Unit 1. MARKETING MIX

Contents :

Meaning & Definitions, Four P's of Marketing Mix : Product, Price, Promotion, Place, Product

A) product-Meaning – product quality, product design, product features, Difference between brand name and trade mark, after sales service, packaging- Role and functions of packaging

Meaning and Definitions of Marketing Mix

While doing market planning, the marketing manager of a company obtains marketing information to assess the situation. He does the market segmentation on the basis of such information and sets the marketing objectives to be achieved through the satisfaction of needs and wants of the consumer population in these market segments. For each segment of market, he formulates a marketing programme to cater the needs of consumers. *A combination of marketing methods and activities, integrated into a marketing programme to achieve marketing goals through satisfaction of consumer needs in a market is called marketing mix.* A marketing mix is made of four elements, namely (1) Decisions on product or services, (2) Decisions on price, (3) Decisions on promotion and (4) Decisions on distribution of goods and services to the place of consumer.

The concept of marketing mix was evolved by **Prof. N.H.Barden** of Harward Business School of America. In his words, marketing mix refers to two things.

(a) a list of important elements or ingredients that make up the marketing programme and

(b) the list of forces having bearing on marketing operations.

According to **Mr. Jerome McCarthy,** *"Marketing mix is a pack of four sets of variables, namely product variable, price variable, promotion variable, and place variable".*

In simple words marketing mix means a marketing programme that is offered by a firm to its target consumers to earn profits through satisfaction of their wants. Such a marketing programme is a mixture of four ingredients, namely Product mix, Price mix, Place (Distribution) mix and Promotion mix.

Product mix indicates the decisions of the firm regarding the product design, product range, product packing, product quality, product branding, product labeling and after sale service.

Price mix reflects the managerial decisions of the business pertaining to pricing policies and strategies, terms of credit, terms of delivery, margin of profit, discount and allowances.

Place (Distribution) mix is made up of managerial decisions about the channels of distribution, transportation, warehousing and inventory control.

Promotion mix covers variables such as personal selling, advertising, publicity, sales promotion, public relations, trade fairs and exhibitions used in promotion of sales.

Four P's of Marketing

The term Marketing Mix, popularly known as 4P's, was given by Jerome McCarthy. He classified the marketing mix into four heads beginning with the alphabet 'P', namely (1) Product, (2) Price, (3) Promotion, (4) Place (Physical Distribution) as shown in the following figure.

Let us discuss these 4 elements of marketing mix in detail.

(1) Product

Product is the main element of marketing. Without a product, there can be no marketing. *"A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need'',* says **Philip Kotler**. According to **Alderson**, *"Product is a bindle of utilities, consisting of various product features and accompanying services".* A product stands for the organization's offer to the market place. It provides physical comfort and psychological satisfaction to the buyers. It may be both tangible or intangible. *Tangible product* is one that can be seen and touched in its physical presence. The examples are - garments, shoes, mobiles, vehicles, soaps, vegetables, etc. *Intangible product* is one that cannot be seen and touched, but can be felt. It is in the form of services. The examples of intangible products are - education, medical care, insurance, banking, travel and transport, holiday resorts, etc.

Product is the most important element of marketing mix. Hence, the marketing manager has to put all his efforts in framing marketing strategies of its product offered to the market. In doing so, all the sub-elements of product are to be considered. The sub-elements (or variables) of product are - product design, product range, product line, product package, product features, product quality, product branding, trade mark, labeling, after sale services and guarantees, etc. A proper combination of these sub-elements gives a product its ability to succeed in market. Product strategy also covers the marketing decisions about product modification, product simplification, removal of non-profitable products, etc.

(2) Price

Price is the value of a product expressed in monetary terms. It is the amount charged for the product. According to **Philip Kotler**, *"Price is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service."*

Price is the second element of marketing mix. The product has to be adequately priced. Price is the only element that brings revenue to the business. The other elements of marketing mix, such as product, promotion and physical distribution involve expenditure. Hence, pricing should be done with utmost care .The factors considered while determining the prices are target customers, price elasticity of demand, cost of production, level of competition, government restrictions on price, if any, and social responsibility of business. A proper pricing policy in different market conditions determines the acceptance of the product by the customer. The sub-elements of price are - price level, pricing policies, margin of profit, terms of credit, terms of delivery, rebates and discounts, resale price, maintenance, etc.

