4P’s of Marketing

According to Philip Kotler “Marketing Mix is the set of controllable variables that the firm can use to influence the buyer’s response”. The controllable variables in this context refer to the 4 ‘P’s [product, price, place (distribution) and promotion]. Each firm strives to build up such a composition of 4‘P’s, which can create highest level of consumer satisfaction and at the same time meet its organisational objectives. Thus, this mix is assembled keeping in mind the needs of target customers, and it varies from one organisation to another depending upon its available resources and marketing objectives. Let us now have a brief idea about the four components of marketing mix.

1. **Product**. The right product to satisfy the needs of your target customer.

2. **Price**. The right product offered at the right price.

3. **Place**. The right product at the right price available in the right place to be bought by customers.

4. **Promotion**. Informing potential customers of the availability of the product, its price and its place.

Each of the four P’s is a variable you control in creating the marketing mix that will attract customers to your business. Marketing mix should be carefully planned because the success of business depends on it. As a business manager, you determine how to use these variables to achieve your profit potential.

Product

“Product” refers to the goods and services you offer to your customers. Apart from the physical product itself, there are elements associated with your product that customers may be attracted to, such as the way it is packaged. Other product attributes include quality, features, options, services, warranties, and brand name. Thus, you might think of what you offer as a bundle of goods and services. Your product’s appearance, function, and support make up what the customer is actually buying. Successful managers pay close attention to the needs their product bundles address for customers. Your product bundle should meet the needs of a particular target market. For example, a luxury product should create just the right image for “customers who have everything,” while many basic products must be positioned for price conscious consumers. Other important aspects of product may include an appropriate product range, design, warranties, or a brand name. Customer research is a key element in building an effective marketing mix. Your knowledge of your target market and your competitors will allow you to offer a product that will appeal to customers and avoid costly mistakes.

Price

"Price" refers to how much you charge for your product or service. Determining your product's price can be tricky and even frightening. Many small business owners feel they must absolutely have the lowest price around. So they begin their business by creating an impression of bargain pricing. However, this may be a signal of low quality and not part of the image you want to portray. Your pricing approach should reflect the appropriate positioning of your product in the market and result in a price that covers your cost per item and includes a profit margin. The result should neither be greedy nor timid. The former will price you out of the market; pricing too low will make it impossible to grow. As a manager, you can follow a number of alternative pricing strategies. Pricing strategies are as follows:

• **Cost-plus:** Adds a standard percentage of profit above the cost of producing a product. Accurately assessing fixed and variable costs is an important part of this pricing method.

• **Value-based:** Based on the buyer's perception of value (rather than on your costs). The buyer's perception depends on all aspects of the product, including non-price factors such as quality, healthfulness, and prestige.

• **Competitive:** Based on prices charged by competing firms for competing products. This pricing structure is relatively simple to follow because you maintain your price relative to your competitors' prices. In some cases, you can directly observe your competitors' prices and respond to any price changes. In other cases, customers will select vendors based on bids submitted simultaneously. In those cases, gathering information will be more difficult.

• **Going-rate:** A price charged that is the common or going-rate in the marketplace. Going-rate pricing is common in markets where most firms have little or no control over the market price.

• **Skimming:** Involves the introduction of a product at a high price for affluent consumers. Later, the price is decreased as the market becomes saturated.

• **Discount:** Based on a reduction in the advertised price. A coupon is an example of a discounted price.

• **Loss-leader:** Based on selling at a price lower than the cost of production to attract customers to the store to buy other products.

• **Psychological:** Based on a price that looks better, for example, 99 rs. instead of 100 rs. . After you decide on your pricing strategy, the amount of money you will actually receive may be complicated by other pricing aspects that will decrease (or increase) the actual amount of money you receive. You will also have to decide how to determine:

• **Payment period:** Length of time before payment is received.

• **Allowance:** Price reductions given when a retailer agrees to undertake some promotional activity for you, such as maintaining an in-store display.

• **Seasonal allowances:** Reductions given when an order is placed during seasons that typically have low sales volumes to entice customers to buy during slow times.

• **Bundling of products/services:** Offering an array of products together.

• **Trade discounts (also called "functional discounts"):** Payments to distribution channel members for performing some function such as warehousing and shelf stocking.

• **Price flexibility:** Ability of salesperson or reseller to modify price.

• **Price differences among target customer groups:** Pricing variance among target markets.

