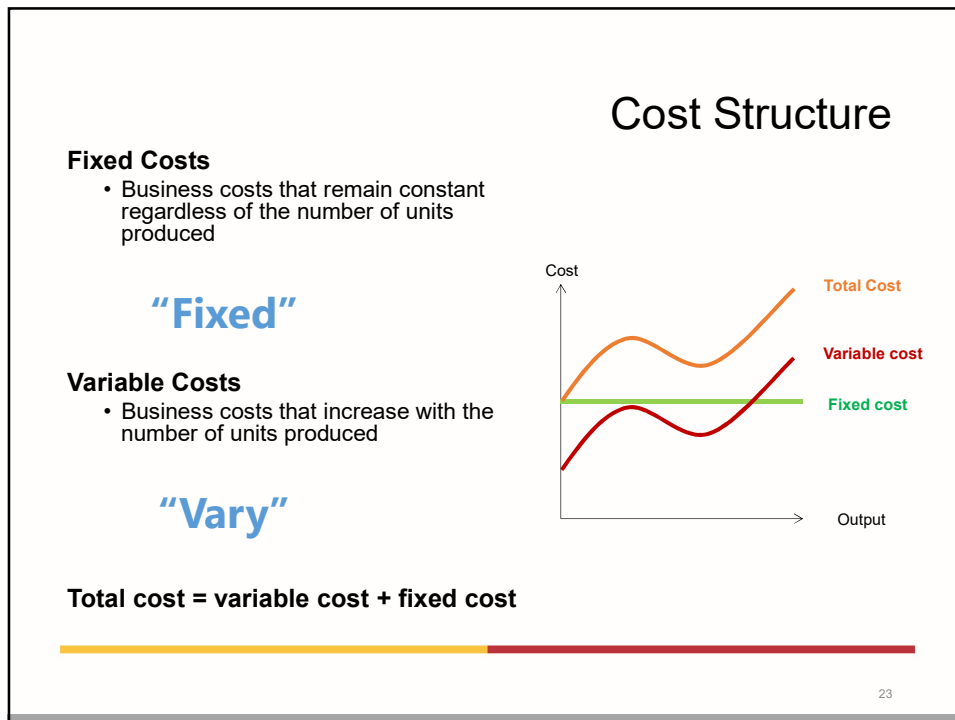
Customer perceptions

Market demand

Competition

Price

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## 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**

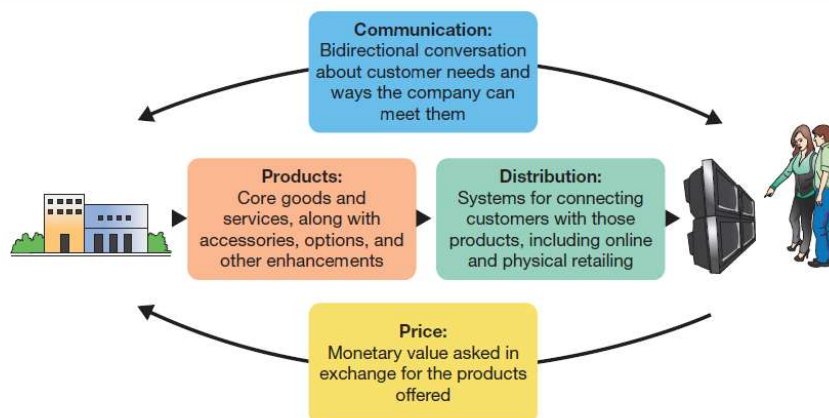
- Continually adjusting prices to reflect changes in supply and demand.



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## The Marketing Mix (4Ps)