(3) Promotion

An excellent product with competitive price cannot achieve a desired success and acceptance in market, unless and until its special features and benefits are conveyed effectively to the potential consumers. Promotion does the task of effective and persuasive communication of the product features and benefits to the potential consumers. Promotion is a process of communication that informs influences and persuades a potential consumer to buy the product or service. It is the third essential ingredient of marketing mix. The sub-elements of promotion are - personal selling, advertising, publicity, sales promotion, public relations, trade fairs and exhibitions, etc. Promotion strategies include decisions on budgets, theme, media selection, timing, proper evaluation of the promotional effectiveness and appropriate feedback system to facilitate market research.

(4) Place (Physical Distribution)

An excellent quality product, with the competitive price structure, backed up by efficient promotional activities, will be a waste if it is not moved from the place of production to the place of consumption at an appropriate time. The fourth element of product mix, namely place or physical distribution does this work of carrying products at the place of consumption at right time. Place or distribution activities add value to the products by creating time, distance and possession utilities. It makes the products easily available to the consumers, whenever and wherever they want to buy. The sub-elements of place (or physical distribution) are - channels of distribution, transportation, and warehousing and inventory control.

Thus, marketing mix is the proper combination of the above four ingredients. The business firms use such a mix to achieve desired level or turnover in the target market. The marketing mix should be regularly revised in order to meet the requirements of changes in the marketing environment of the business. Changes in the customer, preferences also call for alterations in the marketing.

A) Product: **Concept of Product**

A product is the basic element of marketing mix. The word 'Product' has several meanings. In our day-to-day life, we use many, goods, such as food-grains, garments, soaps, toothpaste, books, watches, fans, vehicles, stationery, etc. All these goods are called products. But according to marketing science, the term product includes not only the goods but also the services, ideas, and several other features of products such as quality, style, brand, warranties and after-sale services, etc. In order to have a clear understanding of the term 'product', let us study the important definitions of 'Product' as under:

(1) "A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need: it includes physical objects, services, personalities, organizations and ideas." **(Philip Kotler)**

(2) "Product is a bundle of utilities consisting of various features and accompanying services." **(Alderson)**

(3) "The product is the sum total of three things the intrinsite characteristics, its material and constuction, its ability to perform; the extrinsic characteristics, its packaging, brand or trade mark and the intangibles associated with it." **(Prof. Harry L. Hanson)**

Thus, from the above definitions, a product can be described as a bundle of utilities that provide physical comfort and psychological satisfaction to its buyers. The product may be goods, services, or just an idea. The term product refers to its features, quality, style, brand name and image, packaging, warranties, after-sale service and other accompanying attributes.

To a consumer, the product is anything, which satisfies his needs, starting from primary needs to esteem needs.

To a marketer, the product is a bundle of attributes that can bring returns through satisfaction of needs of market.

To examples of products are:

(1) *Goods* like food-grains, stationery, garments, scooters, fans, cars, computers, etc.

(2) *Services* like banking, education, health care, travel, transport, movies, software, etc.

(3) *Ideas* like insurance plan, shares, mutual funds, etc.

Thus, product is not only a tangible entity. Even intangible services and psychological attributes such as brand, prestige, image, etc., which consumer looks for and marketers provide in these tangible items, are also an integral part of a product.

Product Quality- the modern marketing philosophy emphasizes that customer needs be satisfied through a product at some price. Quality is one of those aspects that contribute to customer satisfaction. The marketer must know what quality the customer really want and adjust his/her product in such fashion. e.g. if a manufacturer of refrigerator wants to sell his/ her product, he /she must find out the requirements or criteria of quality (here a durable compressor with no sound space arrangement of trays, colour, finish and design) and must deliver the promised quality. i.e. the qualities must be physically present in the product.

When a customer speaks of a 'quality product' he generally means a high priced item. Most consumers cannot afford to purchase high priced item, however so they are willing to settle for products that have satisfactory quality. They take into consideration the expenses of use and maintenance as well as the purchase cost.

