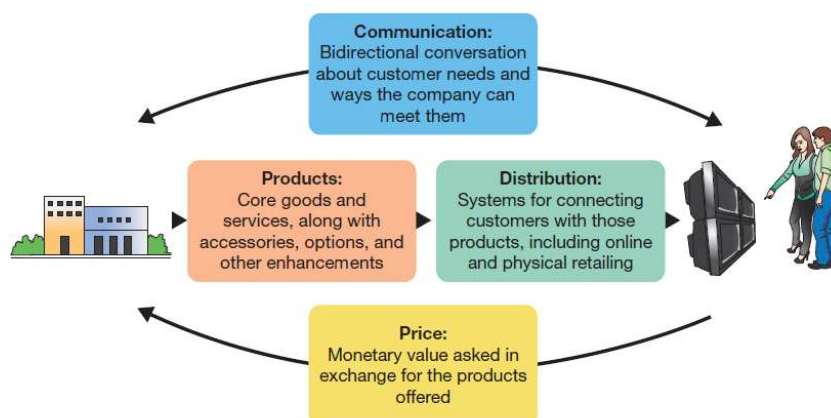

The Marketing Mix (4Ps)

BA291

The Marketing Mix (4Ps)

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



Learning Objectives

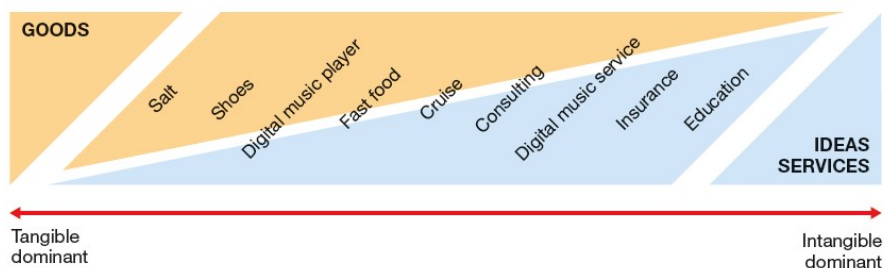
1. Identify the main types of consumer and industrial products and describe the four stages in the life cycle of a product
2. Describe options in product and service decisions
3. List the factors that influence pricing decisions and identify nine common pricing methods
4. Explain the role of marketing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

3

Product

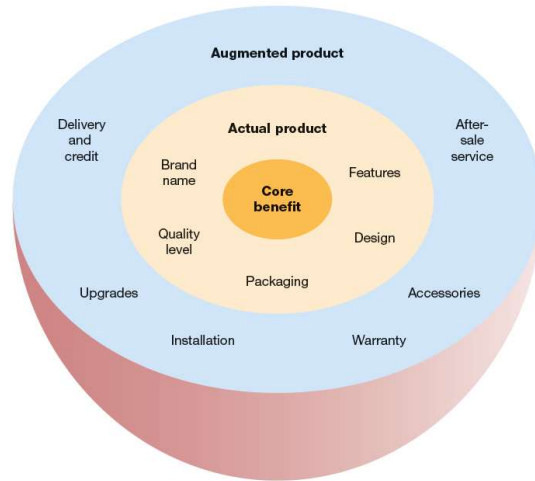
Product Continuum

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



4

Augmenting the Basic Product



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

5

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

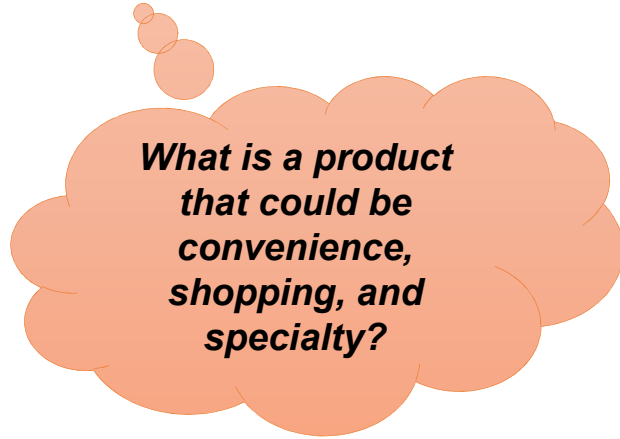


Unsought products

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



Food for thought:



