

BUS 213: PRINCIPLES OF MARKETING I

Study Session 2

TOPIC: MARKETING MIX

1. Introduction

In this study session 1, you will learn the marketing mix elements which the marketing manager blend together to provide the desired satisfaction and remain competitive within the marketing environment.

1.1 Learning Outcomes for Study Session 1

After studying this session, you should be able to:

- (i) Understand the combination of the four inputs that constitutes the core of a company's marketing system.
- (ii) The implications of the marketing mix elements to the overall success of an organisation.

2. Marketing Mix Elements

Marketing mix is considered the most famous phrase used in marketing which has been described as the element of marketing tactics (Kotler, 1991). It is the term used to describe the combination of the four inputs that constitute the core of a company's marketing system i.e., Product, Price, Place and Promotion. Some authors have attempted to extend its usefulness by proposing a seven P's, such as people, process and physical evidence (Kotler, 1999).

Marketing mix is defined as a set of controllable tactical marketing tools that the firm blends to produce the response it wants in the target market. It is also described as the combination of promotion, product, place (distribution channels) and prices you choose for your business including both short term and long term strategies in the marketing mix which can make for a profitable business. They are the parameters that the marketing manager can control. All marketing decisions are generally anchored on or fall into these four controllable categories, the goal is to make decision that center the 4P's on the customers in the target market in order to

create perceived value and generate a positive response. The four place categories consist of everything the firm can do to influence the demand for its product. This is discussed below:

2.1 Product

A product is anything offered for attention, acquisition, use or consumption that might satisfy a want or need. Products can be physical objects, service, persons, organizations and ideas. Nwokoye (1981) defined a product as a bundle of physical and psychological satisfaction that the buyer receives from a purchase. This includes not only the tangible object, but also such supportive elements as 'packaging, convenience of purchase, post- sale service and others that buyers value. Stanton (1964) defined product as a set of tangible and intangible attributes including packaging, colour test, price, manufacturer's prestige, retailer's prestige, as well as manufacturers' and retailer services which the buyer may accept as offering wants satisfaction.

2.2 Price

According to Marsh (1988:87), "pricing is a very important element in the marketing mix for it is the only one which produces revenue. All the other parts of the marketing mix are cost-driven". Price is the term being used to describe money value of an item; it is the term expressed in any monetary medium whereby the exchange occurs. Kurtz and Clow (1998:240) suggested that, "consumers often use price as one of the inputs forming expectations when making purchase decisions", while Kotler (1991) has argued that pricing decisions tremendously impact on customers and play a significant role in building an image for the company. Furthermore, Jobber (1998) pointed out that pricing is the most flexible element of the marketing mix in that pricing decisions can be implemented relatively quickly and at a low cost.

The above arguments reveal a general consensus in the literature regarding the importance of pricing for every firm's profitability and relationships with its customers. This significance notwithstanding, "pricing is often a perplexing issue for practitioners and researchers alike. In Nigeria today, price remains one of the least researched and mastered areas of marketing, marketers have only recently begun to focus on effective pricing (Akpan, 2003). Although the need for effective pricing is frequently voiced at conference sessions an overview of specific topics of potential interest has yet to be developed" (Hoffman et al., 2002:105). The lack of

academic interest in the field of pricing is also depicted on the limited empirical studies that have been conducted on this issue, which is even more evident in the case of services. According to Berry and Yadav (1996: 42) “little research exists on the pricing and few people understand the special challenges involved”.

Generally, setting price for a new product always presents peculiar problems to marketers, the initial price quoted for an item may determine whether the product will eventually be accepted or rejected in the market place. It may also affect the amount of competition that will emerge. Applying an appropriate pricing strategy is the key to successful competitive advantage; this should be achieved bearing in mind, the sensitivity of customers, competitor’s price and the cost of production. A price sensitive buyer can react negatively to a high price.

Questionable pricing practices are not unheard of, however. For example, pricing in the travel industry is so complicated that even professional travel agents can’t always figure out the true price customers have to pay. Moreover, cement manufacturing companies in Nigeria have been accused of advertising attractive low prices that were nearly impossible for any customer to take advantage of because there were so many restrictions. A more ethical approach might be to establish and advertise the prices that most people will actually end up paying.

A study (Akpan, 2003) revealed that some Nigerian manufacturers use price to exploit and business regulatory bodies in Nigeria such as the Consumer Protection Council (CPC), National Agency for Food, Drug, Administration and Control NAFDAC and Standards Organization of Nigeria (SON) are not doing enough to curtail the spate of un-ethical marketing practices related to pricing which has eaten deep into the society (Onu, 2000).

2.3 Place

Place is an element of the marketing mix which deals with how manufacturers distribute products to the consumers. The movement of goods and services from the manufacturer to the consumer is known as distribution. Distribution decisions are pretty difficult in domestic marketing and even more complicated in international marketing. Kotler and Keller (2006:103) recognized that physical distribution management (PDM) is a critical area of overall marketing

management involving major decision issues in the movement of goods and services from one location to the other.

The major decision issues involved in physical distribution activities include inventory control, material handling, order processing, transportation and storage function. These decisions will of course be influenced by several important variables including customer's buying patterns and delivery expectations, cost of building and operating warehouses, location of markets and factories, transportation cost etc. It is unfortunate that some marketers in Nigeria do not conduct the above major distribution activities properly resulting to wastages and delay in delivery and general ineffectiveness which lead to total failure in some organizations (Onu, 2000).

2.4 Promotion

Promotion is one of the major forms of marketing communications, which include advertising, personal selling, sales promotion, and public relations (Kotler, 1991). These are therefore referred to as the promotional mix. Most scholars have used different words at different times to connote promotion. Kotler (1986) use the term "communication mix" rather than promotional mix, in the same context, while (Stanton, 1964) use the term "communications" to represent company-wide communications rather than just marketing communications.

Jobber (1998) defines promotion as "a word used to describe the whole collection of methods by which the task of information and persuasion may be carried out. It is any effort whose function is to inform or persuade customers about the existence of a product or services with a view to induce them either to start or continue buying the product or services. Promotion in marketing is all those activities that are geared towards informing a prospective consumer of the availability, necessity, durability, comfortability, and economic incentives of a product, in order to persuade such consumer to buy. It is simply an exercise in information, persuasion and communication (Schewe, 1987).

Scholars in Nigeria (Akpan, 2003 & Nwakoye, 1981) were of the opinion that, manufacturers in Nigeria should always develop the right product, apply the right price and adopt the most

effective distribution channel, as well as the most effective promotional plans to ensure success. How can these be achieved? These could be achieved through the understanding and implementation of the concept of strategic marketing as discussed below:

3. Summary of Study Session 1, 'Marketing Mix'

Now that you have completed this study Session 1, 'Marketing Mix', you have learnt the following key points:

- (i) The students were introduced into the marketing mix elements and provided with the clear understanding of the implications of the mix decisions to the overall success of any marketing activity.
- (ii) In this session, we have learnt that marketing mix is important controllable elements which marketing managers manipulate to satisfy the need of target group of customers.

4. Self-Assessment Questions (SAQs) for Study Session 1

Now that you have completed this study session, you can assess yourself with the following questions:

- (i) What is marketing mix?
- (ii) Define the term product.
- (iii) Define the term price
- (iv) What is Distribution?
- (v) What is promotion in Marketing?

5. Notes on SAQs for Study Session 1

6. References

C.D. Scheme (1987): Marketing Principles and Strategies, Press Random House, U.S.A

P. Kotler (1991): Principle of Marketing, Prentice Hall.

W. J. Stanton (1983): Fundamentals of Marketing, McGraw-Hill