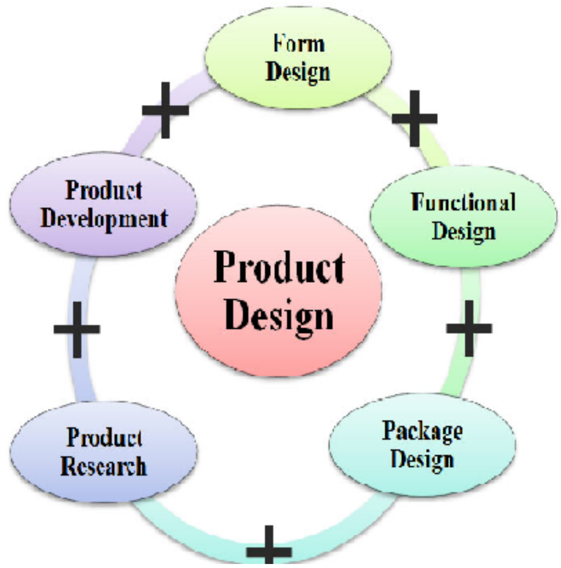
A manufacturer wants his products to be of the finest quality possible, so that he can sell them. He balances the cost of quality against the benefits, (i.e. increased sales) to be derived from the products. Because of product quality the manufacturer may enjoy large sales and good customer relations. Selling goods of low quality is not in the producer's best interest because funds the customers must spend for maintaining and repairing existing items cannot be used to purchase new items.

Investment for quality is an investment to improve company reputation and repeat sales. In many cases no extra cost is required at all in raising the quality level of a product to a competitively acceptable level. The production cost may actually decline if one consider the indirect cost of product warranty and repair.

Product Design- A product design indicates its usefulness as well as its attractiveness. The product design is the first step in the production process. *Product design is the translation of intellectual wisdom, requirements of the entrepreneurs, or needs of the consumers etc into a specific product.*

Product design is concerned with the efficient and effective generation and development of ideas through a process that leads to new products. product designers conceptualize and evaluate ideas, making them tangible through products in more systematic approach. Their role is to combine art, science and technology to create tangible three-dimensional goods. This evolving role has been facilitated by digital tools that allow designers to communicate, visualize and analyze ideas in a way that would have taken greater manpower in the past. Product design is sometimes confused with industrial design, industrial design is concerned with the aspect of that process that brings that sort of artistic form and usually associated with craft design to that off mass produced goods.

The meaning of product design is depicts in the following diagram.



Product design includes form design, functional design, package design, and product research and product development. Form design means the shape and appearance of the product functional design means the working of the product. That is, how the product works. It is very important because the product will sell only if it works as expected. Package design –an eye-catching attractive package lures customers to try a product, this increases sales.

Ideas for products may come from consumers, salespeople, engineers, competitors, trade associations, advertising agencies, or any number of other sources. Once a product has been approved, it must be designed, made, tested, revised, and retested. It may be subject to test marketing (sold or given away in a few places) before being put on the market generally.

Product Features

The important features of product are:

(1) Tangible Features: A product (like soap, car, jewellery, etc.) has some physical features such as shape, size, colour, weight etc. It can be touched, seen and its physical presence can be felt. It is made up of materials like stone, wood, plastic or metal.

(2) Intangible Attributes: - A product may also be in intangible form. It may not be seen or touched, but can only be felt. It may be in the form of a service such as education, health care, bank, travel, transport, beautician, etc. These services may be brought exclusively or may be associated with physical products like repairs and maintenance, free-servicing after buying an automobile vehicle.

(3) Association Features: - Product may have associated attributes to facilitate its identification and acceptance by buyers. Such attributes may be a brand name, package, warranty, credit terms, delivery terms. For example, Hindustan Lever has detergent powder with brand names Surf, Wheel, Rin, Maruti Udyog has cars with brand names Maruti-800. Zen, Swift, Wagon R.

(4) Exchange Value: For marketing purpose, every product, whether tangible or intangible, should have an exchange value and should be capable of being exchanged between buyer and seller, for mutually agreed consideration.

(5) Consumer Satisfaction: - The product should be able to satisfy the consumer need. Satisfaction can be both real and psychological. For example, when we use eatables, clothing, medicines, we get a real satisfaction, whereas when we purchase insurance plan, services of travel agency or beauty parlor we derive psychological satisfaction.

(6) Business Need Satisfaction: - The product should also be able to satisfy business needs as well as societal needs. The basic need of the business is profit, whereas the basic needd of society is satisfaction of individual and social needs of people. Every product brings the profit for the marketer through satisfaction of human wants and desires.