7

Product Classification

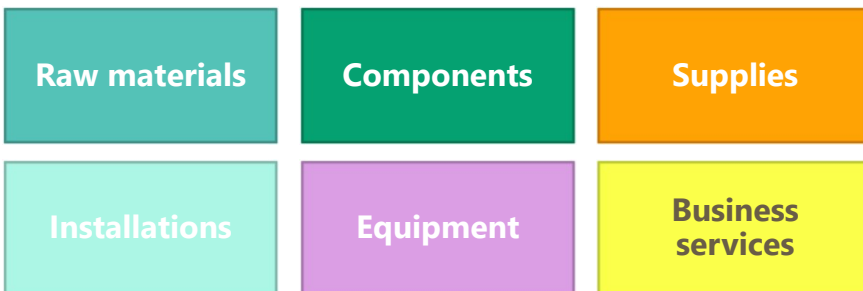
Industrial and Commercial Products

Expense Items

Inexpensive generally use within a year of purchase

Capital Items

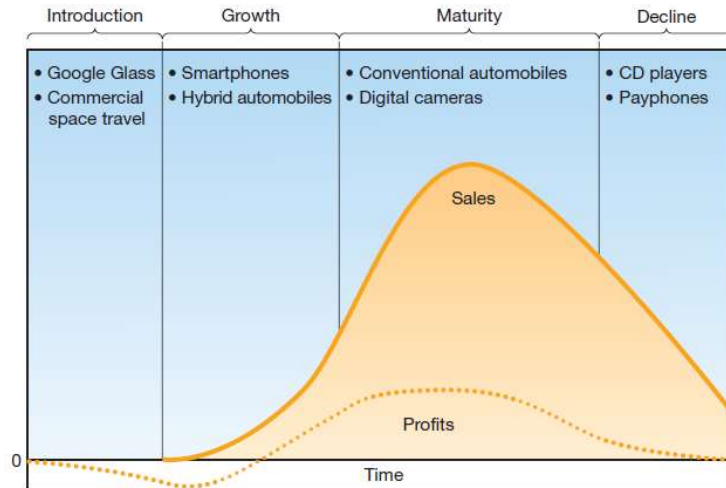
More expensive organizational products with a longer useful life, ranging from office and plant equipment to entire factories



8

The Product Life Cycle

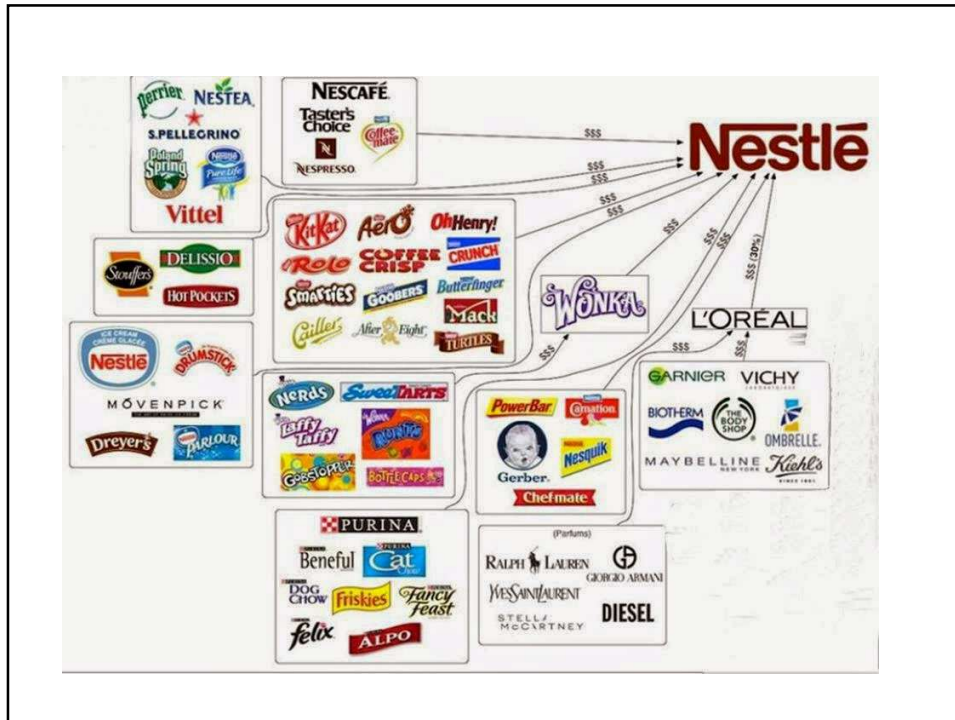
Four stages through which a product progresses: introduction, growth, maturity, and decline



