CLASS NOTE

SEMESTER----2 (B.COM)

Subject: Marketing Management

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LECTURE NO. 04

**Marketing Mix: Meaning, Definition and Characteristics of Marketing Mix**

Meaning:

The process of marketing or distribution of goods requires particular attention of management because production has no relevance unless products are sold. Marketing mix is the process of designing and integrating various elements of marketing in such a way to ensure the achievement of enterprise objectives.

The elements of marketing mix have been classified under four heads—product, price, place and promotion. That is why marketing mix is said to be a combination of four P’s. Decisions relating to the product includes product designing, packaging and labelling, and varieties of the product. Decision on price is very important because sales depend to a large extent on product pricing.

Whether uniform price will be charged or different prices will be charged for the same product in different markets are examples of decision pertaining to the price of the product. The third important element is place, which refers to decision regarding the market where products will be offered for sale.

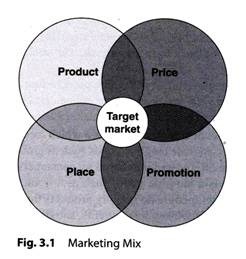
Promotion involves decisions bearing on the ways and means of increasing sales. Different tools or methods may be adopted for this purpose. The relative importance to be attached to the various methods is decided while concentrating on the element of promotion in marketing mix.

In short, marketing mix involves decisions regarding products to the made available, the price to be charged for the same, and the incentive to be provided to the consumers in the markets where products would be made available for sale. These decisions are taken keeping in view the influence of marketing forces outside the organization (e.g., consumer behaviour, competitors’ strategy and government policy).

Definition:

According to Philip Kotler, ‘marketing mix is the mixture of controllable marketing variable that the firm uses to pursue the sought level of sales in the target market’

Therefore, the marketing mix indicates the appropriate combination of four P’s—product, price, promotion, and place—for achieving marketing objectives. The components are also known as marketing mix variables or controllable variables as they can be used according to business requirements. In 1960, E. Jerome McCarthy in his book, Basic Marketing, popularized a four-factor classification, the so-called four P’s—product, price, place, and promotion.

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**Characteristics/Features/Nature of Marketing Mix:**

1. Marketing mix is the crux of marketing process: Marketing mix involves many crucial decisions relating to each element of the mix. The impact of the mix will be the best when proper weightage is assigned to each element and they are integrated so that the combined effect leads to the best results.

2. Marketing mix has to be reviewed constantly in order to meet the changing requirements: The marketing manager has to constantly review the mix and conditions of the market and make necessary changes in the marketing mix according to changes in the conditions and complexity of the market.

3. Changes in external environment necessitate alterations in the mix: Changes keep on taking place in the external environment. For many industries, the customer is the most fluctuating variable of environment. Customers’ tastes and preferences change very fast. Brand loyalty and purchasing power also change over a period. The marketing manager has to carry out market analysis constantly to make necessary changes in the marketing mix.

4. Changes taking place within the firm also necessitate changes in marketing mix: Changes within the firm may take place due to technological changes, changes in the product line or changes in the size and scale of operation. Such changes call for similar changes in the marketing mix.

5. Applicable to business and non-business organization: Marketing mix is applicable not only to business organizations but also to non-business organizations, such as clubs and educational institutions. For instance, an educational institution is expected to provide the right courses (product), charge the right fees (price), promote the institution and the courses, and provide the courses at the right place.

6. Helps to achieve organizational goals: An application of an appropriate marketing mix helps to achieve organizational goals such as profits and market share.

7. Concentrates on customers: A thorough understanding of the customer is common to all the four elements. The focus point of marketing mix is the customer, and the marketing mix is expected to provide maximum customer satisfaction.

**THE FOUR P’S CONCEPT IN MARKETING**

Product

The product is either a tangible good or an intangible service that is seem to meet a specific customer need or demand. All products follow a logical product life cycle and it is vital for marketers to understand and plan for the various stages and their unique challenges. It is key to understand those problems that the product is attempting to solve. The benefits offered by the product and all its features need to be understood and the unique selling proposition of the product need to be studied. In addition, the potential buyers of the product need to be identified and understood.

Price

Price covers the actual amount the end user is expected to pay for a product. How a product is priced will directly affect how it sells. This is linked to what the perceived value of the product is to the customer rather than an objective costing of the product on offer. If a product is priced higher or lower than its perceived value, then it will not sell. This is why it is imperative to understand how a customer sees what you are selling. If there is a positive customer value, than a product may be successfully priced higher than its objective monetary value. Conversely, if a product has little value in the eyes of the consumer, then it may need to be underpriced to sell. Price may also be affected by distribution plans, value chain costs and markups and how competitors price a rival product.

Promotion

The marketing communication strategies and techniques all fall under the promotion heading. These may include advertising, sales promotions, special offers and public relations. Whatever the channel used, it is necessary for it to be suitable for the product, the price and the end user it is being marketed to. It is important to differentiate between marketing and promotion. Promotion is just the communication aspect of the entire marketing function.

Place

Place or placement has to do with how the product will be provided to the customer. Distribution is a key element of placement. The placement strategy will help assess what channel is the most suited to a product. How a product is accessed by the end user also needs to compliment the rest of the product strategy.

**AN ALTERNATE MARKETING MIX**

Traditionally, the marketing mix is a combination of 4P’s and is more business oriented. These 4P’s are product, price, place, and promotion. More can be read about it here.

