Customer Focus and the Marketing Mix

Having a "customer focus"

Quite simply, a business that has a "**customer focus**" is one which takes the time and trouble to understand and address **customer needs**.

A **customer** is anyone who buys a product – either a good or a service – from a business. A customer will be **satisfied** with his/her purchase if the product meets the customer's needs. So it is essential that a business has a good understanding of what customers want and need from a product.

If customer **needs** are met, then the customer is generally **satisfied**.

The following ideas are usually considered to be fundamental in achieving customer satisfaction:

- **The product** or **service** must deliver what is promised – i.e. it must be of good **quality**
- **Sales and promotional activities** need to create a positive experience for the customer. For example, the attitudes of staff that make contact with customers should be positive and professional.
- **After-sales service** should also be positive and appropriate (e.g. user training & help lines). Customers often need reassurance after they have bought something that they have made the right choice, or help in using a product properly.

Customer expectations of good **customer service** also play a part in customer satisfaction. These expectations typically include factors such as:

- Safety and security – the product is safe to use!
- Clear and accurate information
- Legal rights are upheld
- Complaints, enquiries and suggestions are dealt with fairly and promptly
- Special needs are catered for (e.g. disability access)

Introducing the "marketing mix"

The **marketing mix** deals with the way in which a business uses four factors - price, product, distribution and promotion - to reach customers.

The marketing mix is often referred to as the **"Four P's**" - since the most important elements of marketing are concerned with:

- **Product** - the product (or service) that the customer obtains
- **Price** - how much the customer pays for the product
- **Place (distribution)** – how the product is distributed to the customer

- **Promotion** - how the customer is found and persuaded to buy the product

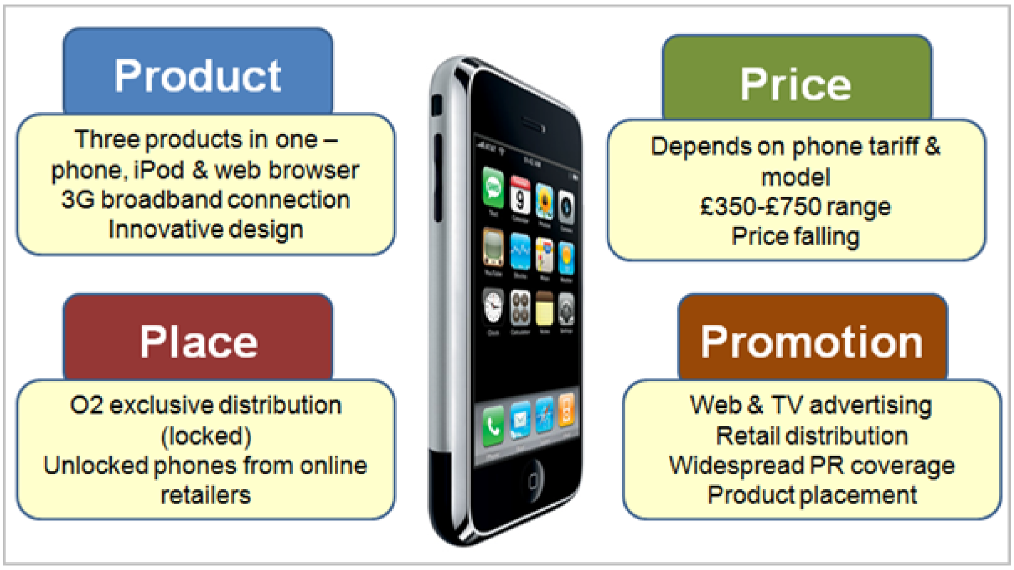
It is known as a "mix" because each ingredient affects the other and the mix must overall be suitable to the target customer.

For example:

- High quality materials used in a **product** can mean that a higher **price** is obtainable
- An advertising campaign carried in one area of the country (**promotion**) requires **distribution** of the product to be in place in advance of the campaign to ensure there are no disappointed customers
- **Promotion** is needed to emphasise the new features of a **product**

The marketing mix is the way in which a marketing strategy is put into action - in other words, the actions arising from the marketing plan.

An example of the marketing mix in action can be seen from this example of the launch of the Apple iPhone back in 2008:



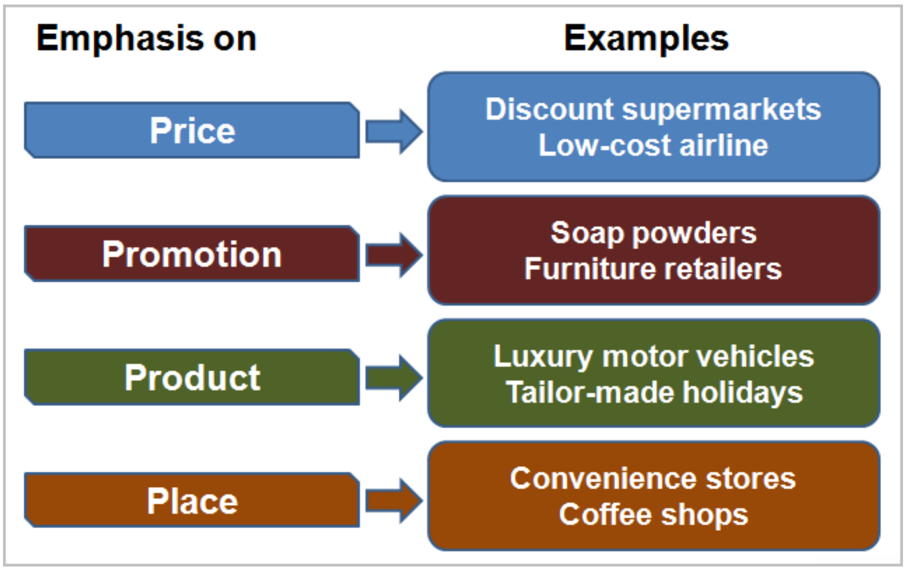
An effective marketing mix

An effective marketing mix is one which:

- Meets customer needs
- Achieves the marketing objectives
- Is balanced and consistent
- Allows the business to gain an advantage over competitors

The marketing mix for each business and industry will vary; it will also vary over time.