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



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Place

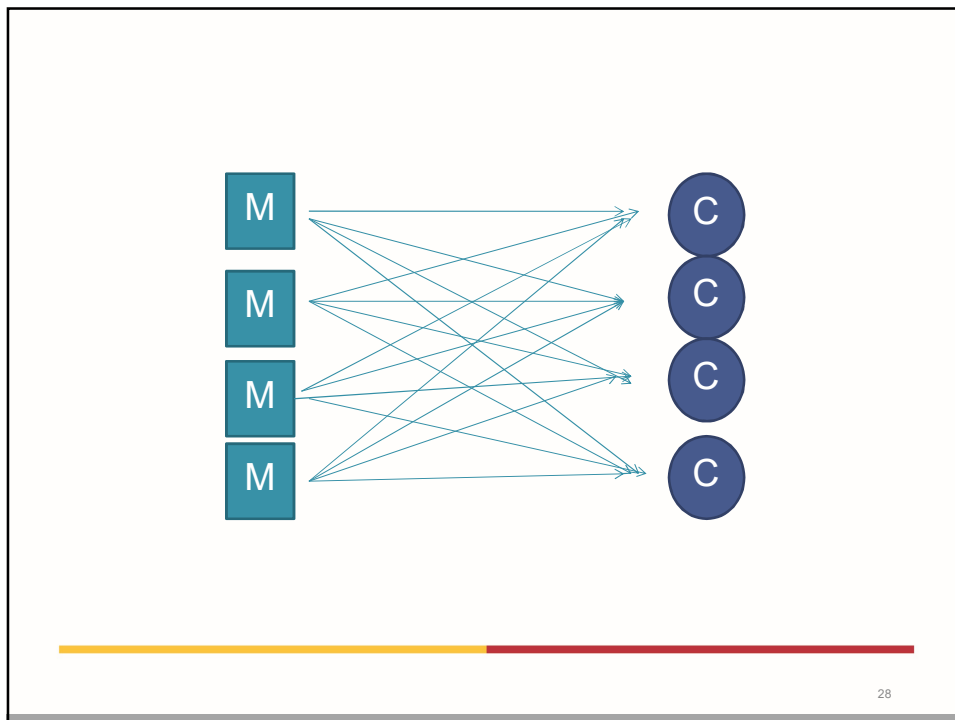
## The Role of Marketing Intermediaries

- **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

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2
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4
5
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Raw Material Supply
Manufacturers
Distributors
Wholesalers
Retailers
End User

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## 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



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## 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

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## Identifying Major Channel Alternatives Number of Marketing Intermediaries

### Intensive distribution

- Candy and toothpaste

### Exclusive distribution

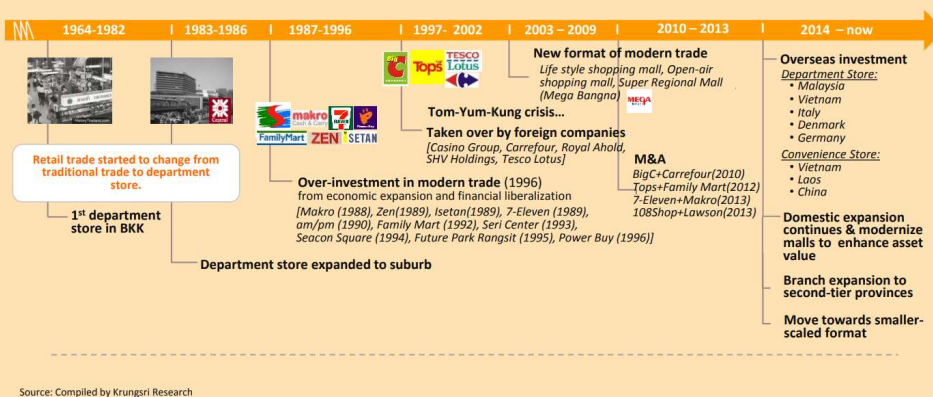
- Luxury automobiles and prestige clothing

### Selective distribution

- Television and home appliance


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## Timeline of Retail Business in Thailand



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## 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**    **“Category killer”**
  - Stores that carry only a particular type of goods, often with deep selection in those specific categories
- 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
- 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

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

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

Source: BOT, compiled by Krungsri Research

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**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 Krungsi 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 Krungsi Research

