

Werner Pepels

# The 4 Ps in Marketing-Mix

A German Perspective



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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.

## **Acknowledgement**

This book is based on the German edition “Die 4 P im Marketing”, issued by the same publishing house as the present book. Due to a great interest in an English edition, its contents have been transferred. The Berliner Wissenschafts-Verlag (BWV) is to be thanked for this offer. All readers are wished every possible success now with the implementation of the herewith acquired marketing knowledge.

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## Prolog

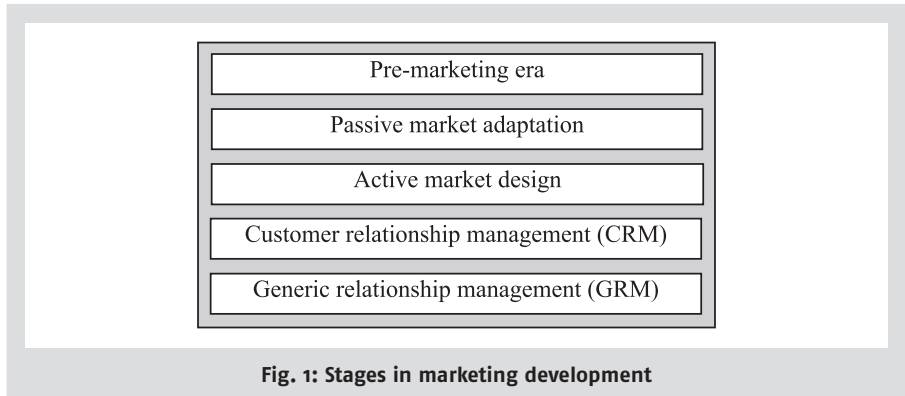
# Marketing development and marketing instruments

**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.

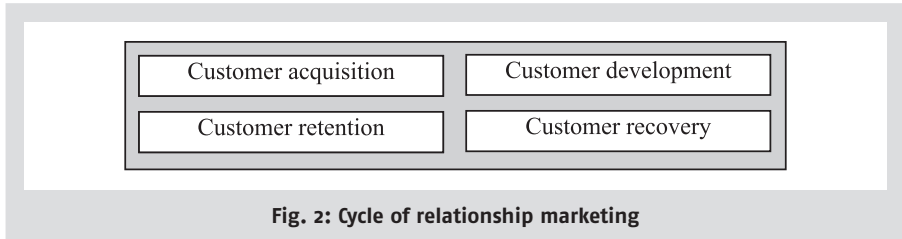


Fig. 2: Cycle of relationship marketing

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.

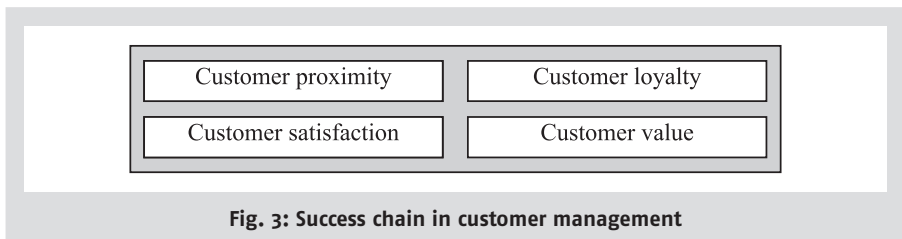


Fig. 3: Success chain in customer management

When it comes to operational marketing, the classic and still usual approach is to start with die 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.