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The Marketing Mix and Small Companies

One of the most important marketing tools or frameworks ever created is the marketing mix, also known as the 4Ps. More recently, since the growth of the service industry, it has been expanded into the 7Ps. Created manually in 1960 by E. Jerome McCarthy, this tool has provided companies all over the world with a simple-to-use, rock-solid tactical framework that makes every company everywhere do what they all want to do: sell more or sell better.

To do this, one should first answer a few simple questions that sometimes require quite some head scratching and complicated answers.

- Do you know what your customers and prospective customers really need?
- Do you know who your different types of customers are, and what makes them tick?
- Who are your competitors?
- What are they doing to take your customers euros?
- What is particular about your industry? Are there any present of representing issues which will affect how your industry operates?
- What are your own strengths and weaknesses?

To answer these questions and have a clear idea of your context you may require market research - whether done by you or outsourced - and some hard looks outwardly and inwardly. You may want to decide on which types of markets you are ready to focus your efforts on, since in small companies, marketing efforts and resources are limited at best. Having clarity costs time and money, but the alternative, which many small companies do, is to work by

trial and error, without any long-term planning. Hence money is squandered in useless, untimely or ineffective marketing, or good opportunities are overlooked, because of this lack of knowledge. As Francis Bacon once said: knowledge is power.

So once you have acquired sufficient clarity, it would be time to develop a tactical plan through the Marketing Mix using the 4Ps (Product, Price, Place and Promotion) or the 7Ps (add Processes, People and Physical Evidence factors).

Product

It is actually possible to still make some money if you have a rubbish product or service. It just won't last very long. People talk, even more so nowadays with the Internet and social media. So your better option would be to have a product or service that is as good as your competitors' or, ideally, better. However, the concept of "better" is quite subjective: what may be considered better (hence of superior value) for one person, may be deemed of no added value to someone else. That is why it is so important to know which segments to target. You need to choose the market segments which value the advantages – competitive advantages – that your product or service offers.

Having an advantage is not always possible and definitely not possible all the time. Even if your product/service has some breakthrough advantages over all the competition, competitors will hardly remain catatonic. They will react, improve their offerings and try to beat your product, or at least reach some form of equal status. Hence, your chances of remaining on top, or even in the running, could be affected by a number of actions that you should consider:

- (a) Keep improving continuously. This is sometimes called incremental innovation, but the important aspect to it is that you never rest on your laurels. You need to dedicate time and effort to keep improving your product and/or service so that your customers look forward to buying from you.
- (b) Position your product or service as being the "best" or the "leader" with some segments. Your product/service needs to be solidly associated with a particular segment, so that it is their first choice when purchasing. This may require some

tweaking in the product/service itself, or in its packaging, but it is well worth it.

- (c) Make sure that your product delivers what you promise, and preferably more. People like pleasant surprises, but hate being disappointed.
- (d) Build your brand, and you'll have it so much easier.

Price

Purchasing is rarely exclusively logical. The car you drive, or the hairdresser you go to, or the toothpaste you use, were almost certainly decisions that involved an element of emotions, whether it is the colour or shape you preferred, or the coolness factor, the prestige of the brand, or the fear of "cheap" products. There are a multitude of influences that can affect purchasing decisions.

Hence, going for the advantage of being the cheapest is only one of them. Granted, it can be a pretty effective one, but it is certainly not the only one. One of the most common reactions I have seen from small businesses when facing stiff competition is to try to compete on price.

This reaction is the easy way out, but hardly the most effective. It has often been said that in a price war, nobody wins.

Besides a discussion with the finance department, the pricing decision of your product or service can hinge on different considerations. First there is the market: how much are people ready to pay for it? This can be quite subjective, especially if your product is not exactly like your competition. However, some market research can help a long way towards a satisfactory answer. The cost of your product should also be factored in. If people are ready to pay a maximum of €10 but it cost you €11 to make it, you're in trouble. You'll need to go back to the drawing board and come up with a more cost-effective product. Or do something else.

There are also various pricing tactics that could be used under certain conditions, such as drip pricing (paying extra for every extra bit), BOGOF (buy-one-get-one-free) or 3-for-the-price-of-2, discounts and many more. Knowing when and how to use these can boost sales immensely.

It is worth remembering that many people tend to equate price with value. Hence, certain products are looked at with suspicion if they seem to be too low-priced. Therefore, sometimes it pays to up the price and make more profits. Who's complaining?

