

How to achieve an effective marketing mix



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Marketing Mix

What it is

The 'Marketing Mix' is a term used to describe the combination of tactics used by a business to achieve its objectives by marketing its products or services effectively to a particular target customer group. It is also referred to as the '4 Ps' – Product, Price, Promotion and Place, or the '7 Ps' – the 4 Ps with the addition of People, Process and Physical Evidence, also called the extended marketing mix.

Why it is important

Businesses need to make sure they are marketing:

- The right product to
- The right person at
- The right price in
- The right place and at
- The right time

For example, if you manufacture pens, and have decided to target schoolchildren, it would be more appropriate to market:

- Coloured ballpoint pens (*product*)
- At a low price (*price*)
- Selling them through newsagents and stationers (*place*)
- And promoting them through point of sale material (*promotion*)

than it would be to market:

- Gold fountain pens (*product*)
- At a high price, including insurance against loss (*price*)
- Selling them through specialist outlets and jewellery stores (*place*)
- And promoting them in glossy magazines and Sunday Supplements (*promotion*)

What you should do

Make sure you have identified each of your target customer groups. If you have not already done so and would like further information on grouping your customers, take a look at our 10-minute Target Customer briefing.

Now, with each customer group in mind, work through the steps outlined below.

Product

Marketing is about identifying, anticipating and satisfying customer needs. You need to be sure that your products and services continue to meet your customers' needs.

1. Carry out simple research by asking your customers:
 - What they think of each product/service
 - How satisfied are they with the quality
 - How satisfied are they with any support services you may provide
 - How effective it is in meeting their needs
 - How they see their needs changing in the short and long term future
2. Carry out step 1 for each product or service you offer.
3. Have a system for collecting and analysing feedback from your customers so that ideas are fed into a new product development process that is ongoing.

4. Ask yourself what stage of the product life cycle your products or services have reached. The 'product life cycle' is one way of looking at how the marketing mix links together. Products are said to go through stages – an introductory stage, a growth stage, a mature stage and a decline stage. At each stage a slightly different mix is appropriate – see the 'What you need to know' section of this material for more information.
5. Analyse the profitability of each product/service you offer. For more information on calculating this, take a look at the 10-minute 80/20 Rule. Which products/services make the biggest contribution or provide the highest profitability? What support services do you offer with each product? Could it be improved, adding value with little cost?

Place

'Place' is the means of distribution you select depending on the type of product or service you are marketing. Your choice will impact on your pricing and your promotion decisions.

1. Are the customers for your products and services consumers or businesses? If they are consumers you will have three main options:
 - Selling to wholesalers who will sell to retail outlets who will sell on to the consumer
 - Selling direct to retail outlets
 - Selling direct to the customerIf your customers are businesses you will probably sell to them direct through your own sales force.
2. If you sell through wholesalers and retailers, remember when you price your products that they will each want their own mark-up to cover their overheads. You will also need to promote your products and services to all members of the channel. Wholesalers and retailers will have to be persuaded to stock your product and end customers to buy them.

3. If you are selling to businesses you will have to cover the cost of a sales force. This can be an expensive overhead and will again impact on your pricing.

Price

Price generates profit so is an important element of the mix. You need to consider:

1. What your target group of customers will be prepared to pay for your product or service. It is important not to set the price too low as customers may think there is something wrong with the product. Equally, if you set the price too high, customers may think that it is too expensive for the benefits offered. Think about how you have 'positioned' your product in terms of quality. This will help you to assess how to price it.
2. What it costs you to produce it. This will show you what you need to charge and not what you could or should charge. However, if you do not calculate what it costs you to produce your product correctly, the more you sell, the more you will lose. Don't forget to make an allocation for costs such as selling which are usually treated as fixed. (See item 1 for more information.)
3. What your competitors charge. Look at your competitors' web sites, or simply phone them and ask for a price list or quotation.

Promotion

The promotional mix is made up of 5 elements:

- advertising
- sales promotion
- public relations
- direct marketing
- personal selling

The combination of tools you use depends on the budget you make available, the message you wish to communicate and the group of customers you are targeting. To find out more about developing a promotional mix as part of your wider marketing mix, take a look at the 10-minute Promotional Mix.

People

The people employed in your organisation will determine the quality of service your customers receive. This is truer for services, but also impacts on businesses making tangible products. Happy, skilled and motivated staff make happy customers. They are more likely to think about the customer and deliver good customer service if they are well trained and are recruited for their positive attitude to customers.