For most businesses, one or two elements of the mix will be seen as relatively more important than the others, as illustrated below:



Products

Products are at the heart of the marketing mix. The product needs to exist for the other elements of the mix to happen.

What is a product? A product is:

"Anything that is capable of satisfying customer needs".

This definition therefore includes both:

- **Physical products** – e.g. trainers, games consoles, DVD players, take-away pizzas
- **Services** – e.g. dental treatment, accountancy, insurance, holidays, music downloads

A product is often said to have three main elements:

Core benefits	What the product actually does - the main functions of the product • E.g. washing machine – it cleans clothes • Cinema ticket – it lets you see a film
Tangible or physical element	What the product is made of; what it looks like; dimensions or duration • E.g. 500g of ice-cream • A flat-screen, plasma television which is HDTV compatible
Other product benefits	The extra elements which add to the perceived value of the product in the eyes of the consumer. Other product benefits can be tangible (e.g. materials, weight, extra features) or intangible (e.g. brand name, after-sales service, reputation for reliability)

Promotion

It is a common mistake to believe that promotion by business is all about advertising. It isn't. There are a variety of approaches that a business can take to get their message across to customers, although advertising is certainly an important one.

Promotion is all about communication. Promotion is the way in a business makes its products known to the customers, both current and potential.

The main aim of promotion is to ensure that customers are **aware** of the existence and positioning of products. Promotion is also used to **persuade** customers that the product is better than competing products and to remind customers about why they may want to buy.

It is important to understand that a business will use more than one method of promotion. The variety of promotional methods used is referred to as the **promotional mix.**

Which promotional methods are used depends on several factors:

Stage in the life cycle	E.g. advertising is important at the launch stage
Nature of the product	How much information is required by customers before they buy
Competition	What are rivals doing?
Marketing budget	How much can the firm afford?
Marketing strategy	Other elements of the mix (price, product, place etc)
Target market	Appropriate ways to reach the target market

The main methods of promotion are:

- Advertising
- Public relations & sponsorship
- Personal selling
- Direct marketing
- Sales promotion

A business will use a range of promotional activities for its product, depending on the **marketing strategy** and the **budget** available.

Price

Price is:

- The **money charged for a product or service**
- Everything that a customer has to give up in order to acquire a product or service
- Usually expressed in terms of £

The price a business charges for its product or service is one of the most important business decisions management make. Setting a price that is too high or too low will - at best - limit the business growth. At worst, it could cause serious problems for sales and cash flow.

So pricing is important. The bad news for entrepreneurs is that pricing is a really tough to get right. There are so many factors to consider, and much uncertainty about whether a price change will have the desired effect.

The law of demand states that, for nearly all products, the higher the price the lower the demand. In other words, sales will fall if prices are put up. However higher prices can also mean higher profits.

There are several factors a business needs to consider in setting the price:

- **Competitors** – a huge impact on pricing decisions. The strength of competitors influences whether a business can set prices independently, or whether it has to follow the lead shown by competitors
- **Costs** – a business cannot ignore the cost of production or buying a product when it comes to setting a selling price. In the long-term, a business will fail if it sells for less than cost, or if its gross profit margin is too low to cover the fixed costs of the business.
- **The state of the market for the product** – if there is a high demand for the product, but a shortage of supply, then the business can put prices up.
- **The state of the economy** – some products are more sensitive to changes in unemployment and workers wages than others. Makers of luxury products will need to drop prices especially when the economy is in a downturn.
- **The bargaining power of customers in the target market** – who are the buyers of the product? Do they have any bargaining power over the price set? An individual consumer has little bargaining power over a supermarket (though they can take their custom elsewhere). However, an industrial customer that buys substantial quantities of a product from a business may be able to negotiate lower or special prices.
- **Other elements of the marketing mix** – it is important to understand that prices cannot be set without reference to other parts of the marketing mix. The distribution channels used will affect price – different prices might be charged for the same product sold direct to consumers or via intermediaries. The price of a product that is old or out-dated cycle will need to be much lower than when it was first launched.

Place (distribution)

Place (or its more common name "distribution") is **about how a business gets its products to the customers**.

It is one thing having a great product, sold at an attractive price. But what if:

- Customers are not near a retailer that is selling the product?
- A competing product is stocked by a much wider range of outlets?
- A competitor is winning because it has a team of trained distributors or sales agents who are out there meeting customers and closing the sale?

Distribution matters for a business of any size – it is a crucial part of the marketing mix.

The objective of distribution is clear. It is to:

To make products available in the right place at the right time in the right quantities

Distribution is achieved by using one or more **distribution channels**, including:

- Retailers
- Distributors / Sales Agents
- Direct (e.g. via e-commerce)
- Wholesalers