Place

This P overlaps with the operational function of the business, since it involves channels of distribution, inventory, warehousing and location. How can customers (and prospective customers) access your offerings? This counts whether you look at how customers can have access to view and experience your product or service, or how they will actually be able to obtain it.

Whether the issue is the visibility and ease of use of your website and domain name (for example, how easy to remember, or to type, is thelongestlistofthelongeststuffatthelongestdomainnameatlonglast.com?), or having enough phone lines to deal with enquiries, or whether you have a parking issue around your showroom, all falls into this very vital P. A product (or service) does not sell simply because you have it. Tell that to the great restaurant that had the road in front of it upended for 3 months. You need to have the complementary assets to make the offering commercially successful, including the right distribution channels.

This is why some restaurants with only a few covers tend to also have (and hopefully promote) take-away and even a delivery service. In the latter case, do you buy a van, a car or a motorbike? And if you are selling online, have you taken into consideration the quality of the postal services that you would need to rely on to get the parcel to your destination? A number of companies and people were burnt by this oversight, especially on ebay and Amazon, where customers' ratings punished them for slow delivery.

Promotion

In the end, we all want to sell. And we all have limited budgets to allocate towards this goal. Therefore, it is very important to be clear about what works and what doesn't, and when, where and how things work best. I have talked to numerous small businesses – especially retail outlets - in the past that thought or hoped that word of mouth would be enough. No money whatsoever was

budgeted for marketing or promotion. Such places quickly find out that, unless you are in a high street (and even then), your chances of reaching the desired turnover and profit within a short time are close to nil if you rely only on word of mouth. Don't get me wrong, word of mouth is of paramount importance. It is how your reputation and brand get built. It just is too slow and unreliable by itself. With the advent of social media, the potential of word-of-mouth has increased in power and speed exponentially. A whole new marketing area has been created, called viral marketing, thanks to this opportunity. If you want to stay on top of this channel, you need to invest in some social media expertise, and some staff time in maintaining your social media and internet presence. This role is similar to the traditional PR role that some businesses have exploited in the past. It is sometimes known as free advertising, but frankly there is nothing free about it. Press releases do not write themselves, and you need someone to churn them out regularly. Creating events for journalists to attend or at least newspapers to carry your write-up can also be moderately expensive.

Two other very important aspects of this P are the sales effort and advertising. Having well-trained, proficient sales people is an excellent way of reaching your sales targets. However, sales people are not always easy to find, or keep. And even if you do manage to have and keep them, they will insist that you support their sales effort with advertising. Unlike the hidden cost in PR (whether for print or social media), advertising costs are in your face. And it is not cheap. That is why it is very important to know where, when, what and how to advertise. This is too often left to trial and error, or gut feeling, or even worse, impulse. Testing your advertising material before you commit to spending your euros can save you a lot of money and attain much better results.

The Other 3 Ps

Having your **processes** in place can make or break a business. Again we enter the operational field, which continues to show that Marketing is not to be seen in isolation in an organisation. If you are trying to sell cars in a nice, large showroom, but then you do not have the cars for people to try, is not going to help you sell. Having a website that requires 10 clicks through different pages before a customer reaches the right page is also not going to help, and

neither will it help if a customer has a cumbersome process of filling in a zillion forms.

Having well-trained **people** who are all excellent ambassadors of your organisation's values and reflect the corporate image has also become an area that deserves its own focus. The organisation is as good as the people who represent it. Uniforms can help, but only if uniforms are part of a regime of integration of the people into the company culture. This can be done through good induction processes or on-boarding of all new employees, and through in-house or out-sourced training – a clear overlap with the HR function.

Finally the devil is in the detail, they say. **Physical evidence** plays an important psychological part in making your offer believable, and of value. Entering a smart place where everything is elegant and impeccable will give you different expectations than if you enter a shabby-looking outlet.

Conclusion

When one considers loyalty schemes, warranties, after-sales, leasing and other services, the concepts of product and service have all but merged for a number of products where competitive advantages are gained by packaging added-value services into the offering. Hence, the seven P's all deserve their attention for any organisation that wants to compete and win. The above article is intended to provide a quick overview, and is by far not exhaustive. Courses in the vital subject of marketing abound (including various offerings at our Malta Business School). If, however, you prefer delving further into the subject by yourself, the internet is definitely a wonderful creation.

And when you don't do any of this stuff, that's when business plans tend to not work.