

Commercial Applications - 3/8/2020

Class - 2

Chap - 2 (Marketing Mix - 4P's)

## LEARNING OBJECTIVES

After studying this chapter, you should be able to understand :

- 2.1. Meaning of Marketing Mix
- 2.2. Elements of Marketing Mix
- 2.3. Factors Influencing Marketing Mix
- 2.4. Product Mix
- 2.5. Product Life Cycle (PLC)
- 2.6. Price — Pricing Strategies
- 2.7. Place — Distribution Channels
- 2.8. Factors Determining Choice of Channel of Distribution
- 2.9. Promotion and Promotional Techniques

In order to achieve its marketing objectives, every business enterprise prepares a marketing plan. The marketing plan involves decisions concerning several elements, *e.g.*, the product to be sold, the price to be charged, the method of distributing the product and the techniques of promoting sales.

## 2.1. MEANING OF MARKETING MIX

In order to satisfy the needs and wants of its customers, every business firm must develop an appropriate marketing mix. Marketing mix refers to the combination of four basic elements which constitute the core of a company's marketing system. These four elements are — the product, the price structure, the promotional activities and the distribution system (place). These four P's are closely interrelated because decisions in one area influence actions in others.

According to William Stanton, marketing mix is a combination of four elements — product, price, distribution system and promotional activities used to satisfy the needs of an organisation's target market(s) and at the same time achieve its marketing objectives.

Marketing mix represents the total marketing programme of an enterprise. Different customer groups differ in their income, education, habits and preferences. They may respond to the same marketing mix in different ways. Therefore, marketing mix should be designed to suit a particular market. The basic purpose of marketing mix is to satisfy the needs and wants of customers in the most effective manner. As the needs of the customers change, marketing mix may have to be changed from time to time. Marketing mix is thus a dynamic concept. An appropriate marketing mix helps the enterprise to meet the present and future needs of an identified market and achieve its profit goals.

**Marketing mix is important due to the following reasons :**

- (a) It is decided keeping in view the needs and desires of a target group of customers. Therefore, it helps the firm in increasing sales and profits.
- (b) It maintains a balance between various elements which are interrelated. Therefore, marketing mix represents an integrated approach to marketing.

(b) **Personal Selling** : It refers to face-to-face communication between a seller or his representative and the buyer. Salespersons of an enterprise assist and persuade the prospective buyers to buy the product.

(c) **Sales Promotion** : It means increasing sales through short-term promotional activities such as displays, demonstrations, fashion shows, exhibitions, prize contests, coupons, etc. These are aimed at supporting advertising and personal selling.

(d) **Publicity** : It means the mention of a company, a brand or product in newspapers, journals, radio, etc. A favourable report by the news media, on a company or product has a significant impact on customers. Publicity is not paid by the seller. It is relatively a minor form of promotion because the seller has no control over what the media will mention.

### Marketing Mix at a Glance

|                  |  |
|------------------|--|
| 1. Product Mix   | : (a) product range,<br>(b) quality of the product,<br>(c) brand name of the product,<br>(d) packaging and labelling of the product,<br>(e) after-sale service,<br>(f) warranty against defects. |
| 2. Price Mix     | : (a) price to be charged,<br>(b) discounts and allowances to be offered,<br>(c) terms of credit.  |
| 3. Place Mix     | : (a) channels of distribution,<br>(b) distribution policy,<br>(c) transportation,<br>(d) warehousing,<br>(e) inventory control.   |
| 4. Promotion Mix | : (a) advertising,<br>(b) personal selling,<br>(c) sales promotion,<br>(d) publicity,<br>(e) public relations.   |

## 2.3. FACTORS INFLUENCING MARKETING MIX

Marketing mix of a firm depends upon several internal (controllable) and external (uncontrollable) factors. Internal factors include nature and size of the firm, the policy of its management, its objectives, etc. External factors comprise the following :

**1. Customers** : Marketing mix is designed to satisfy the target group of customers. Therefore, the number, location, income, education, life style, buying habits, buying motives of customers are the most important determinants of marketing mix.

**2. Competitors** : The number, size and strength, marketing strategies, product range, etc of competing firms exercise a significant influence on marketing mix.

**3. Dealers** : The attitudes, motives and other aspects of wholesalers, retailers and other traders also influence the marketing mix of a firm.

**4. Government** : Government rules and regulations concerning products, prices, advertising, sales promotion, trade practices, etc. need to be considered while designing the marketing mix.

The process of determining the marketing mix (or marketing decision-making) consists of the following steps :

(a) **Identification** : First of all, the marketing department must identify the target customers to whom the sales are to be made.

(b) **Analysis** : Once the target market is identified, the next step is to discover and understand the needs and desires of the customers. Marketing research is used in locating and analysing the target market. It is necessary to know the number, location, buying power and motive of customers. In addition, the nature of competition, dealers' behaviour and government regulations must be analysed.