**Table 6: Supermarket Outlets in Thailand**

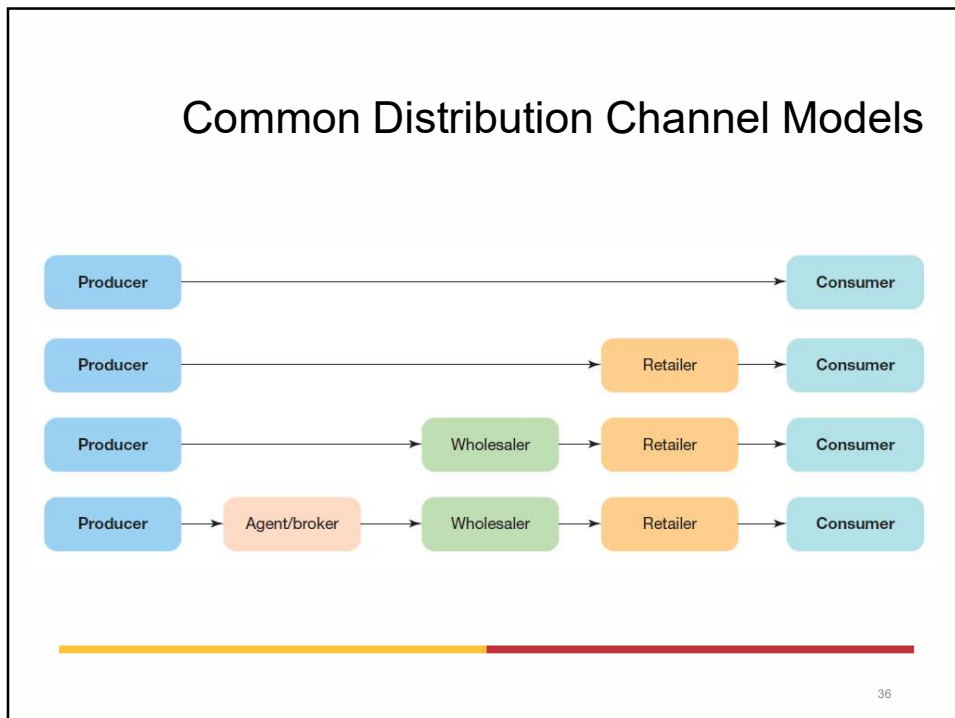
Retailers	Outlets			
	2014	2015	2016P	2017E
Tops	85	85	100	107
HFM, Gourmet Market	17	18	20	14
Foodland	16	18	21	21
MaxValu	23	27	34	37
Villa Market	33	33	34	34
Big C Market	37	55	58	59
Talad-Lotus	187	192	197	198
<b>Total</b>	<b>398</b>	<b>428</b>	<b>464</b>	<b>470</b>

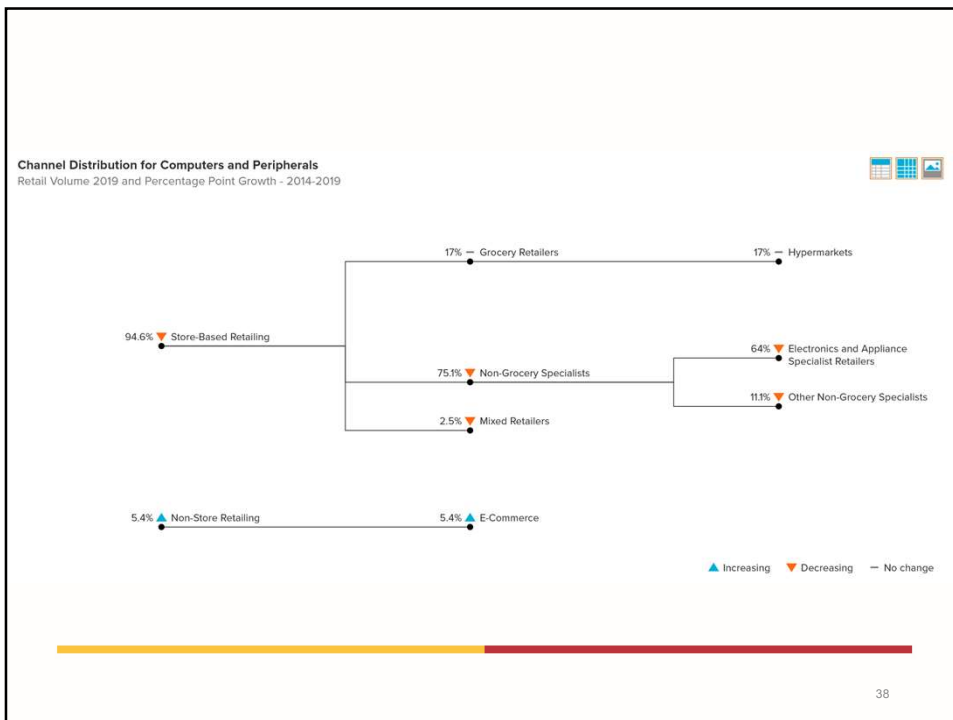
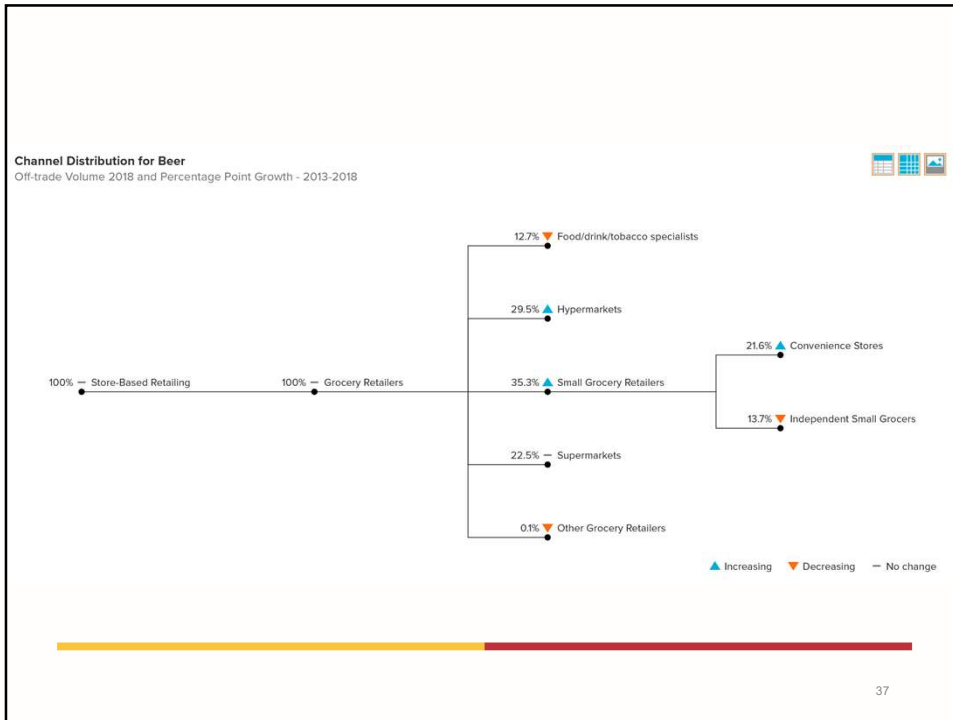
Note: P = Preliminary, E = Estimate  
Source: Compiled by Krungsi Research

