

Werner Pepels

The 4 Ps in Marketing-Mix

A German Perspective



Berliner
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Unique features

This textbook reflects the main contents of the operational marketing. The emphasis is on strong structuring, which is achieved through short paragraphs and multiple indentations and highlightings. The text is supported by numerous illustrations in an overview form. An essential characteristic is the combination of theory-based explanations and practice-oriented applications. In accordance with the chosen perspective, the examples given refer to the German market.

Target group

This textbook is intended for students of business administration majoring or minoring in marketing at scientific and applied-sciences universities. It is intended for foreign students who want to learn about marketing from a German perspective in a common language. Furthermore, this text addresses students in international study programs of demanding further education and training institutions as well as professionals in marketing as beginners and advanced, who have an international background and/or whose employer's working language is English.

Outline of contents

- A. Product policy
 - AI. Cornerstones of product marketing
 - AII. Performance mix in marketing
 - AIII. Program design
- B. Price policy
 - BI. Countervalue mix in marketing
 - BII. Effective pricing
- C. Promotion policy
 - CI. Classical advertising media
 - CII. Online media mix
 - CIII. Non-classical advertising instruments
- D. Place policy
 - DI. Distribution mix in marketing
 - DII. Sales operations

About the author

After studying at UAS and university, both business administration with a focus on marketing with diploma degrees, Werner Pepels worked for twelve years as marketing consultant (account executive, account director) in international advertising agencies and as managing director and shareholding partner in two sales promotion agencies. Among his clients were numerous international top marketing brands and key accounts.

He then worked as a professor of business administration for 27 years. During this time, he managed numerous projects, was involved as study director, professional examiner, conference director, etc., and is recognized as one of the most widely read authors in his field (over 180,000 sales circulation). Other of his activities include serving as chairman of a non-profit foundation.

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List of abbreviations

AC	Additional color
ARD	1st German television
B-t-b	Business to business
B-t-c	Business to consumer
C&C	Cash and carry
C-D paradigm	Confirmation – Disconfirmation
CB	Corporate behavior
CBA	Control group before – after (Test design)
CC	Corporate communications
CD	Corporate design
CLTV	Customer life time value
CPM	Cost per mille
CRM	Customer relationship marketing
CSR	Corporate social responsibility
DPP	Direct product profitability
DPR	Direct product return
DR	Direct response
EBA	Experimental group before – after (Test design)
ECR	Efficient consumer response
FMCG	Fast moving consumer good
FMEA	Failure mode and effect analysis
GRM	Generic relationship management
GRP	Gross rating points
GTC	General terms and conditions
GTIN	Global trade item number
HGB	German code of commercial law
HTML	Hyer text markup language
IHK	Chamber of industry and commerce

List of abbreviations

IP	Internet protocol
IP-TV	Internet television
ITV	Interactive television
NFC	Near field communication
OEM	Original equipment manufacturer
PDCA	Plan – do – check – act
PESTLE	Political – economical – social – technological – legal – ecological
PIMS	Profit impact of market strategies (Strategic study)
POS	Point of sale
PR	Public relations
QFD	Quality function deployment
QM	Quality management
QR	Quick response (code)
R & D	Research and development
RFID	Radio frequency identification
RFMR	Recency – frequency – monetary – ratio
SBU	Strategic business unit
SCM	Supply chain management
SEA	Search engine advertising
SEO	Search engine optimization
SERP	Search engine result page
SoA	Share of advertising
SoV	Share of voice
SWOT	Strengths – weaknesses – opportunities – threats
TOWS	Threats – opportunities – weaknesses – strenghts
UAP	Unique advertising proposition
URL	Unique resource locator
USP	Unique selling proposition
ZDF	Second German television

