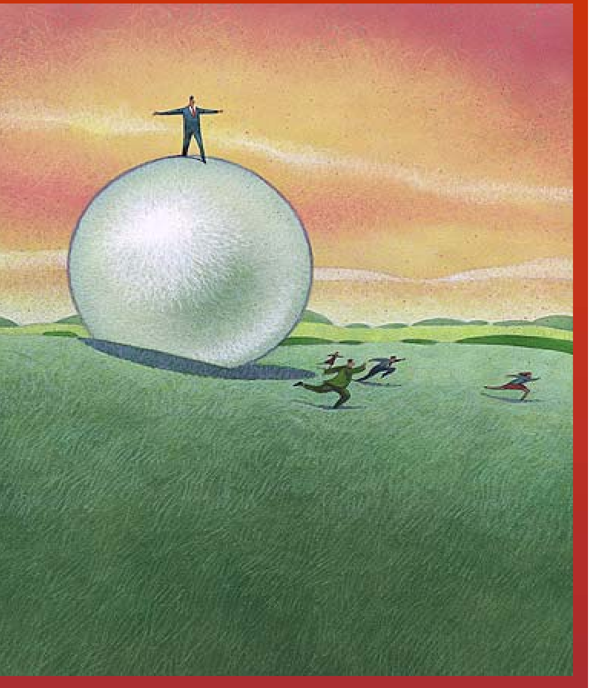

The Marketing Mix

Rules for successfully marketing your products and services

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Table of Contents

Introduction

The “marketing mix” involves the selection of several marketing channels to convey (communicate) your business messages. To have a successful business which will grow and prosper means having an effective marketing strategy built around the marketing mix which requires you to:

- Identify your audience (who you are appealing to or trying to influence).
- Allocate resources within the restrictions of your available budget.
- Implement your marketing plan.

The Right Marketing Mix

If you want your business to sell its products and services as successfully as possible, you need to look carefully at what you are selling to:

- ensure that what you offer is both attractive to as well being needed by your customer or prospective customer;
- make sure that the price of what you sell is neither too little or too expensive;
- ensure that you are using the best method to distributing your products and services; and
- create awareness for your products and services and a desire for people to buy them

The strength of a business that enables it to shape its response to a competitor’s attack, comes from use of any combination of the following elements of the marketing mix:

- Price
- Through advertising to enhance brand **existence** awareness
- Through advertising to enhance brand **attribute** awareness
- Through distribution
- Through the sales force
- Through promotional activities
- Through repositioning of existing products
- Through the introduction of new products

If you understand the mind-set of your rivals and can anticipate their moves, then you're engaging in what is called "game theory"[1] - this:

- is a formal methodology for knowing oneself and one's rivals; which
- shows how a firm's actions and that of its rivals, are inter-related through strategic influence.

This theory seems quite complex. At the core, it's concerned with being able to look at information about the market or about competitors and make judgements as to what is likely to happen - some facts you can believe in while others may be red herrings. If you adopt the military metaphors used by Sun Tzu, then it may work more often than not. But maybe not - for example, it appears to focus outwards towards rivals but there's another perspective: "the internal side". Being too pre-occupied with rivals can be unhealthy - for example, the culture of an organisation may be tested to the limit by pursuing a prolonged battle against competitors if it's to the detriment of customers and, long-term, contrary to the beliefs of its people.

The Elements of the Marketing Mix

PRODUCT:
Quality, Models, Sizes, Packaging, Brands, Service, Colours

- ❑ What is the physical product?
- ❑ What additional features/accessories are needed?
- ❑ What are the functions or uses of the product?
- ❑ What services need to be provided?
- ❑ Do customers expect guarantees or warranties?
- ❑ How should the product be packaged for shipment?
- ❑ How should it be packaged for consumers?
- ❑ What images should the product project?
- ❑ What brand name should be used?

PRICE:
Allowances and deals, Distribution and retailer mark-ups, Discount structure

- ❑ What price is needed to make a profit?
- ❑ What price will customers be willing to pay?
- ❑ Who determines the price customers will pay?
- ❑ Should discounts and allowances be provided?
- ❑ Should coupons, rebates, markdowns or sales be used?
- ❑ Should credit be extended to customers?
- ❑ How should the business respond to competitors' prices?
- ❑ Is price your differentiator?

