

6

TOTAL MARKETING MIX

6.1 INTRODUCTION

Marketing Mix is defined as a set of marketing tools that the firm uses to pursue its marketing objectives in the target market.

The marketing mix is an essential part of the formulation of a firm's marketing strategy. In the past, the most frequently manipulated element of the marketing mix was **price**, because it is easy to manage. Texas Air, relentlessly trying to lower prices without regard for customer's needs, lost both competitiveness and money. In 1988, while the rest of America's domestic

airlines had a record breaking year, Texas Air managed to lose 3.5 market share points and \$718.6 million.

Traditionally, the marketing mix consisted of four broad categories of variables known as the 4 P's of Marketing: **product**, **price**, **place**, and **promotion**.

Product describes the product or service being offered. This includes product ideas and development, variety and assortment, quality, features, style, brand name, packaging, warranties, product logos, trademarks, public perception, as well as supporting and complementary services.

Price (also see Chapter 11) describes the price charged and terms associated with the sale, such as list price, discounts, allowances, credit terms, payment period, coupons, and sales policy.

Place is the distribution and logistics function (see also Chapter 12) that needs to be considered in making the product or service available, in particular distribution channel strategies and plans, shelf space allocation and management, inventory and warehouse management, transportation, degree of vertical and horizontal integration, service level policy and standards, facility location and convenience.

Under **promotion** we understand all promotion and communication activities associated with marketing the product or service, such as advertising, personal selling, sales promotion, and public relations, also called the **Promotion Mix**.

The traditional 4 P's are widely used as an organizing concept both in planning corporate marketing strategies and formulating implementation plans to achieve specified marketing objectives. A number of writers have suggested that the particular elements in the marketing mix will vary or should be expanded beyond the 4 P's depending on the context in which they are used. The **Expanded Marketing Mix** includes the traditional mix elements plus three new ones: **people** (participants), **processes**, and most

important of all, **provision of customer service**. The expanded marketing mix has been known as the 7 P's. Many writers refer the 7 P's as the Service Marketing Mix.

People. The limiting factor to a firm's success is far more predicated on the availability of skilled people to work in the organization than the availability of other resources such as capital or raw materials. Companies must develop a marketing plan to increase the quality of staff. The expression 'our employees are our greatest asset' is often heard, unfortunately however, this statement is often not more than a platitude. By recognizing the contribution of people to getting and keeping customers within the overall marketing mix, the company's competitive performance can be substantially enhanced.

Processes assume a separate role within the marketing mix, as process management involves the procedures, task schedules, mechanisms, activities and routines by which a product or service is delivered to the customer. Identification of process management as a separate activity is a pre-requisite to quality improvement. While the people element is important in customer service, no amount of attention and effort from staff will overcome continued unsatisfactory process performance.

Provision of customer service. Customer service is now often seen as falling in the province of the distribution and logistics function, having significance in terms of the way in which products or services are delivered and the extent to which customers are satisfied in the context of reliability and speed of delivery. Other service elements are warranties, unconditional service guarantees, intelligible instruction books and free phone-in advice centers. Service is essentially any back-up the firm gives to customers to win and maintain their loyalty. Several arguments support the choice of customer service as a separate element in the marketing mix:

- **Changing customer expectations.** In almost every market customers are becoming more demanding and more sophisticated than they have been in the past. Industrial purchasers are more

professional and make use of vendor appraisal systems. Very often they demand just-in-time delivery performance.

- **Increased importance of customer service.** With changing customer expectations, competitors are seeing customer service as a competitive weapon to differentiate their sales.
- **The need for a relationship strategy.** To ensure that a customer service strategy that will create a value, proposition for customers is formulated, implemented and controlled. It is necessary to establish customer service as having a central role and not be one that is subsumed in various elements of the marketing mix.

There is no doubt that the primary focus of marketing was and remains on the customers. More recently there has been a changing emphasis in the focus of marketing from transactional marketing that emphasizes the individual sale to relationship marketing which emphasizes long-term and lasting relationships. While a focus on gaining **new customers** is necessary to the development of any business, it is also essential to ensure that ongoing marketing activity is directed at **existing customers**. By placing too much attention on finding new customers, companies often experience the "leaking bucket effect", where customers are being lost because of insufficient marketing activity and poor customer service, such as rudeness, out of stock, untrained employees, poor quality, poor selection, and poor value. Too many companies, having secured a customer's order, then turn their attention to seeking new customers without understanding the importance of maintaining and enhancing the relationships with their existing customer group.

Some writers have utilized the **general value** of the marketing mix by suggesting that it artificially limits the scope of marketing management. It is also suggested that the new elements of the mix (physical evidence, people and process) may apply equally well to manufacturing companies.