Branding-

Introduction- The physical product is only a part of the product image. It cannot stand alone before the potential buyer. There are 4 elements that surround the product to give us a complete product concept. These are:

1. Branding 2. Packaging 3. Product Guarantee and Warranty, and 4. Service.

There four elements are the vital marketing tools in any marketing programme to secure the desired market share in a competitive market.

1. Branding- Branding is process. It covers various activities such as giving a brand name for a product, designing a brand mark and established and popularizing it.

Brand Name – According to American Marketing Association, “Brand name is a part of a brand consisting of a word or group of words comprising a name which is intended to identify the goods or services of a seller to differentiate them from those competitors”

In other words a brand name consists of words which may be pronounced e.g. Usha, Fans, Godrej etc.

Brand Mark: A brand mark is that part of the brand which appears in the form of a symbol, design or distinctive coloring or lettering. It is recognized by sight, but not pronounceable. It is designed for easy identification of the product. E.g. the picture of 'Gopuram" of Tamil Nadu Tourism and Development Corporation.

Types of Brand-

1. Individual Brand Name- Each product has a special and unique brand name. A firm may decide upon a policy of adopting distinctive brands for each of its products. E.g. Surf, Aspro, etc. The manufacturer has to promote each individual brand in the market separately. This creates a practical difficulty in promotion.

2. Family Brand Name- When a firm is making many lines of products and each line of product is given a particular brand name it is called family brand. e.g. 'Amul' for milk products, 'Ponds' for cosmetics etc. Family brand name can help combined advertising and sales promotion

3. Umbrella/Company Brand: When all the products of a company have the name of the company as a band name, such brand name is known as umbrella brand or company brand. All the product of Godrej Company- soap, furniture, typewriter etc. has only one brand name 'Godrej'

4. Combination Device: Tata house is using a combination device. Each product has an individual name but it also has the umbrella brand to indicate the business house producing the product, e.g. tata's Tej Under this method, side by side with the product image, we have the image of the organization also. Many companies use this device profitably.

5. Private or middleman's Brands: in this type of brand the manufacturer introduces his products under the distributors brand name. in India, this practice is popular in the woolen, hosiery, sports goods market. The manufacturer merely produces goods as per the specifications and

requirements of distributors and he need not worry about marketing. Middlemen enjoy more freedom in pricing products sold under their own brands.

Trade Mark-A trademark is a registered brand or trade name. It can include any combination of a name, slogan, logo, sounds or colors that identify the company or its products or services.

Purpose

The goal of a brand name is to provide an easy to recognize and remember name that evokes a positive response in consumers. For example, many shoppers prefer to buy "brand name" products as opposed to the generic kind because of their perceived value.

A trademark provides legal protection of the brand name. Through registration, the company is able to seek legal action against others who copy or use the brand without permission.

What is the difference between Brand and Trademark?

• A brand is developed over a course of time with consistent quality that is appreciated by customers.

• A trademark is granted by trademark and patent office, and is a legal device that protects the owner in case of unlawful use of the trademark.

• Brand helps in identification of the product and the company, while trademark helps in preventing others from copying.

• If a brand has not been registered, anyone can copy it, and there is no provision of any penalty, while in case of trademark violation, there is severe penalty.

Advantages and Disadvantages of Branding

Advantages to Buyers

1. A brand name denotes uniform quality. With it, the consumer has the assurance of quality when he buys the products having a particular name.
2. Brand names make shopping easier. The customer has to spend less time and energy in buying, as brand names make product identification easier, moreover the customer has to go to the market and buy the products for the brands he prefer without wasting time.

3. Competition among brads can and does, in due course of time, lead to quality improvement.
4. Purchasing a socially visible brand gives immense psychological satisfaction to the buyer.

Disadvantages to Buyers

1. The product price tends to go up.
2. Manufacturers, taking advantages of the popularity of their brand names, may reduce the quality gradually.
3. Branding creates confusion, consumers are not able to decide which brand is the best in quality, because al l the brads claim to be the best ever in quality.

Advantages to Manufacture

1. Branding is means of product identification.
2. In a highly competitive market, brand names can carve out niches for themselves through product differentiation.
3. If brand loyalty can be developed through successful promotion, the sellers will be able to exert quasi-monopolistic power.
4. Brand makes recall easier. The stronger the brand, the stronger its recall among the people.