• **Price differences among geographic areas:** Pricing variance among geographic regions.

• **Volume discounts and wholesale pricing:** Price reductions given for large purchases.

• **Cash and early payment discounts:** Policies to speed payment and thereby provide liquidity.

• **Credit terms:** Policies that allow customers to pay for products at a later date.

Place

"Place" refers to the distribution channels used to get your product to your customers. What your product is will greatly influence how you distribute it. If, for example, you own a small retail store or offer a service to your local community, then you are at the end of the distribution chain, and so you will be supplying directly to the customer. Businesses that create or assemble a product will have two options: selling directly to consumers or selling to a vendor. Direct Sales As a producer, you must decide if supplying direct is appropriate for your product, whether it be sales through retail, door to-door, mail order, e-commerce, on-site, or some other method. An advantage of direct sales would be the contact you gain by meeting customers face to face. With this contact you can easily detect market changes that occur and adapt to them. You also have complete control over your product range, how it is sold, and at what price. Direct sales may be a good place to start when the supply of your product is limited or seasonal. For example, direct sales for many home-produced products can occur through home based sales, markets, and stands. However, direct sales require that you have an effective retail interface with your customers, which may be in person or electronic. If developing and maintaining this retail interface is not of interest to you or you are not good at it, you should consider selling through an intermediary. Reseller Sales (Sales through an

Intermediary) Instead of selling directly to the consumer, you may decide to sell through an intermediary such as a wholesaler or retailer who will resell your product. Doing this may provide you with a wider distribution than selling direct while decreasing the pressure of managing your own distribution system. Additionally, you may also reduce the storage space necessary for inventory. One of the most important reasons for selling through an intermediary is access to customers. In many situations, wholesalers and retailers have customer connections that would not be possible to obtain on your own.

Promotion

"Promotion" refers to the advertising and selling part of marketing. It is how you let people know what you've got for sale. The purpose of promotion is to get people to understand what your product is, what they can use it for, and why they should want it. You want the customers who are looking for a product to know that your product satisfies their needs. To be effective, your promotional efforts should contain a clear message targeted to a specific audience reached via an appropriate channel. Your target audience will be the people who use or influence the purchase of your product. You should focus your market research efforts on identifying these individuals. Your message must be consistent with your overall marketing image, get your target audience's attention, and elicit the response you desire, whether it is to purchase your product or to form an opinion. The channel you select for your message will likely involve use of a few key marketing channels. Promotion may involve advertising, public relations, personal selling, and sales promotions. A key channel is advertising. Advertising methods to promote your product or service include the following.

- **Radio:** Radio advertisements are relatively inexpensive ways to inform potential local customers about your business. Mid-to-late week is generally the best time to run your radio ad.

- **Television:** Television allows access to regional or national audiences, but may be more expensive than other options.

- **Print:** Direct mail and printed materials, including newspapers, consumer and trade magazines, flyers, and a logo, allow you to explain what, when, where, and why people should buy from you. You can send letters, fact sheets, contests, coupons, and brochures directly to new or old customers on local, regional, or national levels.

- **Electronic:** Company Web sites provide useful information to interested consumers and clients. Password-protected areas allow users to more intimately interact with you. Advertisements allow broad promotion of your products. Direct e-mail contact is possible if you have collected detailed customer information.

• **Word of Mouth:** Word of mouth depends on satisfied customers (or dissatisfied customers) telling their acquaintances about the effectiveness of your products.

• **Generic:** Generic promotion occurs when no specific brand of product is promoted, but rather a whole industry is advertised. For instance, generic advertising is commonly found for milk, beef, and pork. A public relations (PR) usually focuses on creating a favorable business image. Important components of a good public relations program include being a good neighbor, being involved in the community, and providing open house days. News stories, often initiated through press releases, can be good sources of publicity. Personal selling focuses on the role of a salesperson in your communication plans. Salespeople can tailor communication to customers and are very important in building relationships. While personal selling is an important tool, it is costly. So you should make efforts to target personal selling carefully Sales promotions are special offerings designed to encourage purchases. Promotions might include free samples, coupons, contests, incentives, loyalty programs, prizes, and rebates. Other programs might focus on educating customers through seminars or reaching them through trade shows. Your target audience may be more receptive to one method than another. Additional sources of promotion may be attending or participating in trade shows, setting up displays at public events, and networking socially at civic and business organizations.