



Entrepreneurship

Unit 3:

The 4 Components of the Marketing Mix





4 Components of Marketing Mix

- **Students will be able to:**
- Determine **product** brands, product mix, and inventory systems: perpetual, physical, and Just-in-Time (JIT)
- Understand and calculate **pricing** strategies utilized to make a profit: mark-up, cost-based, competition-based, demand-based, methods of psychological pricing, discounting, and credit.
- Identify the components of a **promotional mix** and how each will be utilized in a business.
- Describe **channels of distribution**, and determine best methods for business.



The Marketing Mix

- The Marketing Mix (the 4 P's)
- **Product**
 - Answers: What are you selling?
- **Price**
 - Answers: How much is it?
- **Place**
 - Answers: Where can I get it?
- **Promotion**
 - Answers: Why should I buy it?



Products/Services

- Product Brands
 - Ford, Dell, Kellogg's
- Product Mix
 - Categories: Cereal, fruit snacks, cookies and crackers, etc
 - Cereal: Frosted Flakes, Froot Loops, All Bran, etc.
- Inventory methods



Inventory Methods

- Keeping track of available stock of goods
 - **Perpetual Inventory:** Tracking inventory on a daily basis as it arrives or is sold. Computers allow “accurate” and up-to-date information.
 - **Physical Inventory:** Mistakes can be made, items are stolen or lost. Conducting a physical count of inventory is a good idea and should be done periodically to get “actual” numbers.
 - **Just-in-Time (JIT):** Suppliers ship inventory just before it’s used to keep stock at a minimum.

Pricing Strategies

You're in business to make profit. Know which pricing strategies to utilize.

- **Mark-up**
- **Cost-based**
- **Competition-based**
- **Demand-based**

- **Psychological Pricing**
- **Discounting**
- **Credit**



Cost-based Pricing Method

- **Utilizes Cost + Mark-up:** Will you use \$ or % mark-up?
 - Cost + \$ MU = Price
($\$500 \text{ sofa} + \$300 \text{ MU} = \$800$)
(Method best used for services, high price/luxury items; i.e. cars, furniture, accountants)
 - Cost + % MU = Price
($\$50 \text{ muffler} + 60\% \text{ MU} = \80)
 $\$50 \times .60 = \30
 $\$50 + \$30 = \$80$
(Method best used if offer a lot of different products/services and everything is marked-up the same; i.e., convenience stores, auto part stores)



Competition-based Pricing Method

- **Competition-based:** Lower or raise price of products/services based on what the competition is doing.
 - If Burger King offers Whopper for \$1, McDonalds changes price of Big Mac to \$1.
 - Retailers employ people whose job is to check competitor pricing, so they can stay in-line or offer lower prices.
 - Some retailers will offer coupon matching



Demand-based Pricing Method

- **Demand-based:** Price is raised or lowered based on supply and demand.
 - Tickle Me Elmo sold for \$1,000 (and up) the Christmas it was introduced. This was due to higher-than-anticipated demand and limited stock.



Psychological Pricing Methods

- **Prestige Pricing:**
 - Denotes status
- **Odd/Even Pricing:**
 - Odd numbers suggest bargains (\$19.99);
 - Even numbers suggest higher quality (\$20).
- **Price Lining:**
 - Pricing items in low, moderate, and high-priced categories.



Psychological Pricing Methods cont'd.

- **Promotional Pricing:**
 - Lower prices offered for a limited time to stimulate sales
- **Multiple-unit Pricing:**
 - Items priced in multiples to suggest a bargain and to increase volume sales (3 for \$1)
- **Bundle Pricing:**
 - Bundling several complementary products together and selling them for a lower combined-price



Discount Pricing Methods

- **Discount Pricing** offers customers reductions from the regular price.
 - **Cash discounts**
 - Given for prompt payment
 - (2/10, n/30) → A 2% cash discount if invoice paid in 10 days. Otherwise, entire amount is due within 30 days of invoice date.
 - **Quantity discounts**
 - The larger the order, the cheaper the per-unit price.
 - 1-1,000 units = \$5 each
 - 1,001-5,000 units = \$4 each
 - 5,001 + units = \$3 each



Discount Pricing Methods cont'd.

– **Trade discounts**

- Given to distribution channel members who provide marketing functions.

– **Promotional discounts**

- Given to wholesalers & retailers for carrying-out manufacturer promotions. May be in cash or promotional materials supplied by manufacturer.