Prolog

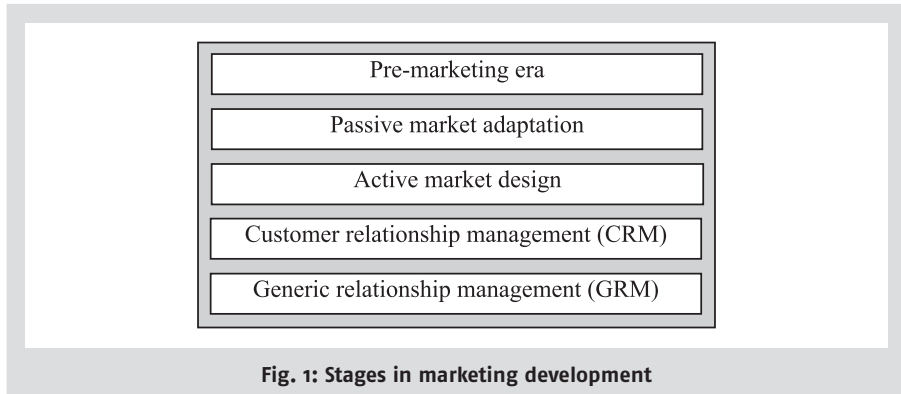
Marketing development and marketing instruments

Marketing means the planning, organization, implementation and controlling (= management) of all activities with the intention of achieving psychographic and/or economic targets (= goal orientation) by establishing, maintaining, expanding or re-establishing (= care) business relationships with relevant stakeholders in procurement, production, sales, environment and media (= stakeholders).

Historically the bottleneck always determined the focus of economic activities. Initially, the bottleneck was not marketing, but rather the procurement of capital with solution through stock corporations, personnel with solution through training/qualification and goods with solution through foreign trade. This changed with the shift from a seller's market to a buyer's market, in which it is easier for the customer to find a supplier than it is for the supplier to find customers. Within the resulting market orientation, the transaction phase (sales) dominated first, then the pre-sales phase (acquisition) and finally the post-sales phase (satisfaction) emerged.

Consequently, marketing has gone through different stages of development (*see figure 1: Stages in marketing development*). After the **pre-marketing era** (sales economy), the focus was on stimulating the flow of mainly goods, but also money and information, in the sales channel as distribution (in Germany with origins in trade management). This was followed by reactive market adjustment as **passive market adaptation** as outside-in perspective, which is still widely postulated today as a marketing mindset, replaced by **active market design** of the inside-out perspective, which avoids massive problems of market adjustment. Today, **customer relationship marketing** (CRM) dominates the exchange with internal and external partners, especially in sales and procurement markets as well as in the general public. For the future, marketing is to be understood as **generic relationship management** for any exchange with social partners. On the way to achieving this, marketing has already been deepened as non-profit marketing (social marketing for non-profit companies) and as non-business marketing for public organizations and associations, and marketing has also been broadened to include ecological marketing in the reuse of recyclable materials and corporate social responsibility (CSR) to take into account humanitarian/social and societal/sustainable requirements.

Marketing as generic relationship management (GRM) maintains contacts with various **stakeholders**. It is possible to distinguish them between relationship, transaction



and interaction partners according to their intensity, the former being internal and external:

- Internal relationship partners are e.g. owners, management, employees, directors,
- External relationship partners are e.g. sales agents, commercial and private end consumers and users, processors and converters, i.e. customers,
- External transaction partners are e.g. suppliers, creditors, service providers, authorities with whom business transactions are conducted,
- External interaction partners are e.g. associations, political parties, citizens' initiatives, NGOs, to which mainly communication relations exist.

These stakeholders each have interests and also the means of power to enforce these interests, and in case of doubt they do not shy away from using their means of power to enforce selfish goals, e.g. air traffic controllers, train drivers, airtraffic controller.

Currently, the focus is still on satisfying the needs of customers and moreover their customers (CRM). Marketing as specific customer relationship management strives for a relationship cycle in marketing (4 Rs) as follows (*see figure 2: Cycle of relationship marketing*):

- **Customer acquisition** (also recruitment) through initial contact (pre-emption phase) with the aim of making the first purchase,
- **Customer retention** through repeat purchases (already in the re-purchase phase, as well as the following),

- **Customer development** (also reinforcement) through customer value enhancement,
- **Customer recovery** through continuation of transactions only with profitable customers.