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

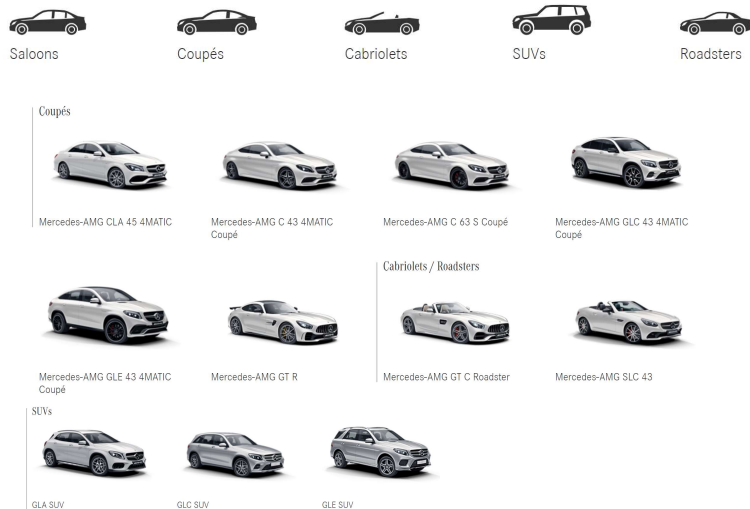
Product line stretching occurs when a company lengthens its product line beyond its current range – downward, upward, or both ways.



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



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

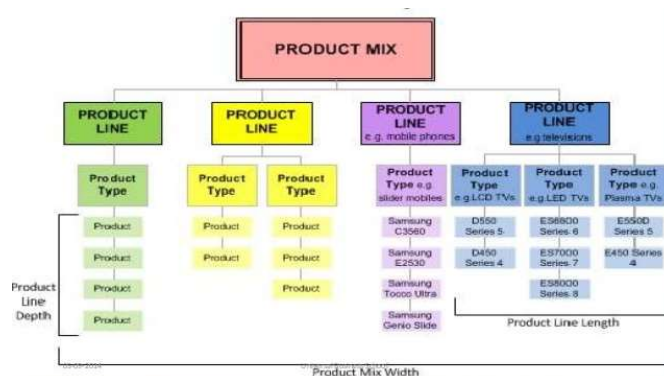
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Product mix width is the number of different product lines the company carries.

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

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Cost Structure

Fixed Costs

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

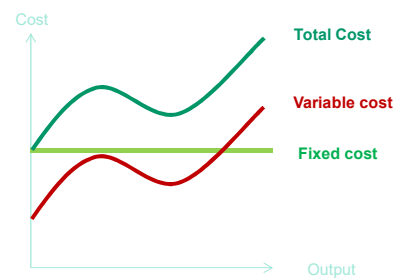
“Fixed”

Variable Costs

Business costs that increase with the number of units produced

“Vary”

Total cost = variable cost + fixed cost



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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

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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.



20

The Role of Marketing Intermediaries

Distribution Strategy

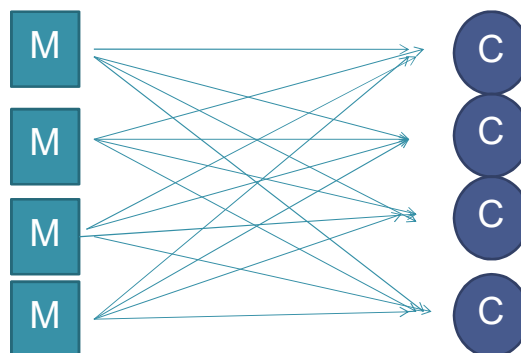
A firm's overall plan for moving products through intermediaries and on to final customers

Marketing Intermediaries

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



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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

24

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



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

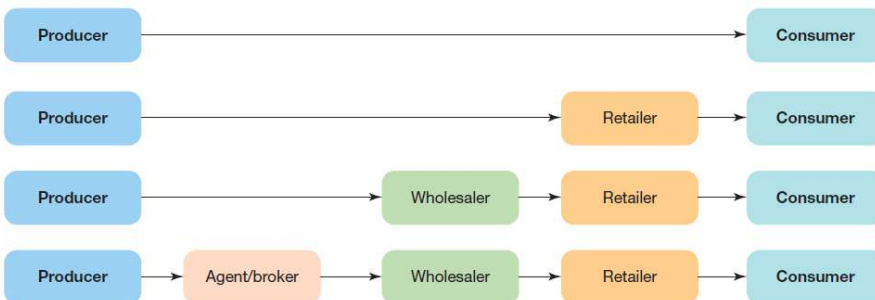
Companies that use e-commerce technologies to sell over the Internet; includes Internet-only retailers and the online arm of store-based retailers

E-commerce

The application of Internet technologies to wholesaling and retailing

25

Common Distribution Channel Models



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Physical Distribution and Logistics