PLACE:
Channels of distribution, Outlet location, Sales territories, Warehousing system

- ❑ How will the product reach the customer?
- ❑ Where will it be available – and when?
- ❑ How will products be handled, stored, displayed and controlled?
- ❑ How will orders be processed?
- ❑ Who will be responsible for products that are damaged or not sold?
- ❑ What kind of traffic patterns fit the buying patterns of target customers?

PROMOTION:
Advertising, Sales promotion, Personal selling, Publicity

- ❑ What information do customers need?
- ❑ Should promotions be informational, persuasive or merely reminder messages?
- ❑ Do all customers need the same information (and at the same time)?
- ❑ What combination of advertising, personal selling, sales promotion and publicity is needed?
- ❑ Will mass or individual promotion be most effective?
- ❑ What methods should be used – advertising, television, radio, press, direct mail, other promotions, e-mail?
- ❑ How often must information be communicated to customers and prospects?

The 4Ps – or is it 7?

To succeed, you need to focus all of the above at the right people at the right time. To do so, you need to get the right type of marketing mix[2] – it should include four main elements: Product, Price, Place and Promotion. These four elements are the variables you mix'n'match to achieve differentiation and make your offering stand out from your competitors – and in doing so, your target customers will be attracted to what you offer rather than that offered by the competition. The offer you make to your customer can be altered by varying the mix elements. So for a high profile brand increase the focus on promotion and de-focus attention to price.

The marketing of services presents particular problems given characteristics such as:

- **Intangibility** - Services cannot be touched or stocked. They are an experience.
- **Inseparability** - Production, consumption and distribution are simultaneous. 'Production' staff are also the customer contact.
- **Variability** - Quality is variable - and customers tend to use Price as an indicator of quality
- **Perceived Risk** - Customers are less easily convinced of reliability than with a tangible product.

To address the difficulties of marketing services, 3 more 'Ps' can be added to the marketing mix:

- **People** - Staff selection, motivation and particularly customer care training are critical.
- **Physical Evidence** - The decor and ambience are very much part of the product offer - as are customer testimonials and celebrity endorsement.
- **Process** - The efficiency of the process is what provides the benefits for the customer. Efficiency can be monitored by measurers of performance, e.g. based on satisfaction questionnaires and 'mystery customer' surveys.

Customer Orientation

Instead of the 4 Ps, the marketing mix can be expressed in a more customer orientated way as the '4Cs':

- **Customer Value** - 'product' benefits from the buyers point of view.
- **Cost to the customer** - 'price' plus the customer's costs - e.g. travel.
- **Convenience for the buyer** - equivalent to 'place'/channels of distribution.
- **Communication** - a two-way dialogue - not just 'promotion'.

The 1st P:
Product

The first of the 4Ps is **PRODUCT**. Your product is the thing, or experience, which you have to offer your customer. To strategically market your product, you need to understand what its benefits are as perceived by your customer: Why do or should they want to buy it? Here, you need to be absolutely certain about what it is that you are selling. Different people will look at things in quite different ways. For example:

- A good marketing manager will be particularly interested in knowing what "need" is being satisfied by the product or service on offer - marketing people generally in terms of features and benefits.
- Engineers and other technicians like to think in terms of the problem that's solved by the product or service - engineers think in terms of functional specifications.
- Manufacturing people focus on how to make it and what the cost of manufacturing is compared to other options (and, of course, cost is the focus of accounting and finance people too).

New products should be developed with mission and goals of your business in mind and they should be integrated into the strategic plan as objectives. Remember that all products have a finite life cycle. You also need to remember that your customer's needs are likely to change over time and therefore your products should constantly change to reflect each market change.

The 2nd P:
Price

The second of the 4Ps is **PRICE.** An effective pricing strategy depends entirely on knowing what your customers are prepared to pay for what you sell. Arriving at a selling price based on a percentage mark up on your costs, is not an effective strategy. People often forget that the primary goal of most businesses is to make a profit. There are many factors that affect the profitability of your business, such as management, location, cost of labour, quality of your products or services, market demand and, of course, competition.