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- (c) It serves as a link between the business firm and its customers. It helps in pursuing customer-oriented marketing.
- (d) Marketing mix is changed with changes in the requirements of customers. It helps in maintaining an equilibrium between the business firm and its marketing environment.

activities involved in transferring ownership and physical possession of the product to consumers. Its purpose is to make the product or service available to customers at the right time and at the right place. Distribution mix includes :

- (a) Channels of distribution, and
- (b) Physical distribution.

## 2.2. ELEMENTS OF MARKETING MIX

As stated earlier, marketing mix is a systematic combination of four elements — product, price, place and promotion. Each of these elements is in itself a combination of several sub-factors. Therefore, each element is also known as a mix. These four elements of marketing mix (four Ps) are described below :

**1. Product Mix :** Product mix refers to a combination of various features relating to the product or service to be offered for sale. It involves decisions concerning the quality, size, range, package, brand name, label, warranty and services, etc. These product-related activities are directed usually at a specific group of consumers (called target market) rather than at consumers at large. Consumers consider a product as 'a bundle of satisfaction' rather than as a physical item. For example, the buyer of a washing machine wants speed, comfort and trouble-free operation rather than just a box of metal, plastic and electrical components.

**2. Price Mix :** Price mix involves decisions regarding the basic price of the product, discount, allowances, credit and terms of payment, etc. Price means the money value that the customer has to pay in exchange for the product. Price mix should be decided keeping in view the cost of producing and marketing the product, purchasing power of the target group of customers, degree of competition in the market, the profit margin desired by the seller, discounts and allowances to be offered to dealers and customers as incentives, etc.

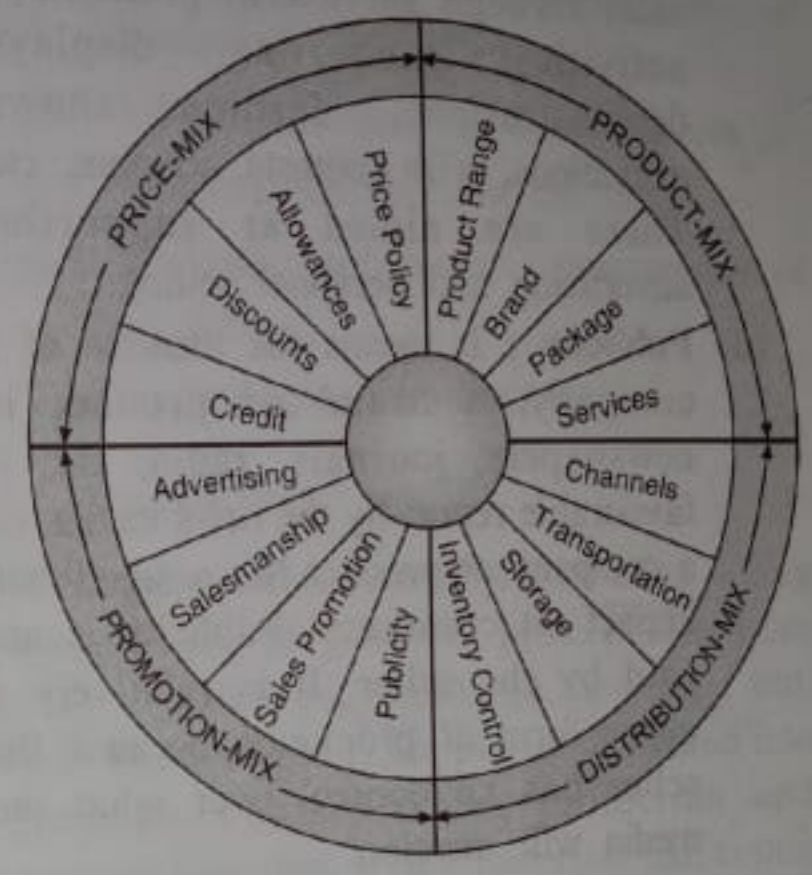


Fig. 2.1. Marketing Mix

Physical distribution includes all those activities which are involved in moving products or services from manufacturers to consumers. It consists of transportation and storage of goods. Channels of distribution are the routes through which goods move from the producer to consumers. A firm has to decide whether to sell directly or to sell through middlemen. The number and type of middlemen have also to be decided.

**4. Promotion Mix :** Promotion mix consists of all the activities aimed at persuading customers to buy the product. The various elements of promotion mix are as under :

(a) **Advertising :** It includes activities concerned with providing product information to customers through newspapers, radio, television, and other non-personal media. It is paid for by the seller.

**3. Place or Physical Distribution Mix :** Place or physical distribution mix consists of all the



descriptive label provides written information about the basic materials, weight, contents, performance, use, expiry date or other features of the product. Consumers favour the grade label while the sellers are more interested in the descriptive label.