– **Seasonal discounts**

- Given to customers who buy seasonal items in the off-season. (i.e., heavy coats in middle of summer)



Credit

- **Credit:** Allows customers to obtain products or services with the promise to pay later.
 - Buying “On Account”
 - Take the chance of late payments or defaulting
 - Use of credit cards
 - Costs business money in service fees to accept credit cards



Channels of Distribution (Place)

- The path a product takes from producer to final user (consumer)
 - Direct
 - Indirect (intermediaries)
 - Use if results in lower cost than you would charge if you were handling all the phases of distribution yourself or if middle men have a “ready-made” network for wider distribution.
 - Includes transportation, storage & product handling





Promotional Mix

- Advertising:
 - Paid non-personal presentation of ideas directed toward a mass audience.
- Publicity:
 - Free placement of newsworthy items about company, etc. in the media.
- Personal Selling:
 - Giving an oral presentation to one or more potential buyers.
- Promotions:
 - Use of incentives or interest-building activities to create demand. Be creative!!



Advertising

- **Broadcast** (TV, radio)
- **Print** (Magazines, newspaper, catalogs)
- **Outdoor & Transit** (Billboards, bus)
- **Internet** (Banner ads)



Publicity

- News releases (aka press releases)
- Feature articles
- Press conference
- Seek interviews

- **Public relations:** Any activity that creates goodwill for a business

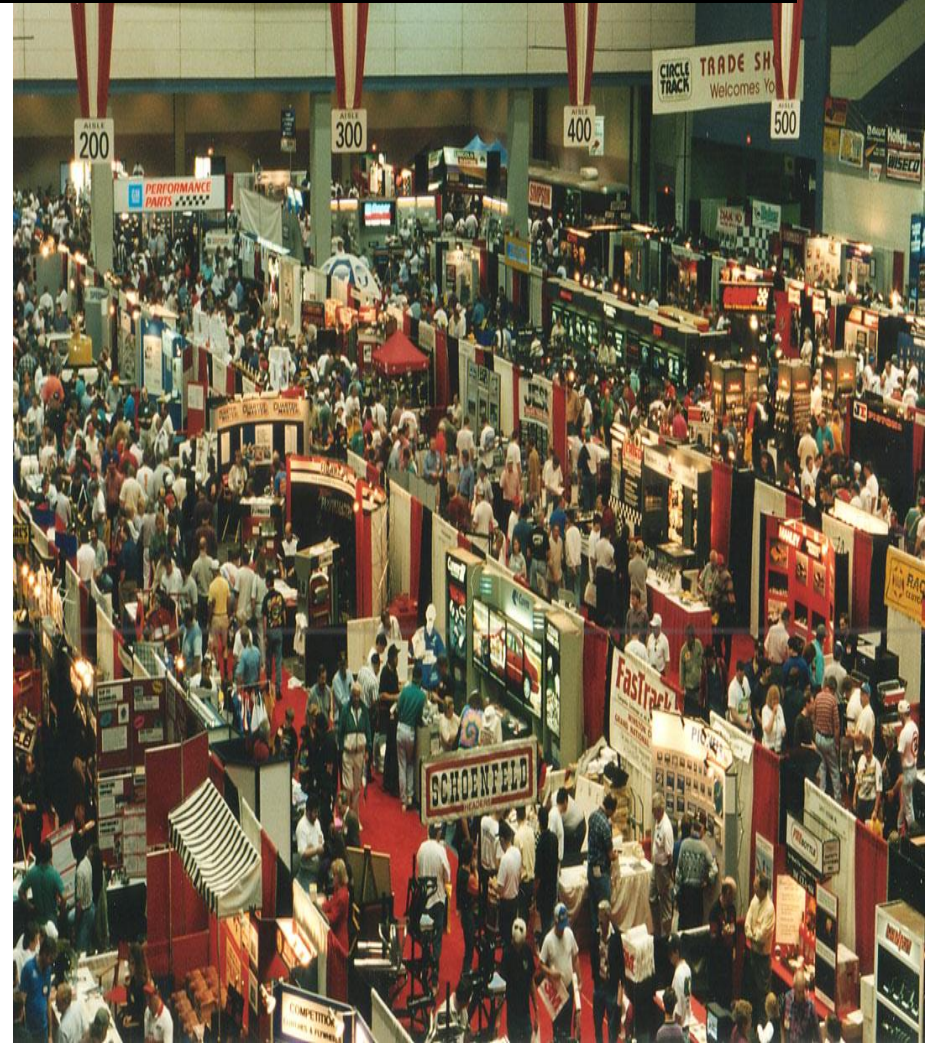
Personal Selling





Promotions

- Incentives
- Displays/Tradeshows
- Premiums
- Rebates
- Samples
- Sweepstakes/Contests
- Sponsorships
- The sky's the limit!





4 Components of Marketing Mix

- **Let's Review:**

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