After sales service/product support service

Customer service is another element of product strategy. Now a day's more and more companies are using product support service as a major tool in gaining competitive advantage. A company should design its product and support service to profitably meet the needs of target customer. The first step is to survey customers periodically to assess the value of current service and to obtain ideas for new ones. Once the co has assessed the value of various support service to customers, it must next assess the cost of providing these service. It can then develop a package of service that will both delight customers and yield profits to the company.

Many companies are now using the internet and other modern technologies to provide support services that were not possible before. Using the web, 24 hour telephone help lines, self- service centers and other digital technologies, companies are now empowering consumers to tailor their own service and support experiences.

Why After Sales Service ?

After sales service plays an important role in **customer satisfaction and customer retention**. It generates **loyal customers**. Customers start believing in the brand and get associated with the organization for a longer duration. They speak well about the organization and its products. A satisfied and happy customer brings more individuals and eventually more revenues for the organization. After sales service plays a pivotal role in **strengthening the bond between the organization and customers**.

After Sales Service Techniques

- **Stay in touch with customers**- Sales Professionals need to stay in touch with the customers even after the deal. Never ignore their calls.
- **Give them the necessary support**. Help them install, maintain or operate a particular product. Sales professionals selling laptops must ensure windows are configured in the system and customers are able to use net without any difficulty. Similarly organizations selling mobile sim cards must ensure the number is activated immediately once the customer submits his necessary documents.
- **Immediate exchange service-** Any product found broken or in a damaged condition must be exchanged immediately by the sales professional. Don't harass the customers. Listen to their grievances and make them feel comfortable.
- **Create a web-site-Create a section in your organization's website where the customers can register their complaints**. Every organization should have a toll free number where the customers can call and discuss their queries. The customer service officers should take a prompt action on the customer's queries. The problems must be resolved immediately.
- Feedback from customers-Take **feedback** of the products and services from the customers. Feedback helps the organization to know the customers better and incorporate the necessary changes for better customer satisfaction.

- **Ask the customers to sign Annual Maintenance Contract (AMC) with your organization**. AMC is an agreement signed between the organization and the customer where the organization promises to provide after sales services to the second party for a certain duration at nominal costs.
- **Transparent exchange policies**-The exchange policies must be transparent and in favour of the customer. The customer who comes for an exchange should be given the same treatment as was given to him when he came for the first time. Speak to him properly and suggest him the best alternative.

Benefits of after sales service-

1. Creates Goodwill- After sales service can build up and maintain seller's good will.
2. Satisfy consumer needs--grievances regarding servicing and maintenance will be promptly and efficiently dealt with by the seller. Customer satisfaction is the master key to further sales and growth.
3. Increases Sales and profit- company will achieve remarkable success if after sales service is included in sales promotion.
4. Helps to sale industrial goods-Free service during the guarantee period is the best selling point in the sale of machinery and appliances.

Packaging-

1. Introduction- Packaging is the process of containing the product in bottles, plastic bags, wrappers, paper cartoons and boxes etc. Useful information regarding the product, its contents, weight, size, price, constituents, usage necessary instruction about the usage and storing the product must be recorded on the package. Package reduces the risk of wastage, spoilage, leakage and evaporation etc. in the process of transportation and storage.

2. Definitions-

1. William Stanton-"Packaging is the general group of activities in designing the containers or wrappers of the product."

2. Philip Kotler-" Packaging as all activities of designing and producing the containers for the product, which is concerned with the protection, economy, convenience and proportional considerations of the product."

Functions/ role of Packaging

1. **Protection**-The fundamental function of packaging is to protect it from sun, rain, insects and atmospheric contracts etc. packaging maintain the product fresh and enhances its life.
2. **Easy identification**-Every producer has its own distinct packaging, different from other with respect to design, size, color and other specification packaging helps-us in the easy identification and immediate picking up of the product.
3. **Convenience**-Packaging provides convenience in the transportation and storage of the product. It is convenient for the consumers to use these products. Packaging of Frooti Juices facilitates their consumption. Packaging, no doubt helps us in the safe and convenient handling and storing of the product.
4. **Sales promotion**-It is rightly said that packaging works as silent, salesman. It catches the attention of customers, who pick up the product, go through its description and are induced to purchase the product. Self service is becoming more and more common in the field of shopping, where the customer picks up the product himself and makes its payment on the counter. Packaging in these circumstances promotes the sales.
5. **Innovative ideas**-The producers sometime develop innovative ideas about packaging which promotes their sales. For examples, shampoo, tomato ketchup, surf, sugar, milk, oil etc., are sold in small pouches. In addition to the above functions packaging facilities branding of the product. Empty packages have their resale value for customers. Packaging builds image of the product and its producers. The effective packaging is the source of prestige to its producers. Packaging continues to be more important in the modern growing completion, open, display of the product and self service of the customers.
6. **Economy-** package provides various economies both to the producers and to the consumers. Well packed products are fresh, clean and intact. Therefore, monetary loss is prevented. Moreover, whenever possible, containers should be so designed that they may be useful for further use-domestic or re-use.