Physical Distribution

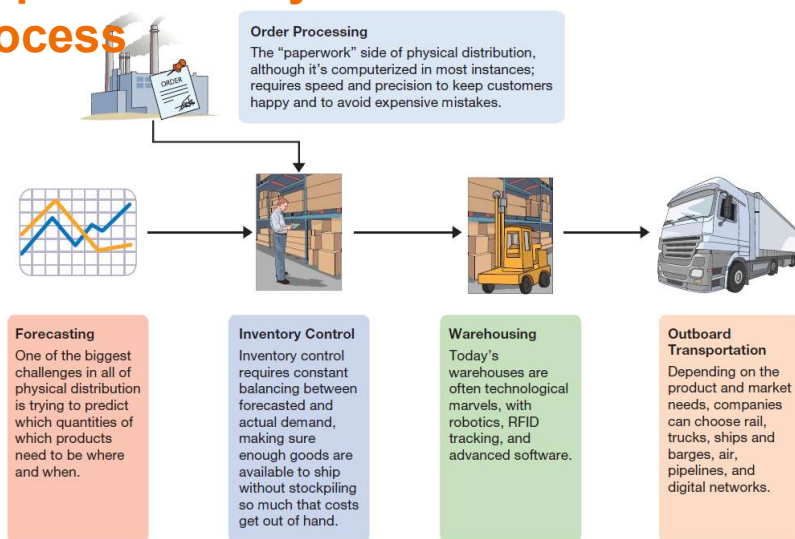
All the activities required to move finished products from the producer to the consumer

Logistics

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

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Steps in the Physical Distribution Process

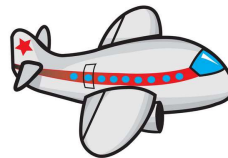
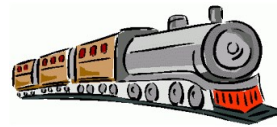


28

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.



29

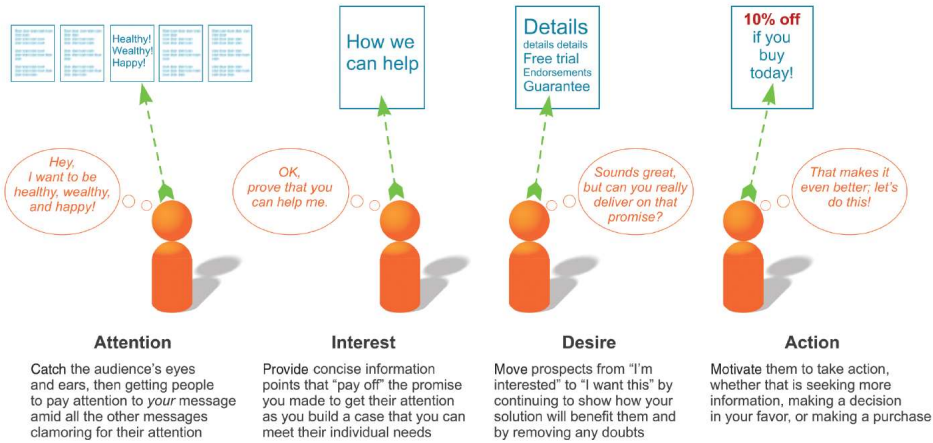
Promotion

Customer Communication



30

The AIDA Model of Persuasive Communication



Attention, building Interest, increasing Desire, and prompting Action

31

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

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Communication Vehicle: Advertising

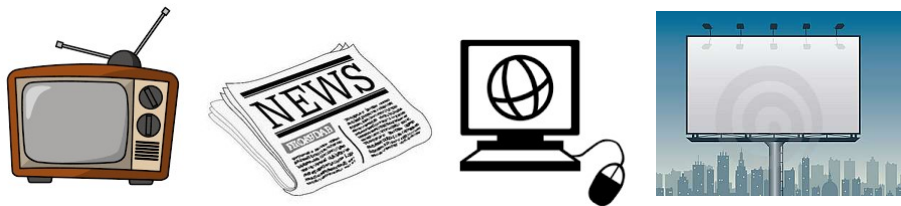
The delivery of announcements and promotional messages via time or space purchased in various media

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

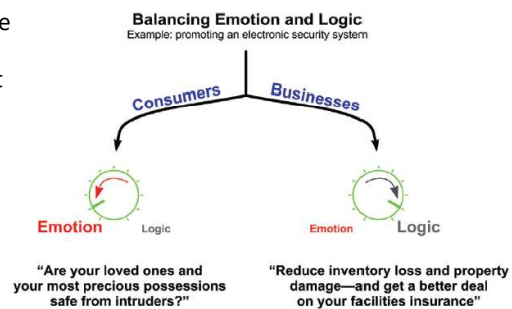


33

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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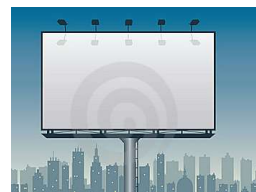
Advertising Media

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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*

40

Group presentation (STP)

Group 9 and 10

Select one company that use differentiated marketing strategy

- Describe each segment that it targets (should have more than 2 segments)
- Compare and contrast the firm's marketing programs (4Ps) for each segment