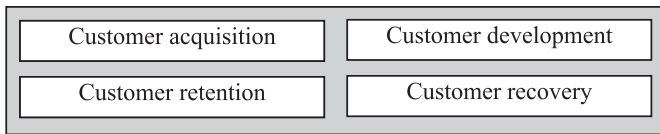


Fig. 2: Cycle of relationship marketing

For this purpose, a success chain in customer management is claimed, which consists of the following links (4 Cs) (*see figure 3: Success chain in customer management*):

- **Customer proximity** as intellectual and also actual closeness to customers, because only marketers which immerse themselves in the world of thinking of their customers are able to understand it,
- **Customer satisfaction** (usually according to the C-D paradigm), i. e. not necessarily enthusiasm, but also by no means disappointment,
- **Customer loyalty** through voluntary or involuntary commitment to a provider (the latter through contract, technology, economy, specificity),
- **Customer value** through development from first buyers (of the type) to trial buyers (of the brand) via repeat buyers, exclusive buyers, intensive buyers and promotion buyers to multiple buyers (cross selling) and recommendation buyers. The customer value represents the actual “asset mass” of every company, because every company only exists through its customers budgets.

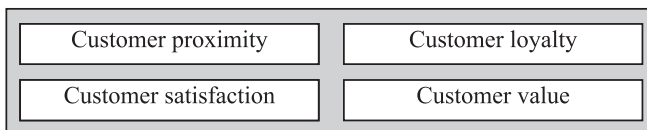


Fig. 3: Success chain in customer management

When it comes to operational marketing, the classic and still usual approach is to start with the 4 Ps of instruments, i.e. product, price, promotion, place. Product policy is formed by performance and program, price policy by countervalue and conditions, promotion policy by communication media and identity and place policy by distribution and sales. In this way, a clear structure of the relevant activities can be achieved.

The 4 Ps in marketing presented here go back to McCarthy/Borden and thus to the middle of the last century. Since then, marketing has developed dynamically, both in terms of diversity as broadening and in terms of differentiation as deepening. As a result, the 4 Ps have often been called obsolete and replaced by other systematizations. In the end, all approaches have remained unsuccessful, only for services the 7 P-systematic has prevailed (additionally for personnel, process, physical/Magrath). Otherwise, the familiar 4 Ps are used again and again. Of course, these have been changed and updated over the time, but in essence they have endured.

A different arrangement could happen according to the modern organization into structural and process activities. To the former belong the product and the price policies, they concern the “what” of the offer, to the latter belong the communication and distribution policies, they concern the “how” of the marketing. Product and price concern the tangible and intangible quality offered and the value demanded in return. The resulting price-performance ratio determines the marketability of the offer. Communication and distribution concern the transition of information and performance from the supply to the demand side.

It is also conceivable, however, to distinguish on the time axis between sales-preparing and sales-executing activities. The former would then include the product policy, price policy and the promotion policy, while the latter would include the place policy. First, the prerequisites for successful marketing must be created, i.e., a competitive range of merchandise, the premium to be paid for them by customers, and familiarization of the target group with the goods and services. Only then the actual marketing can begin, which alone can monetize all the preceding efforts.

In the following text however and according to the general opinion, there are four equal relevant instruments (**4 Ps: Product, Price, Place, Promotion**) in marketing, which are objects to closer investigation.

A. Product policy

The product represents the basis of all marketing activities and in this respect it is the starting point for pricing, promotion as well as placing. Brand article, positioning and market segmentation serve as the cornerstones of product marketing. In addition, the prudent conception of the products and services in the performance mix to bring them to market maturity is necessary as well as the capable design of the offer program.

I. Cornerstones of product marketing

There are at least three cornerstones of every systematic marketing activity, the role of the brand (1.), the positioning of an offer (2.) and the market segmentation (3.).