Another version of this marketing mix is the 4C’s model. This model is more consumer oriented and this focus has led to a primary use in niche marketing. This does not exclude it for use in products serving a mass market however. This alternate marketing mix is made up of four key variables:

• Consumer

• Cost

• Communication

• Convenience

The 4P’s and 4C’s can be taken as two sides of the same coin, with one being a buyer’s perspective and the other, a seller’s. But considering the marketing mix from a 4C perspective is not just an exercise in semantics. Instead, it reflects a change in mindset to encourage marketers and executives to view their entire process and value chain from the customer’s point of view.

**Development of the 4C Model**

According to Annmarie Hanlon of Smart Insights, there are two 4C models within the marketing domain which should not be confused with each other. One is the 4C model for marketing communications. This was put forward by Jobber and Fahy in 2009, and is a combination of four factors: clarity, credibility, consistency and competitiveness.

The other model relates to the marketing mix and was proposed by Lauterborn in 1990. The Lauterborn model is what we are focusing on for entrepreneurs in this article.

The idea or this model stems from an article written by Bob Lauterborn in 1990. This article was featured in Advertising Age, and in it Lauterborn stated that the 4P’s were no longer relevant and did not help today’s marketer address any real issues. He listed the variables he felt were necessary instead. He began with ‘consumer wants and needs’ as the key focus for product-led companies who tend to make products that the customer does not want. His second variable was the ‘cost to satisfy’ based on the irrelevance of price among many other factors. The third factor is the ‘convenience to buy’, an interesting concept in today’s world of 24/7 availability. The last variable was ‘communication’, with a proposal that instead of a more manipulative promotion, communication should be a two-way dialogue between the customer and the company.

**THE 4C’s EXPLAINED**

The Goal of the 4C’s

Through its focus on the customer, the 4C’s marketing mix is a step away from the traditional mass marketing concept. In mass marketing, the company selling a product has a tendency to view the audience as just that – a large featureless mass – with no in depth understanding of what the customer truly wants from a product. The 4C’s divert action towards niche marketing instead, where the conversation is often closer to one-to-one and there is more of an effort to understand who the customer is and what their actual needs are.

For niche marketing, it is necessary to access detailed market research to identify those markets which are not rife with competition but may prove to be lucrative. Once this kind of market is identified and understood, the 4C’s can be brought into effect.

What Are the 4C’s?

In studying the 4C’s, it makes sense to view them in comparison to the incumbent 4P’s for a more detailed view of both marketing mixes. It may be in the best interests of a marketer to consider both the consumer’s point of view and the organization’s.

**1) Consumer (and Product)**

Here, instead of beginning the story with a product itself, the focus is on selling only what the customer specifically wants to buy. This means that it becomes an absolutely vital activity for the marketer to spend time studying these consumer wants and needs in-depth. Only this detailed understanding will allow a company to sell with accuracy what the customer will buy.

At the core of any marketing effort is the product itself. This however, is just one piece of the puzzle. The product must be something that the customer finds desirable and there must be something unique about it that sets it apart from all the rest of the competition. The most effective way to achieve this is to first find the right untapped market, and then develop the product instead of trying to fit a ready-made product into a market. Product testing, therefore, becomes a key element of both the product variable and the customer variable. The understanding should be of what the product can give the customer both in the eyes of the manufacturer and in the eyes of the consumer.

**2) Cost (and Price)**

When understood correctly, the cost variable gives more detailed information about the customer than the price variable does. A good way to understand the difference in price and cost is given here. Price is the amount of money that a consumer will be willing to pay to acquire a good or service. On the other hand, cost is the amount that goes into the production of a good or service. This is the sum of the value of all inputs to production such as land, labor, capital and enterprise.

Within the total cost to satisfy a customer need, price becomes one of the many factors. Other factors may include the cost of time to acquire the product, the cost of conscience when it comes to consuming the product, the total cost of ownership, the cost to change to a new product and the cost of not selecting an alternative.

There is a common misconception among marketing professionals that the main motivation for a product purchase is the price. Though price based positioning may provide some initial success, in the long term, this turns out to be a less successful move. If the product is given a price that undercuts cost to gain the market, then the company will be at a disadvantage. If the product is priced at a premium without understanding its value to a customer, it will never be purchased.

Instead, a focus on cost to satisfaction will mean that there is more important information being taken into account than just the purchase price. A focus on this C will help find ways to actually increase the price of the item while decreasing the cost to satisfaction through measures that have a minimal influence on the company’s bottom line.

**3) Communication (and Promotion)**

Lauterborn considers promotion to be a manipulative factor driven only by the seller. Instead, he viewed communication as a more cooperative activity and driven more by the consumer of a product.

A traditional marketing mix uses promotion as a tool to put information about the product in front of the customer. Promotion and its methods continue to evolve with new avenues and means to reach the consumer. Though these methods of promotion remain effective, a niche marketing focus needs a bit more.

Communication will work toward creating a meaningful relationship with the customer with a focus on what they need and what their lifestyle is. The focus is wider and more inclusive of the different forms communication can take. There is more of a give and take between buyer and seller. Looking at advertising as this form of communication can help a marketer understand their market better and increase sales and customer loyalty.

**4) Convenience (and Place)**

The proliferation of online marketplaces, credit cards, catalogues and cell phones has made the provision of products to the customer a whole new ball game. A customer is not bound to actually go to a physical location to meet a need and there is an endless variety of places online to do so. This means that a marketer needs to be aware of how a particular customer group likes to make their purchases in order to make it convenient for them to buy. While place from the 4P model took into account the traditional value chain involved in getting a product into a customer’s hand, the convenience variable considers much more.