Although the right to set the price of what you sell is yours, the simple fact is that pricing is perhaps the most complex marketing decision of all. There is no one best formula to use to establish prices. A price strategy is only effective if the customer is willing to pay the price and a profit is generated by the sale. To succeed, a marketing strategy must set prices that are both satisfying to customers and profitable to the business.

"Price" is the amount of money charged for a product or service or the value exchanged for the benefits of the product or service. Larger businesses may use product pricing in a predatory or defensive fashion, to attack or defend against a competitor. Smaller, and start-up businesses may use an introductory strategy to gain market share and in doing so offer low prices as an alternative to heavy marketing costs to securing new customers. As we will see in this publication, price is derived ultimately from three things: costs, customers and competitors.

If you sell or offer things at the wrong price, it can have a significant impact on whether people buy from you or not - and also whether your business is capable of surviving. For example:

- If your prices are too high or higher than are being offered by your competitors, why should customers buy from you?
- On the other hand, if your prices are too low, you might have customers beating a path to your door, but how long will your business last if your margins are insufficient to cover your running costs?

- The optimum price is one that gives the best margin with the highest volumes possible - selling more and making more money on each sale.

Pricing Techniques

Common techniques arrive at a price based on:

- Evaluating product/service features and customer benefits and the value to the customer and charging accordingly.
- Asking key customers what they will pay.
- Marking up your cost of production by a fixed percentage.
- Undercutting competitors' prices by a fixed percentage.
- Getting feedback from your sales team.
- Considering typical customers' "spendable income" and charging what they can afford.
- Obtaining advice from consultants, or business associates.
- Differential Pricing – this involves allowing the same product to be priced differently; this can be justified when the product is sold in areas with differing economic climates, when sold through differing distribution channels, to appeal to a different market segment.

The list above may include something that's right for you, but think - if you keep undercutting competitors' prices, what will their response be? The easiest strategy to imitate is a cost-cutting strategy. Perhaps a "differentiator" strategy would be better - better prices and far more difficult for others to imitate.

Your pricing structure will play a large part in what customers you obtain. You will have to ensure that your pricing is appropriate for your ideal customer - the financial position and price sensitivity of your ideal customers directly affects what you can charge.

For more information on "pricing" please ask for our Information Pack *449-How to price what you sell.*

The 3rd P:
Place

The third of the 4Ps is **PLACE**. This is concerned with distribution – both how you get your products and services to the customer and where (the location) it is available for your customers or prospective customers to buy. In other words, it's how you sell your products and services to your customers.

Depending on what it is you are selling will directly influence how you distribute it, and it affects mainly those businesses that are in production. If for example you own a small retail outlet or offer a service to your local community then you are at the end of the distribution chain so and will be directly supplying a variety of products directly to the customer.

Placement of your products or services is crucial. There are often many different ways (called "channels") and twists and turns which a product can take in going from your place of supply to the customer. You may decide on a combination of all the distribution methods to maximise your level of distribution. Think about two key questions:

- Where do my customers live?
- What would be the easiest, cheapest and quickest way I could get my product to them?

Your product might be something that you make or assemble - or it could be something you never see or touch since it is delivered from a third party location directly to your customer.

As there are so many ways to get your product to your customer, it's important to know if it's something they want to see and physically touch before they buy it. If so, you'll probably want to order and stock it and sell it directly from your business. If it's something they don't need to see before buying it, you need to make sure that it's delivered promptly to them and is what they expected when they bought it.

Distribution Options

Distribution options include:

- **Direct Supply / Direct Sale -** this involves selling directly to your customer; retailing, door-to-door, mail order and e-commerce. It has the advantage that you are in direct contact will your customers and can easily detect the subtle changes which are occurring and adapt accordingly. You also have complete control over what you sell, how it is sold and at what price. But you will need storage facilities or retail premises.
- **Direct to retailer** – if you supply existing retail outlets with their existing channels of distribution, it could save you a lot of money since you won't have to set up these retails outlets to cover areas regionally or nationally. But you will need a sales team to meet with the retailers about new products, price and promotion – you might also need a method of getting your products to many small geographically separate outlets.
- **Wholesaler, merchant or agent supplier** – if you sell through a wholesaler or merchant supplier, you get rid of the worry and cost of storage and distribution but you might lose some of your company identity, particularly if your product is sold under the merchant or wholesaler brand name. Since you won't deal directly with the consumer, you will be unable to detect any subtle changes in the desire for your products.

