

MS-107 (Marketing Management)

Unit- 4: Marketing Mix and Marketing Organization

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Marketing Mix Defined

- ❖ E. Jerome McCarthy in 1960 coined the term Marketing Mix to suggest the four P's of marketing – price, promotion, product and place. It is in fact the most popular term in marketing management.
- ❖ Kotler and Armstrong (2010) define marketing mix as ‘The set of controllable tactical marketing tools – product, price, place, and promotion – that the firm blends to produce the response it wants in the target market’.
- ❖ Jerome McCarthy viewed the marketing manager as a ‘mixer’ of ingredients, who mixes the different ingredients/elements of the marketing mix to make a market offer to the customers.

The Marketing Mix



Extended Marketing Mix



Components of Marketing Mix: Product

- ❖ Kotler and Armstrong (2010) define *Product* as the goods-and-services combination the company offers to the target market.
- ❖ A product could be a ‘bundle of benefits/utilities’ that a marketer offers to the consumer for a price.
- ❖ Thus, a product refers to the goods and services that a company offers or sale and that has the effect of solving a customer’s problem.

Price

- ❖ Solomon et al (2009) define price as the amount the consumer must exchange to receive the offering.
- ❖ Price is different from the other elements of the marketing mix as the other elements are cost elements and price is the only revenue element of the marketing mix.
- ❖ Pricing decision is a very difficult decision because the prices should be profitable and justifiable too at the same time.

Basis and Objectives of Pricing

Following three factors also termed as 3 Cs are used to decide the pricing:

1. Cost-Acts as the floor. No company can afford to set a price which is less than the cost of production, for there shall be a loss at that price.
2. Customer Value-Acts as the ceiling. No company can afford to set a price which is more than the customer's perception of the value of the product, for there shall be no demand at that price.
3. Competition-In between the two factors mentioned above, lies the competition/ market and the price has to be in consideration with what the competitors are charging for a similar offering. A company X can't generally charge a higher price than a company Y for a product which is the similar in terms of functions, features and benefits. Yet, it's possible if the company X is able to build up and create around itself a perception of quality and of being premium provider.

Place

- ❖ According to Kotler and Armstrong (2010) place includes company activities that make the product available to target consumers, in the right quantities at the right place and at the right time.
- ❖ Place is alternatively known as Channel, Distribution or Intermediary. It is the movement of product from provider to the consumer.
- ❖ Goods have to be made available to the customers at convenient locations and the distribution function ensures this.

Promotion

- ❖ Promotion is a function of communication. Solomon et al (2009) propose that promotion includes all of the activities marketers undertake to inform consumers about their products and to encourage potential customers to buy these products.
- ❖ Promotion is a massive activity and it has become a challenging task with the emergence of digital media. A marketer is always on the lookout for promotional tools that give the bang for the buck-effective as well as economic without compromising on the reach and frequency.

Objectives of Promotion

- ❖ Creating product awareness, especially in the case of a new product;
- ❖ Communicating the benefits and features of the products;
- ❖ Proposing usage occasions-when and how to use the product;
- ❖ Differentiating the product from the competition and thus giving the reason to buy the product;
- ❖ Helping a company survive and evolve from a crisis situation.

Promotion Mix

A marketer uses a number of promotional tools can use them in different combinations. The fact that they can be used in different combinations, marketers use the term 'Promotion Mix' to indicate the different tools for promotion. The various tools available with the marketer (Promotion Mix) include the following:

- ❖ Advertising
- ❖ Sales Promotion
- ❖ Personal Selling
- ❖ Public Relations
- ❖ Direct Marketing

Advertising

It can be defined as a paid form of, non-personal presentation and promotion of ideas, goods and services by an identified sponsor. It is in fact the most popular tool of communication. We are bombarded with advertisements on multiple media like television, internet, radio, print media, mobile, social media and out-of-home etc.

Characteristics of Advertising

- It is a paid form of non-personal communication.
- It is mass communication and thus per unit cost of reaching the target audience is lowest, but it is mass in its appeal and thus loses its effectiveness for niche products that are to be used by a niche audience.
- It is a monologue- one-way communication. The sponsor can pass its information but cannot receive a feedback. Digital media has been able to overcome this challenge to a certain extent
- The sponsor is identifiable
- Various dramatic and theatrical effects can be added in audio-visual media, print and outdoor media. The message thus gets amplified.
- It can be reproduced frequently as per need.

Sales Promotion

Sales promotion is a pull marketing technique. It involves giving a short term and non-routine incentives to customers and also channel partners to induce trial and increase sales. The idea is to gain the attention of the consumer and improve channel member effectiveness.

The popular sales promotion tools are discounts, gift cards, coupons, financing, bundling, refunds and rebates, continuity programs, quantity discounts, contests, buy one get one free, free samples, demonstration, trade show, exhibition, exchange offer, seasonal discount, free service, gifts etc.

Types of Sales Promotion

- ❖ Consumer Protection: Short term incentives directed towards the customers are known as consumer promotion. The idea is to educate the customer and induce trial.
- ❖ Trade Promotion: Short term incentives directed towards the dealers, distributors and agents are known as trade promotion. The idea is to motivate the channel partners to stock, display, persuade and sell the products to the consumers.