You can achieve a competitive advantage over your competitors through offering a high level of pre-sales and after-sales support and advice. Again, this can impact on the price you set, as customers are likely to be prepared to pay more for the service they receive but there may be a higher cost for you to take into account.

Identify those staff who come into contact with customers, either face-to-face or by phone.

1. Carry out a task analysis of what they do in terms of customer contact.
2. Involve your staff in setting standards for customer service.
For more information on customer service, look at the 10-minute Customer Service Programme.
3. Prioritise training needs for these staff and provide appropriate training

Process

The processes involved in delivering your products and services to the customer have an impact on the way in which your customers perceive you.

1. Look at all the processes involved in getting your products to the customer. Start with the identification of prospects and work through to after-sales support. Does any stage cause a delay? How can you improve this?
2. Are your customers kept informed about what is happening?
3. Do your staff keep their promises to customers?
4. How effectively are you handling customer complaints?

Physical Evidence

Physical evidence is a term used to describe the type of image that your business portrays through its physical presence, namely its premises, the appearance of its staff, its vehicles, etc. When customers do not have anything that they can touch, see or try before they buy, they are more likely to assess you by the image you put across. It is therefore particularly important if you offer services rather than tangible products.

1. How tangible is the product you market? If it is heavily dependent on the service element (for example, a restaurant, or hotel, or window cleaning service, or hairdressing) then you should pay particular attention to this element of the mix. Even if you are a manufacturer, this element is important if customers visit your premises.
2. Ensure that the image portrayed by your organisation is consistent with the type of product or service you offer.
3. Look at your reception area, your car park (are there spaces for visitors near to the entrance), the appearance of your delivery staff or customer service staff, that condition of your vehicles, etc. Where can you make improvements?

What to do now

If you have not already done so, you need to think about your promotional mix. For more information on this, see our 10-minute briefing on the Promotional Mix.

You should also plan a customer service programme. You can see what is involved by looking at the 10-minute Customer Service Programme.

What you need to know

If you want to take forward some of the ideas described here, below are some keywords (shown in italics) that you can use to search for further information on this website or in various marketing texts.

Product – about the *product life cycle* and product portfolio analysis

Price – about different approaches to *pricing* that are market based, and about marginal costing.

Promotion – about the advantages and disadvantages of the various *promotional tools*, about *customer behaviour*, and about *budget* setting techniques.

Place – about appropriate *channels to market* for your products and services

People, Process & Physical Evidence – about *customer service* and effective processes and environments for the delivery of your products and services.

An example in practice

This case, Appendix 1, shows that Greenfingers.com has clearly defined its target audience through marketing research.

Product – Its product is garden equipment and plants. However, the company has differentiated itself from its competitors through its website and the provision of extensive information. It offers enhanced service through an effective search facility and advice on planting.

Place – The company deals direct with the customer, outsourcing only its deliveries. It has indicated that it may consider bricks and mortar outlets in the future.

Price – The case does not give details of pricing policies, which will have to cover the costs of delivery and contribute to overheads with the aim of moving the business into profit.

Promotion – The company has integrated on-line and off-line promotion. Promotion includes on-line affiliations (providing content for several portals), a mail-order catalogue in selected consumer magazines, direct mailing, and interactive TV.

People – The case highlights the fact that the management team were recruited for the combination of experience in marketing, gardening and on-line that they bring to the business. They have selected Securicor to undertake their deliveries.

Process – The case emphasises that the company sees it important to err on the side of caution, offering a level of service it knows it can deliver, so that customers are not disappointed. It carries out e-mail surveys after deliveries are made, ensuring that customer expectations continue to be met.

Physical Evidence – Securicor is the ‘face’ of Greenfingers.com at the moment. The image they put across must give the same credibility as Greenfingers.com provides itself. Greenfingers already checks on this through its e-mail surveys. At this point it will be important that the image is consistent with the rest of its mix.

Finding out more

Visit

www.cim.co.uk/marketingresources

gives more useful advice for small businesses wanting to build on their marketing knowledge.

APPENDIX 1

Greenfingers.com

Smelling of roses

David Murphy profiles gardening website Greenfingers.com

When dreaming up ideas for transactional web sites, one dealing in gardening equipment, plants and everything else you find in the average garden centre might not seem the most obvious choice. It's not that there isn't a market for garden equipment and plants - a Mintel report published in April '99 estimated that there were some 20 million gardens in the UK, with nine million households having both a garden and Internet access.