The 4th P:

Promotion

The fourth of the 4Ps is **PROMOTION.** Promotion is the process of informing your customers about your products and services.

This can include the usual PR, advertising, posters, and direct mail, as well as community preview performances, special gatherings, or other non-traditional ways of reaching customers. It is important to target your audience, choose the appropriate message for that audience, and then choose the appropriate medium or means of communication to reach them. What you say, how you say it, and through what means you say it, is key to reaching the people you want as your customers.

To make your customers aware that your products exist, there are a number of methods you might choose such as:

- Media Advertising (television, magazines, Internet, radio)
- Personal selling (involving a sales person)
- Non-personal communication (persuasion advertising - competitions, free samples.
- Other promotional types include public relation exercises and free publicity.

Examples of methods of Communication

Communication Method	Impact
Web Site	Crosses all boundaries in passive / active communications. Great freedom by potential clients in accessing your information.
Direct Sales	Face-to-Face contact. Builds rapport, leads to proposals.
Telesales	Phone solicitation to identified customers; leads to rapport building and eventual appointment for a Direct Sales call.
Telemarketing	Identifying potential customers through qualifying needs to have a problem solved that could be addressed through your particular product or solution.
Advertising / Promotions	Target vertical market associations that purchase your product or service. Ensure that your core corporate communications "look" (logo, slogan, and graphical look) is repeated in any advertisement. Vertical Market trade show participation "Free Introductory Program" exists within your communications goals. Standardized Corporate Communications look to all of your marketing efforts (Logo, stationery, brochures, advertisements, etc.). This acts to reinforce your impressions rate.
Public Relations	Monthly Press Release and Backgrounder to all vertical market associations. Monthly release to horizontal / territory markets to build perception and retention of your core products, services and corporate identity.

Recommended Reading

The following books will provide valuable further information for you:

- *Marketing Theory: Evolution and Evaluation*, by Jagdish N. Sheth, David M. Gardner and Dennis E. Garrett, published by John Wiley & Sons Inc, 1998, ISBN: 0471635278
- *Advances in International Marketing Vol 9: From Marketing-mix to Relationships and Networks*, by Pervez N. Ghauri (Editor), published by JAI Press, 1999, ISBN: 0762303182
- *Marketing Plans,* by Malcolm McDonald, published by Butterworth-Heinemann, 1999, ISBN: 0750641169
- *The Internet Marketing Plan*, by Kim Bayne, published by John Wiley and Sons, 1999, ISBN: 0471355984
- *Successful Marketing for the Small Business*, by Dave Patten, published by Kogan Page, 2001, ISBN: 0749435240
- *A Marketing Action Plan for the Growing Business*, by Shailendra Vyakarnam and John W. Leppard, published by Kogan Page, 1999, ISBN: 0749426497
- *Practical Marketing and PR for the Small Business,* by Moi Ali, published by Kogan Page, 1998, ISBN: 0749426861
- *Marketing Your Services : A Step-By-Step Guide for Small Businesses and Professionals*, by Anthony O. Putman, published by John Wiley & Sons, Inc. 1990, ISBN: 0471509485
- *Marketing for a Small Business*, by C. Nieuwenhuizen and R. Machado published by Juta Legal and Academic Publishers, 1997, ISBN: 0702135542

Further Information

If you would like to receive further information about this subject or other publications, please call us – see our contact details on the next page.

Important Notice

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References:

[1] See: commentary by Teck H Ho and Keith Weigelt in "Wharton on Dynamic Strategy", G S Day, D J Reibstein, The Wharton School with Robert Gunther, published by John Wiley & Sons, 1997, ISBN 0-471-17207-3, p127.

[2] The term was coined by Neil H. Borden in his article 'The Concept of the Marketing Mix' in 1965.

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