Characteristics of Sales Promotion

- Consumer promotion is meant to induce customers for immediate buying and dealer promotion is meant to motivate the dealers. Both the types of promotions are short term and non-routine incentives.
- Sales promotion should be used occasionally. Excessive use of sale promotion may affect the company's image and reputation negatively. Being sure of a sale being organized, the customers may postpone their purchase and wait for only sales to buy the product.

Personal Selling

Personal selling includes face-to-face personal communication and presentation with prospects (potential and actual customers) for the purpose of selling the products. It involves personal conversation and presentation of products with customers. It is considered as a highly effective but costly tool promotion.

Characteristics of Personal Selling

- Personal selling is a personal presentation and face-to-face interaction with the customers/prospects.
- It is a dialogue between the salesman and the prospect/customers.
- It is advantageous as it gives an instant feedback and an opportunity to resolve the objections/queries raised by the customer/prospect.

Characteristics of Personal Selling (Continued)

- A salesman not only influences the customer to buy but also cultivates a relationship with the customer. For the customer, the salesman represents the company and the customer chooses to interact with the salesman for any further problems with the purchased product.
- It is a very flexible method of promotion as the salesman can exercise a lot of flexibility and modify his selling pitch according to the prospect's/customer's needs and requirements.
- It is costlier than advertising in terms of the per customer contact cost.
- The salesman should have very exact and precise knowledge about the product because his job lies in teaching, educating, and assisting people to buy.

Public Relations

According to William J. Stanton Public relations includes activities that are designed to build a favourable image and favourable relationship with the organization's various publics. These publics include customers, stockholders, employees, unions, environmentalists, the government, and people in local community, or some other groups in society.

It also involves handling unfavourable rumours, events and stories that evolve in relation to the organization. Thus, public relations include organization's overall communication efforts intended to influence various stakeholders' attitudes toward the organization. Most good corporates have a dedicated PR department to create the right kind of organizational image.

Characteristics of Public Relations

- Public relations is a paid form of promotion. It comes at a cost to the company.
- The objective is to build favorable relations with the stakeholders and publics that organization interacts with.
- PR is an ongoing activity and not a one-time affair.

Major Personal Relations tools:

- News-Creating favourable news about the company/products/services.
- Special Events-Organizing conferences, press tours, hot balloon releases, candle march, multimedia presentations.
- Written Materials-Brochures, annual reports, articles, company newsletters and magazines.
- Audio Visual Materials-online videos, corporate films etc.
- Corporate Identity Materials-Logos, stationery, business cards, company cars and trucks (like Fed ex) etc.
- Public Service Activities-Donations and charity, free health check-up, blood donation camp etc.

Direct Marketing

Direct Marketing involves building direct customer relationships. It implies connecting directly with the carefully pre-selected and pre-targeted individuals (from a database) in order to elicit an instant and immediate response and cultivating long term relationships with the pre-selected audience. The communications generally is one-to-one and interactive in nature. The offering and communication is very much customized to meet the needs of the customers in the database.

Direct marketing today is not only a promotional tool, rather it is a new business model and the fastest growing form of marketing. Amazon, eBay and many ecommerce companies have organized the entire marketing around Direct Marketing.

Characteristics of Direct Marketing

- Using database marketing the buyers can understand the needs of the individual customers better, interact with them over telephone, company websites and direct mail and have personalized products and communications for the customers.
- Convenient and private for buyers.
- Unlimited assortment and choice to customers, spelled out in detailed catalogues and websites.
- It is a low cost and effective marketing and the cost benefits are translated into huge discounts available to customers.
- Enormous comparative information about companies, product and competition is available.
- It has huge flexibility as it allows the marketer to modify the product, price, communication in response to the competition.
- Interactive and immediate because buyers can contact the sellers, interact with them, get their queries resolved and place the order from the comfort of their homes.

Major forms of Direct Marketing

- Direct-Mail Marketing
- Catalogue Marketing
- Telephone Marketing
- Direct Response Television Marketing
- Kiosk Marketing
- Podcasts
- Mobile Marketing

The Marketing Mix (Summarized)

Product	Price	Place	Promotion
Quality	List Price	Channels	Advertising
Design	Discount	Coverage	Personal Selling
Brand Name	Credit Terms	Transportation	Direct Marketing
Features	Entrance into the market	Location	Sales Promotion
Packaging		Logistics	Public Relations
Services			

Factors affecting Marketing Mix

1. Product Novelty-Is the product a breakthrough product which is new to the world or a modification and improvement of an existing product.
2. Type of product-Is the product an FMCG/Consumer Durable? Type of product determines the combination of marketing mix elements.
3. Stage of the Product in the PLC. Each stage of PLC has a typical combination of Marketing Mix elements. Hence, the stage in which the product lies shall determine the marketing mix decision.
4. Type of Market-B2B or B2C has an effect on the marketing mix used.

Factors affecting Marketing Mix (Continued)

5. Product Complexity-Complex products need personal selling and demonstration as an important element in the marketing mix.

Other factors on which the marketing mix depends are as follows:

6. Pricing Objective

7. Communication Objective

8. Distribution Objective

9. Customer Characteristics

10. Company's Budget and Resources

Reference

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Thank You!