1. Branded goods

The brand serves as a label for companies or, above all, for goods or services in order to highlight them to target groups and to formally distinguish them from those of other origins. At the same time, it represents materially the personality of an offered product or service, which complements or reinforces buyers and makes their values recognizable in the social environment.

Branded goods should not be confused with products, as there are considerable differences between both of them. The **product** is characterized as followed:

- It exists on the real level, it has inevitable features, it has generic characteristics, it is rationally based, it has a denotative character, it consists of evidence and it offers basic benefits.

On the other hand, the **brand** is characterized as followed:

- It consists on a level of perception, it has appropriate characteristics, it has a unique selling proposition, it is emotionally based, it has a connotative character, it consists of a surrogate performance and it offers additional benefits.

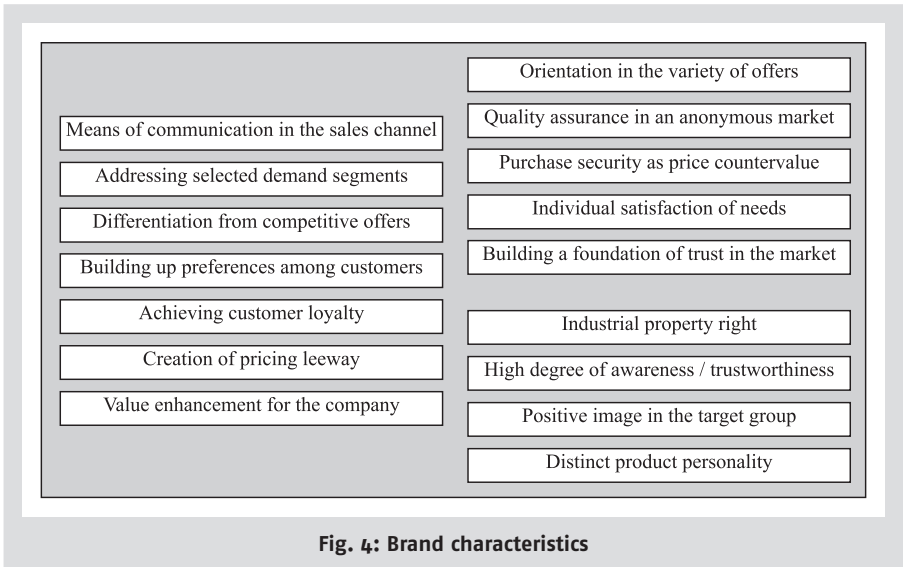
The brand has central **characteristics** without which marketing would not be possible (see figure 4: *Brand characteristics*):

- The brand is the **means of communication in the sales channel** between the supplier and his customers, it enables the **addressing of selected demand segments**, it creates positive **differentiation from competitive offers** through its ability to distinguish, it causes the **development of preferences among custom-**

A. Product policy

ers, it enables the **achievement of customer loyalty**, it **creates pricing leeway** and it realizes **value enhancement for the company** through economic success.

- The brand guarantees **orientation in the variety of offers**, it manifests a **quality assurance in anonymous markets**, it creates **purchase security as a counter-value** for the price sacrifice to be made, it enables the satisfaction of needs/**fulfillment of customer expectations** through a specific benefit creation and it is the basis for **building a foundation of trust** between seller and buyer.
- Formally, the brand represents an **industrial property right** with monopoly, it is based on a systematic marketing concept and it is characterized by a **high degree of awareness/trust** in the relevant market, a **positive image in the target group** and a **distinct product personality** which is transferred to its users.



For the brand strategy, horizontal, vertical and lateral brand architectures are considered from a static perspective, as well as changes in the brand life cycle from a dynamic perspective. In this context, several brand types arise. First, there are the **horizontal** brand types as follows (*see figure 5: Horizontal brand types*):

- **Umbrella** brand means that the product name corresponds to the company name, whereas **singular** brands mean that brand and company are different from each other in terms of the name.