**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 Krungsi Research





## 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?

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## Considerations in Channel Design

Factor	Issues to Consider
Channel length	Do you want to deal directly with customers? Can 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?

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# Physical Distribution and Logistics

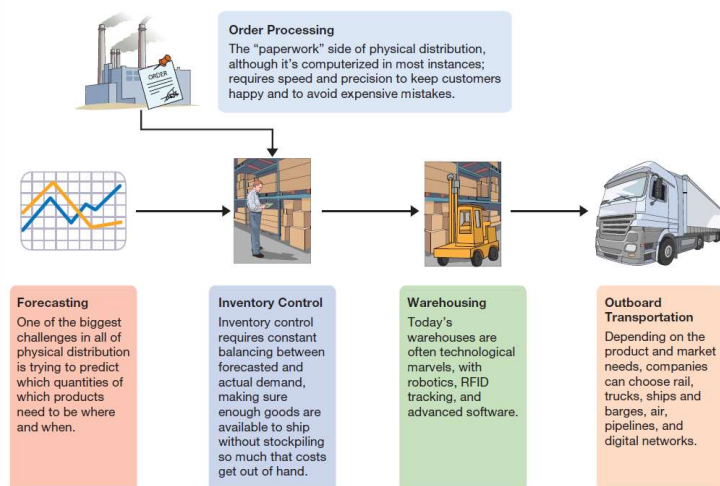
## Physical Distribution

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

## Logistics

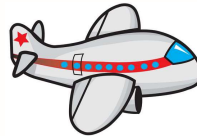
- The planning, movement, and flow of goods and related information throughout the supply chain