7. **Self service-** the package is capable of performing many of the sales tasks. It must attract attention, describe the producers' features, give the consumer confidence and make a favourable overall impression.

Kinds of packaging-

1. **Consumer Packaging-** a consumer package is a kind of package which holds the required volume of product for the household consumption. E.g. tooth paste, shoe polish, face powder etc. sometimes the same article may be packed in larger volume for office or factory purpose. E.g. oil, ink, gas etc.
2. **Family packaging-** The product of a particular manufacture when packed in an identical manner is known as family packaging. The shape, color, size etc. of packaging will be similar for all his products. In such a case of packaging methods, materials used for packaging the appearance etc. will be one and same for all the products of a manufacturer. For example- Asian paints company packs all its products is similar type of packing.
3. **Re-use packaging**- re-use packaging is also known as dual package. Packages that could be used for some other purposes after the packed goods have been consumed is known as re-use packaging. E.g. the glass of Nescafe instant coffee.
4. **Multiple Packaging-** the practice of placing several units in one container is known as multiple packaging. Johnson's Baby care set.

B.Price- Meaning, Importance of price in the marketing mix, factors affecting price of a product / service.

Introduction- Pricing decisions have strategic importance in any enterprise. Pricing governs the very feasibility of any marketing programme because it is the only element in a marketing mix accounting for demand and sales revenue. Other elements are cost factors. Price is the only variable factor determining the revenues or income. A variety of economic and social objectives came into prominence in many pricing decisions.

The term 'price' needs not be confused with the term 'pricing'. Pricing is the art of translating into quantitative terms the value of the product or a unit of a service to customer at a point of time. Pricing is a managerial task that involves setting objectives, determining the available the available flexibility, developing strategies, setting price and engaging in implementation and control.

Meaning and definition of price-

'Economist defines price as the exchange value of a product or service always expressed in money'

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'The amount in money for which something is offered for sale'.

'Price is the mechanism or device for translating into quantitative terms (Rupees and Paise) the perceived value of the product to the customer at a point of time.'

We shall define the price as the amount charged for the product or service including any warranties or guarantees, delivery, discounts, services or other items that are part of the conditions of sale and are not paid for separately

Importance of Price in marketing mix:

1. **Price is the pivot of an economy**- price policy is a weapon to realize the goals of planned economy, where resources can be allocated as per planned priorities. Price is the prime mover of the wheels of the economy namely, production, consumption, distribution and exchange. As price is a sacrifice of purchasing power, it affects the living standards of the society; it regulates business profits and hence, allocated the resources for the optimum output and distribution. Thus, it acts as a powerful agent of sustained economic development.
2. **Price regulates Demand**-marketing manager can regulate the product demand through price. Price increases or decreases the demand for the products. To increase the demand, reduce the price and increase the price to reduce the demand. Price has a special role to play in developing countries where the marginal value of money is higher than those of advanced nations.
3. **Price is competitive weapon**- any company whether it is selling high or medium or low priced merchandise will have to decide as to whether its prices will be above or equal to or below its competitors. It acts as a weapon to generate sale and repeat sale in the competition.
4. **Price is the determinant of profitability-** price of a product determines the profitability of a firm. In the firm, price is the basis for generating profits. Price reflects corporate objectives and policies and it is an important ingredient of marketing mix.
5. **Price is a decision input**- in the areas of marketing management countless and crucial decisions are to be made. Normally, profit is taken as a base for decisions. E.g. it is a decision regarding selecting product improvement possibilities; select that possibility which gives the highest price as compared to the cost.
6. **Price contribute to the revenue-**the other factors of marketing mix require to make expenditure where as price adds earnings to the company. So by keeping prices at appropriate level, company can earn more profit.