But if the acid test for an online transaction site is how little it matters that potential buyers can touch, feel and even smell the goods on offer, then a site selling live plants and shrubs should, in theory, never have got off the drawing board. But when ex-Times gardening correspondent George Plumptre decided to get back into gardening after a spell working for an auction house, a gardening internet site was the only thing on his mind, and Greenfingers.com (www.greenfingers.com) was born.

Says Plumptre: "I saw that the internet could provide a fantastic offer for the gardening public in terms of instantly-available information and help and advice linked to the growing desire for people to actually buy things online." Plumptre was helped by the fact that at the time of the site's launch in April 1999, unlike most of the other Internet "spaces"; there was no major European player in the gardening sector. So while gardening consumers were searching for information, he says, apart from garden.com in the States, there was a lack of online resources to service their needs.

"If there had been two or three big players doing it properly, it might have ground to a halt because the investors would have said we were too late" he says, "but in terms of having a mission to deliver, I would have taken quite a lot of deterring."

Content, content, content

The idea for the site, created by new media agency and shareholding partner,

Designercity, which incubated the project until the first round of funding was secured, was conceived by Plumptre in the summer of 1999, followed by nine months' hard work in putting together the content.

Given the breadth and depth of this content, amounting to some 150,000 pages in all, this was no small task. An interactive Plant Finder database, created with the help of expert botanists from the Natural History Museum, contains around 7,000 species, enabling users to find the plant they want quickly. Users can search for a list of possible and probable plant species using criteria such as leaf and flower type, colour and growth habit. If the plants returned from a Plant Finder search are not available from Greenfingers, the site also gives details of local stockists. In addition to the search facilities, the Plant Finder also offers detailed plant profiles and planting tips for different types of garden, with information on aspect and soil type, plus personal preferences on colour, flower type and season of interest.

Alongside the Plant Finder database is the Royal Horticultural Society's Nursery Database, which holds details of more than 400 nurseries and specialist growers on the UK dealing in rare and unusual plants. At the other end of the spectrum, the Essential Plants directory has details of how to cultivate the 50 most popular families of garden plants, from heathers and honeysuckle to lilies and lilacs.

A further database holds details of around 1,000 gardens which are open to the public, with a visual review of each garden including details on themed planting schemes, unique features and a map of how to get there. On top of all this, there's a monthly online magazine, plus around 150 gardening workshops, with different projects designed for beginners, intermediate and experienced gardeners,

and a gardening history section. This holds comprehensive details of every style of gardening through the ages, from Italian renaissance to the contemporary landscape designs of the 20th century.

In addition to the information content, the site is fully transactional, with 7,000 product lines on offer, including 6,000 species of plant, plus a wide selection of gardening equipment, including furniture, barbecues, greenhouses and garden tools. Goods ordered from the web site are delivered to customers between 4pm and 9pm weekdays, the delivery operation outsourced to Securicor.

Greenfingers marketing director Jonathan Cowan believes it's this combination of information and transaction that gives the site its edge. He says: "Even now, when there are lots of other competitors out there, no one has had the same vision that we have had, which is the fusion of content and commerce. Everybody else out there is either a shop with a little bit of information to give them credibility, or they're an information site with little or no commerce."

Customer orders are dispatched from a variety of sources. A warehouse in Birmingham handles much of the hardware, though some lines are delivered direct from the suppliers. Plants are dispatched direct from Eastfields, a company with many years' experience of supplying large numbers of live plants around the UK. Turnaround on the plants is not particularly fast, at up to 10 days and hardware is delivered much more quickly, usually within 48 hours. But Plumptre says the company has deliberately chosen to err on the side of caution, preferring to offer a level of service that it knows it can deliver, rather than promising the impossible - "even if it doesn't sound as sexy as what one or two of our competitors might be able to offer." Far from expecting the goods faster, says Plumptre, consumers who take the time to complete the email surveys that go out to all consumers after their order has been fulfilled are, on average more than happy with the company's delivery performance, rating it somewhere between meeting and exceeding their expectations.

Though the Greenfingers team has obviously thought through many of the problems in running a transactional site, particularly those relating to fulfillment, Plumptre says the company has not modelled itself on any other online operation.

"There were no examples of the sort of e-commerce offer we wanted to do, embracing hard garden goods and live plants and a variety of other items, so it needed a structure of its own" he says. "It wouldn't have worked if we'd seen a structure we liked and tried to apply it, because no-one has done this before. Selling a live shrub or a live tree is not like selling a book or a CD-ROM."