## 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.



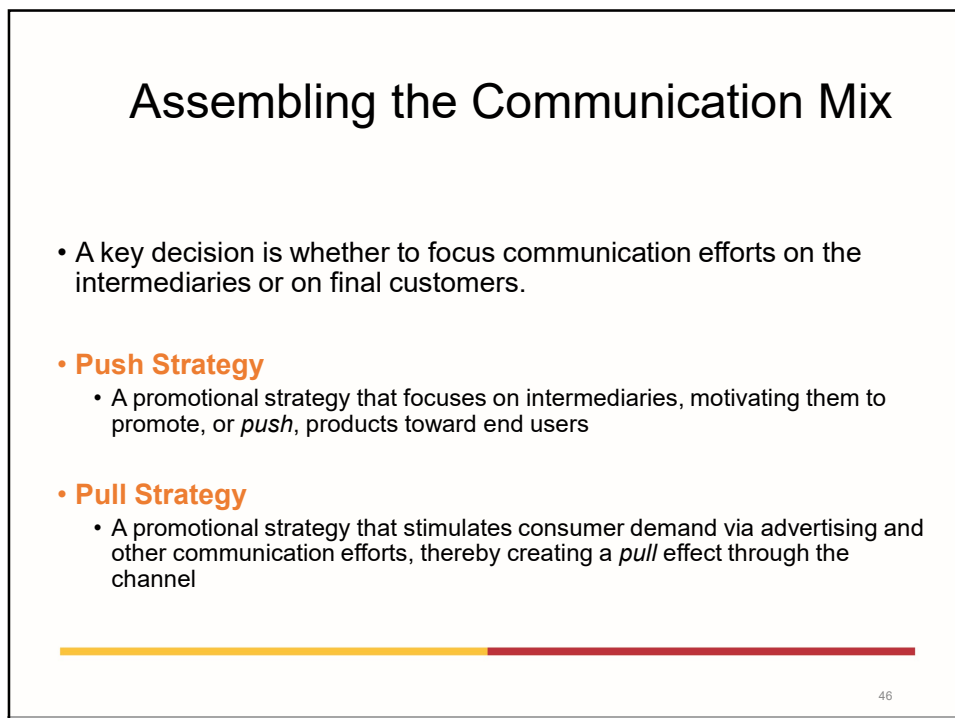
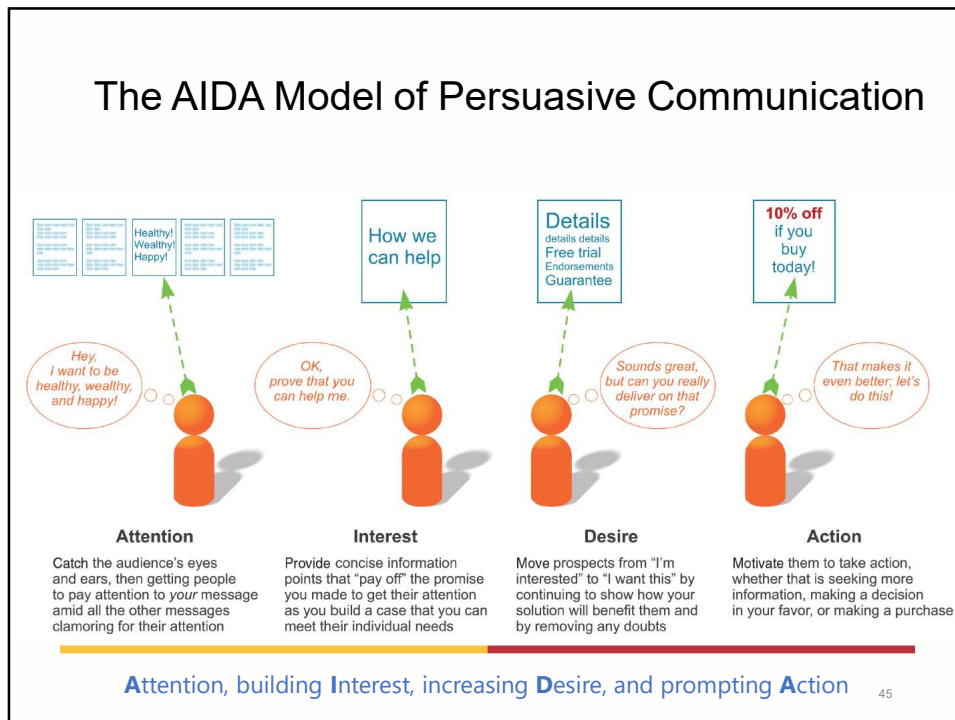
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## Customer Communication

Promotion



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## 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

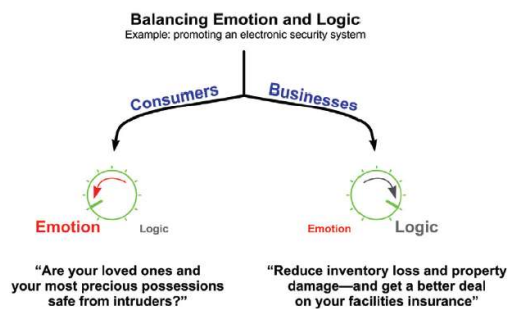


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## Advertising Appeals

- 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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## Advertising Media

### Advertising Media

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## 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

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## 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 long-term relationship

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## 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

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## 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

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## 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*

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