7. **Price is flexible-** the company cannot make changes in product and distributions as per our convenience. But we can change price depending upon competition, demand, government policies etc.
8. **Price reflects the quality of the product** –a low price may suggest an inferior or average quality of the product. The customer may go under the impression that the product will perform very poorly. Conversely too high price may not be justifiable form customers point of view. Therefore the price should be reasonable.
9. **Positioning-** this positioning statement sets the arena for identifying the major competitors of the company. Price is thus major in the sense that it can determine with whom the company is competing.

Factors affecting Price of product / service

A. Internal Factors

1. **Marketing Objectives:-** Before setting price, the company must decide on its strategy fo the product. If the Company has selected its target market and positioning carefully, then its marketing mix strategy, including price will be fairly straightforward. For example, if general motors decide to produce a new sports car to compete with European Sports cars in the high-income segment, this suggests charging a high price. The company may seek additional objectives e.g. to keep a plant going, a company may set a low price, hoping to increase demand.
2. **Marketing Mix Strategy**- price is only one of the marketing mix tools that a company uses to achieve its marketing objectives. Price decisions must be co-ordinated with product design, distribution, and promotion decisions to form a consistent and effective marketing program. E.g. producers using many resellers who are expected to support and promote their products may have to build larger reseller margin into their prices.
3. **Organization Objectives** -Some organizations are pricing their products on High Price Category because their image and **market positioning strategy** are “Market leader” and “High Quality Brands”. For example: “apple laptops”, “BMW cars”, and other high pricing products. So the organization should have a harmony of their image and their brand image in the marketplace. Although sometimes organizations tend to release a low price product of the same brand (to release a generic brand but for another target segment); for example;

if apple company released a laptops for Apple Brand, but the parts are collected from Chinese market not from apple manufacturing company, and those brands became a low price.

4. **Organizational considerations**- Management must decide who within the organization should set prices. Companies handle pricing in a variety of ways. In small companies prices are often set by top management rather than by the marketing / sales departments. In large companies, pricing is typically handled by divisional or product line managers. In industrial markets, salespeople may be allowed to negotiate with customers within certain price ranges.
5. **Costs**-costs set the floor for the price that the company can charge for its product. The company wants to charge a price that both covers all its costs for producing, distributing and selling the product and delivers a fair rate of return for its effort and risk. A company costs may be an important element in its pricing strategy. Many companies work to become the 'low-cost product' in their industries. Companies with lower costs can set lower prices that result in greater sales and profit.

External Factors affecting pricing strategies?

1. The market and demand-The costs set the lower limit of prices, the market and demand set the upper limit. Both consumers and industrial buyers balance the price of a product or service against the benefits of owning it. Thus, before setting prices the marketer must understand the relationship between prices and demand for its product.
2. Competition-All producers have to study the prices charged by the competitors while pricing. To avoid competitive pricing, a firm may decide that its product may be sufficiently different from that of the others. This is achieved through methods of advertising, branding etc. sometimes; a higher price may itself differentiate the product. This is known as prestige pricing. Sometimes the opposite also takes place.
3. Customers- A price should be affordable to the customers. The pay ability of the customer plays a very important role in price fixation of a product. This ability depends upon personal and disposable income level of employment, condition of economic progress and prosperity of people.

4. Suppliers-Raw material supply has an impact on the cost and price of the product. The costs of the raw material, regularity of supply, seasonal variations in supply, quality of raw material, delivery schedule and terms, and facility of transportation, carrying and ordering cost of inventory and backward integration has effect on cost and price of the product. Smooth, regular, continuous supply of raw material of good quality and at reasonable price helps to stabilize prices.

5. Legal factors -They are part of Macro-environmental factors, and can be considered as separate items because of the importance of legal and regulatory laws in affecting your pricing strategies. Many companies aren't capable to release their products in the marketplace (especially for multinational companies) because of the legal and regulatory influences that determine their pricing strategies. Many companies are accepting to decrease their pricing strategies to be matched with the same products in the marketplace, other are refusing to decrease their pricing strategies and finally their product became not available in the marketplace.

6. Regulatory factors-Regulatory factors should be considered while pricing. E.g. In the Pharmaceutical Market, there are Key Accounts which are belonging to Governmental sector or ministry of health sector (M.O.H.) who are obligated to decrease their pricing strategy by 50-80% to make their product available for the end-consumers in those sectors. So really the key account management and relationship marketing are playing an essential role in helping your organization to get best pricing strategies in those sectors.