The foregoing description shows that packaging, branding and labelling are important and integral constituents of product planning and development. They help to match products to market needs and exercise considerable influence on the sale of a product.

## 2.5. PRODUCT LIFE CYCLE (PLC)

Products, like human beings, have a length of life. The life cycle of products is known as *product life cycle*. The product life cycle may be short for some products and long for some other products. A product's life cycle begins when it is launched in the market for sale. After that it goes through several stages and finally the product dies. The duration of each stage is also different for different products. Some products take years to pass through the introduction stage while others may be accepted in a few weeks. Further, not all products go through all stages. Some fail in the initial stages while the others may reach the maturity stage after a long time. Moreover, a product can also be in the introduction stage in one market (e.g., black and white TV in a remote village) and in the maturity stage in another market (e.g., black and white TV in Mumbai). Thus, product life cycle is not a 'universal law' but an 'ideal type' or standard against which the life of a product may be predicted.

As shown in Fig. 2.2, a product moves through five different stages of its life cycle. Sales volume and profits vary from stage-to-stage. The management emphasis on different elements of marketing mix also differs from stage-to-stage. Different stages in product life

cycle and the relevant strategies are described below :

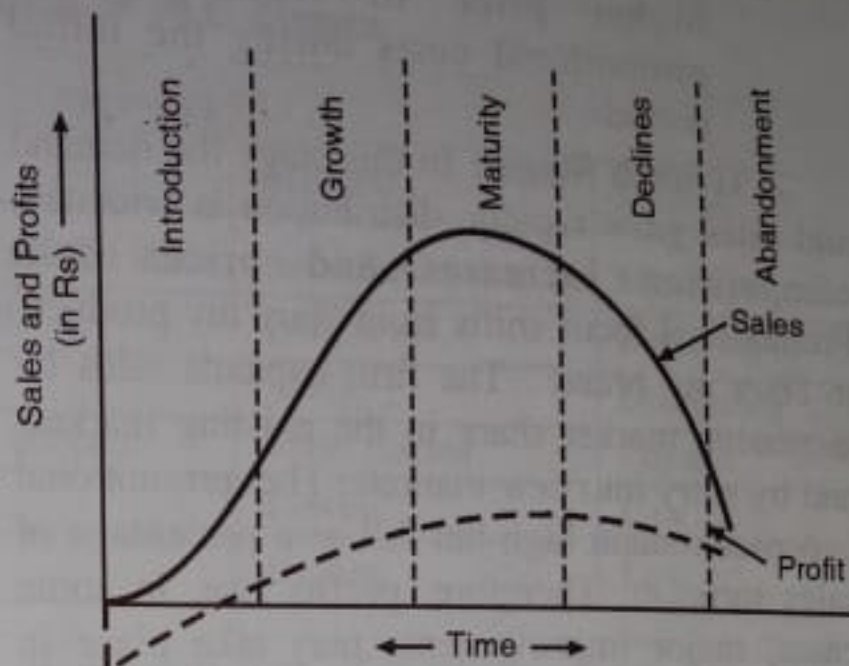


Fig. 2.2. Stages in Product Life Cycle

**1. Introduction Stage :** During this stage the product is born. It may be entirely a new product or a new version of some basic product. The firm informs the market about the existence and features of the product. Competition is virtually absent, market is limited, prices are relatively high and little is known about the product innovation. Growth in sales volume is at a low rate due to lack of knowledge on the part of consumers and limited distribution. Prices are usually high because of small scale of production and heavy promotional expenditure. Thus, the introduction stage is characterised by high costs, low sales volume, limited distribution and high prices. This stage is very risky because a high percentage of new products fail during this period.

The following **strategies** may be employed to introduce the product successfully :

- Proper advertisement and publicity of the product, e.g., money-back guarantee may be offered to persuade people try the product.
- Attractive gifts to customers as an 'introductory offer'.
- Selective distribution and attractive discount to dealers.
- Removing technical and other deficiencies in the product.

(c) **Design** : On the basis of the knowledge obtained through identification and analysis, and appropriate mix of product, price, promotion and channel is designed. Design involves not only the determination of each component but the proper integration of individual variables so that they reinforce one another.

(d) **Testing** : It is desirable to make a test run of the marketing mix designed by the marketing department. The designed mix may be used in a small group of customers. The reaction of customers will indicate the adjustments required in the mix.

(e) **Adoption** : After the necessary modifications, the marketing mix is adopted and put into use. The adopted mix should be evaluated from time to time and it must be adapted to changes in the environment of the firm.

## 2.4. PRODUCT MIX

The term 'product mix' refers to all the features of the product or service to be offered for sale. Its main components are as follows :

(a) *Range of products to be offered for sale* — A firm may decide to sell a complete line of products or one or two products only. For example, cosmetics is a product line. Powder, cream, lipstick, *bindi*, nail-polish, etc., are various products in this line.