The typical Greenfingers.com customer, the company says, is similar to the typical web user, predominantly ABC1, but slightly older than usual, with an average age of around 44, and a roughly 50:50 male to female split, rather than the usual male skew found among web users. "Gardening is getting younger thanks to Charlie Dimmock and Ground Force while the net is getting older in terms of penetration" says Cowan. "We meet nicely in the middle." On marketing to its customers, Cowan admits that the company does not do enough yet in terms of individual or "one-to-few" targeting, but promises that this will improve as the company hones its communications skills.

An experienced team

While clearly driven by his own passion for gardening, Plumptre, who fulfils the role of editorial director, has surrounded himself with a team which has a healthy combination of marketing, gardening and online experience, bucking the trend set by some b2c dotcoms. Chief executive officer Helen Bridgett was recruited from Tesco in spring 2000, after overseeing the launch of the Tesco Online brand in the UK in 1998. As head of online marketing, she presided over rapid growth, as the brand hit £50 million turnover in 1999.

Prior to the Tesco role, she had also worked for Abbey National and BRMB. Marketing director Cowan came to Greenfingers from Dixons Stores Group,

where he was brand development director. Prior to DSG, he had followed a traditional marketing career at Procter & Gamble, United Biscuits, Nestle and Spillers. Product sourcing is in the hands of Guy Grimes, who has 20 years procurement and fulfilment experience in the gardening industry in the UK and the States, while non-executive chairman Robin Klein sits on the board of a number of new media companies. "In terms of fulfilment, we don't have your average MBA team trying to work out how to do it" says Cowan, "we have real people with real experience in blue chip companies."

The company is cagey about releasing figures, revealing only that in terms of new members and unique visitors, it is meeting its targets, and that it is on track to hit its target of 800,000 unique visitors by the end of the site's first year in business.

It received £5m of first-round investment in February 2000 from a consortium of venture capital companies including Amadeus and 3K Digital from the UK and Dutch fund Gilde IT. The company won't be drawn on future funding plans, however, or on when it aims to move into profit. It is clear, however, about its ambition to look beyond the web and use whatever channels are available to reach new customers.

"The dotcom is not the important bit any more," says Cowan. "Our competence is in direct home delivery. We can get things from us to your door, and whether you want to shop over the Internet or digital TV, or mail order or telesales, we've now built an infrastructure that can do all of them."

The company's first move away from the web came with the launch of a mail-order catalogue, which was released in October. The catalogue, which features a 60-strong line-up of contemporary gardening gifts, is being distributed through inserts in a dozen consumer magazines this autumn. The titles include BBC Gardeners' World, Good Housekeeping and Your Garden, and there will also be a direct mail campaign targeted at established direct mail subscribers through the Book Club Association and the Royal Mail. Almost 2 million catalogues will

be distributed in total. On the interactive TV front, Greenfingers is going on Sky's Open home shopping Extra platform, and the company does not dismiss the possibility of opening Greenfingers bricks and mortar retail outlets one day.

Apart from providing Vodafone with a small amount of content for its vizzavi WAP/fixed line portal, however, Greenfingers is currently doing little to explore the mobile Internet as a distribution or marketing channel. "Everybody is experimenting, but nobody has a model yet which makes money on WAP" explains Cowan.

According to the results of an omnibus survey conducted by the market research company Ipsos over the summer the Greenfingers brand is second only to the BBC in awareness of internet gardening brands, and the company is working hard to raise its profile through a number of key affiliations. It has struck deals to provide the gardening content for several portals, most notably Freeserve, AOL UK and BT Internet.

Offline, the company designed and built the garden, and acted as the official gardening supplier, to Channel 5's Jailbreak, the first Big Brother clone to hit UK TV screens, which began in September. Without access to membership statistics or sales figures, it's impossible to know for sure whether everything in the Greenfingers.com garden is as rosy as it appears to be, but the company certainly seems to have a good management team in place and an appealing combination of content and commerce on its site.

With the b2c market in the doldrums and allegedly on most venture capitalists' blacklists, it's refreshing to find a b2c operation that seems to be working. And with one eye on the recent b2c backlash, Cowan offers an insight into why Greenfingers intends to succeed where other b2c online outfits have failed.

"A lot of b2c dotcoms were run by people who didn't have experience in managing business-to-consumer operations" he says. "They came straight from an MBA or they

just had an idea. We believe that because we are a blue-chip management team in a large market space, with experience of running proper businesses, we will succeed."

Data Panel

Greenfingers.com at a glance

- Conceived: Summer 1999
- Launched: April 2000
- Content: 150,000 pages
- Product Lines: 7,000
- Including plant species: 6,000
- Unique visitors target: 800,000 by April 2001