(b) *Brand name of the product.*

(c) *Package of the product.*

(d) *Label on the package or product.*

Product mix has several dimensions. *Width* of product mix implies the number of product lines which a firm offers for sale. For example, Bajaj Electricals has a wide product mix consisting of bulbs, tubes, mixer-grinders, *Dist.* 6, 10ns, and other electrical appliances. *Depth* of product mix refers to the number of

products in each product line. For example, Hindustan Lever offers several types of bathing soaps.

The main factors which influence the product mix of a firm are as follows :

(a) Needs, preferences, income level, education level, professions, etc., of consumers.

(b) Policies and actions of competitors.

(c) Financial resources of the firm.

(d) Marketing policies and programmes of the firm.

(e) Technological developments.

### 2.4.1. Packaging

Packaging refers to wrapping, *crating*, filling or compressing of goods to protect them from spoilage, *pilferage*, *breakage*, leakage, etc. Various kinds of goods are placed or packed into appropriate containers for protection and convenient handling. Bulky materials like cotton and jute are compressed into bales. Liquid materials like oil and wine are put into bottles, barrels and cans. Heavy goods are crated and fragile products are placed in boxes, tins or special containers. Thus, packaging implies placing products in suitable packages for safe and easy handling.

On the other hand, packaging involves designing and producing appropriate packages for products. It is concerned with the determination of convenient size lots in which the product is to be put in the market, and the creation of proper packages for different lot sizes. A package is a case, container, wrapper or other receptacle used in packaging products. A package is more than simply the carrier of a product. It is not simply a protective device but performs several functions as a selling tool. In recent years, packaging has in itself become an industry and various types of containers have been devised to secure better results.

- (e) Skimming the cream pricing policy, i.e., higher price to recover heavy promotional costs during the initial period.

**2. Growth Stage :** In this stage the demand and sales grow rapidly, distribution is widened, competition increases and prices fall. Promotional focus shifts from "buy my product" to "buy my brand". The firm expands sales by increasing market share in the existing markets and by entry into new markets. The promotional expenses remain high but fall as a percentage of sales turnover. Therefore, profits rise. In some cases, major improvements may take place in the product.

The following **strategies** may be adopted during the growth stage :

- Heavy advertising to create brand image and to stimulate sales.
- Expanding distribution channels to make the product available wherever demanded.
- Introducing new versions of the product to cater to the needs of different types of customers.
- Keeping the price at competitive levels.
- Greater emphasis on customer service.

**3. Maturity Stage :** During this stage, sales continue to grow but at a decreasing rate. Competition increases further and markets get stabilised. The product is known all over the market and a third level market (low income group) may emerge. Due to competition prices are reduced but promotional expenditure remains high. As a result profits decline and marginal producers are forced to go out of the market. Manufacturers broaden their lines and new models of the product are introduced. Supply exceeds demand for the first time. After some time there is saturation in the market. There is no possibility of increase in sales and the sales curve is levelling off. For products with long-run demand, maturity stage may last for a period. But for other product demand starts declining and new products are introduced

in the market. Thus, this stage is characterised by product differentiation, product improvement and identification of new market segments.

The maturity stage may be lengthened by using the following **strategies** :

- Differentiating the product from competitive products.
- Focussing on brand image.
- Extending the warranty period, e.g., life time warranty for typewriters.
- Introducing reusable packaging.
- Developing new markets.
- Finding new uses of the product.

**4. Decline Stage :** This stage is characterised by either the product's gradual displacement by new and superior products or change in consumer's buying behaviour. Sales fall down sharply and promotional expenditure has to be reduced drastically to minimise loss. The emphasis is on efficient distribution at lowest cost. Unless new uses of the product are found the sales may decline rapidly and the product may soon go out of the market.

The following **strategies** may be used to avoid sharp decline in sales :

- New features may be added to the product.
- Economy models of packs may be introduced to revive the market.
- New and attractive packaging may be used to attract customers.
- Selective promotion may be adopted to reduce distribution costs.

**5. Abandonment of Product :** Most firms shift their attention to other products, gradually phasing out the declining product. They abandon the product in order to make better use of their resources. Preferences of consumers may change and new innovations enter the market to take the place of the abandoned products. Some firms try to postpone abandonment by introducing new models with unique features. In case of heavy losses and no future, the firm may sell out and merge with a stronger enterprise.

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Class - X

Chap - 2 (Marketing Mix - 4P's)

Questions:

1. What is Marketing Mix?
2. Discuss the elements of marketing mix.
3. What is Product Mix? ~~Dis~~ Write down the main factors which influence the product mix.
4. What is Product Life Cycle (PLC)?
5. Discuss the various stages of Product Life cycle.