It may be true that the marketing mix will not be the sole tool or **framework** in marketing management. These elements are mainly used to control short-

term objectives in a given target market. To make the marketing mix continually useful and important to marketing management, total quality should be added as an element of the marketing mix. Since the key objectives of marketing management are the attainment of customer satisfaction, customer loyalty and long-term customer retention, total quality and continuous improvement enable a firm to align its effort to achieve the perpetual renewal of strategic differences.

6.2 IN SEARCH OF MARKETING MIX

Historically, much of the **marketing theory** has evolved from the study of consumer markets. However, international operations of individual firms are not so much concerned with the manipulation of the "Four P's", as used in consumer goods marketing. Rather, they are concerned with reaching a critical mass in terms of the relations with customers, distributors, suppliers, public, institutions, individuals, etc.

The problem with the traditional marketing mix is that most of the elements do not reflect the value from the customer's perspective. It means that the traditional marketing mix concept is not customer-driven.

In a customer-driven organization, all the elements in the marketing mix must correspond to customer value. For example :

7 P's	7 C's
Product	Customer needs and wants
Price	Cost to customer
Place	Convenience
Promotion	Communication
Provision of Customer Service	Conformance context
Participants	Competent people
Process	Continuous improvement process

If **marketing mix** is defined as the marketing tools to pursue the marketing objectives, then one can say that most of them have failed to do so. In order to

formulate a successful marketing strategy, the marketing mix must be lined up with the customer-driven critical success factors.

In order to meet the marketing objectives, a firm must create and deliver customer value, instead of product, price, promotion and distribution. The 4 P's or 7 P's are of little importance to formulate a customer value strategy. For example, price is of no meaning unless it is benchmarked with other competitors in relation to market-perceived quality.

Customers will only look at the **quality attributes** when making their purchasing decisions. In order to formulate the marketing strategies, we have to consider first at least the following elements:

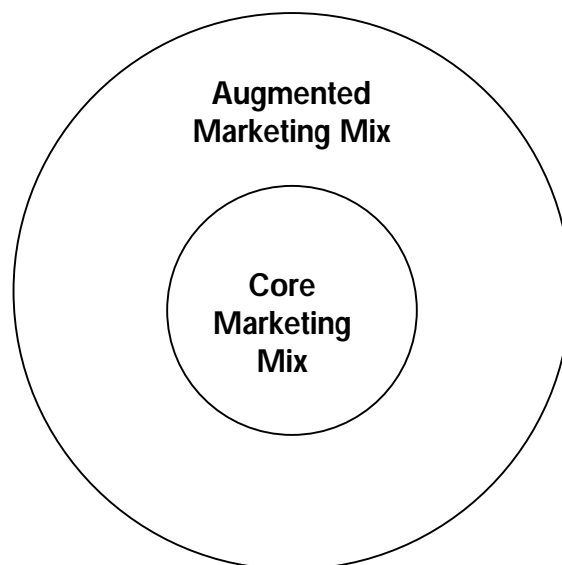
- Quality
- Cycle Time
- Flexibility
- Customer Service
- Total relationship

One of the arguments supporting the choice of the above elements as the core marketing elements is that nowadays companies are competing on capabilities, not product, price, or distribution. Capabilities are measured in terms of quality, cycle time or flexibility of the business processes. Another argument is the Need for an Interactive Strategy. To ensure that the marketing strategy will create customer value, it is necessary to establish it in such a way that it can play a central role to be interactive with various elements of the traditional marketing mix.

One can, therefore, argue that quality, cycle time, flexibility, customer service, and total relationship are the **Core Marketing Mix** to formulate a marketing strategy which creates customer value. The other elements of the traditional marketing mix could be called **Augmented Marketing Mix**.

(**Exhibit 6-1**) shows the diagram of the Total Marketing Mix. The elements of the Augmented Marketing Mix should be extended to more than the 7 P's and should include Marketing Research (fact finding and analysis) as well. Important is that they must be **customer-driven**. It means the customer must perceive value on them. To construct a total marketing mix system, we must think in terms of customer value of each element. The case of marketing mix together with the augmented marketing mix must be listed out and we should ask the customers to do the ranking and weighting of them. Depending on the nature of industry, their customer, and market conditions, different companies can compose a set of marketing mix which is meaningful to them to formulate the marketing strategy (**Exhibit 6-2**).

Exhibit 6-1 : Total Marketing Mix



Total Marketing Mix is a dynamic concept which depends on the customer value as the major marketing mix element to drive the other marketing variables towards total customer satisfaction.

This new reform is vastly more ambitious than the traditional 4 P's or the expanded 7 P's concepts of marketing mix. This concept is now broader and more dynamic. The proposed offer can be enriched as the product evolves

with time and matures on the product life-cycle and, since competitive advantages do not last long (being rapidly copied by the ever present competition), the customer gradually gets more and more value.

Exhibit 6-2 : Formulation of Total Marketing Mix System

Elements of Marketing Mix	Importance (1-100)	Weighting (0-1)	Total Score
1.			
2.			
3.			
.			
.			
.			
.			
.			
.			
.			
n			

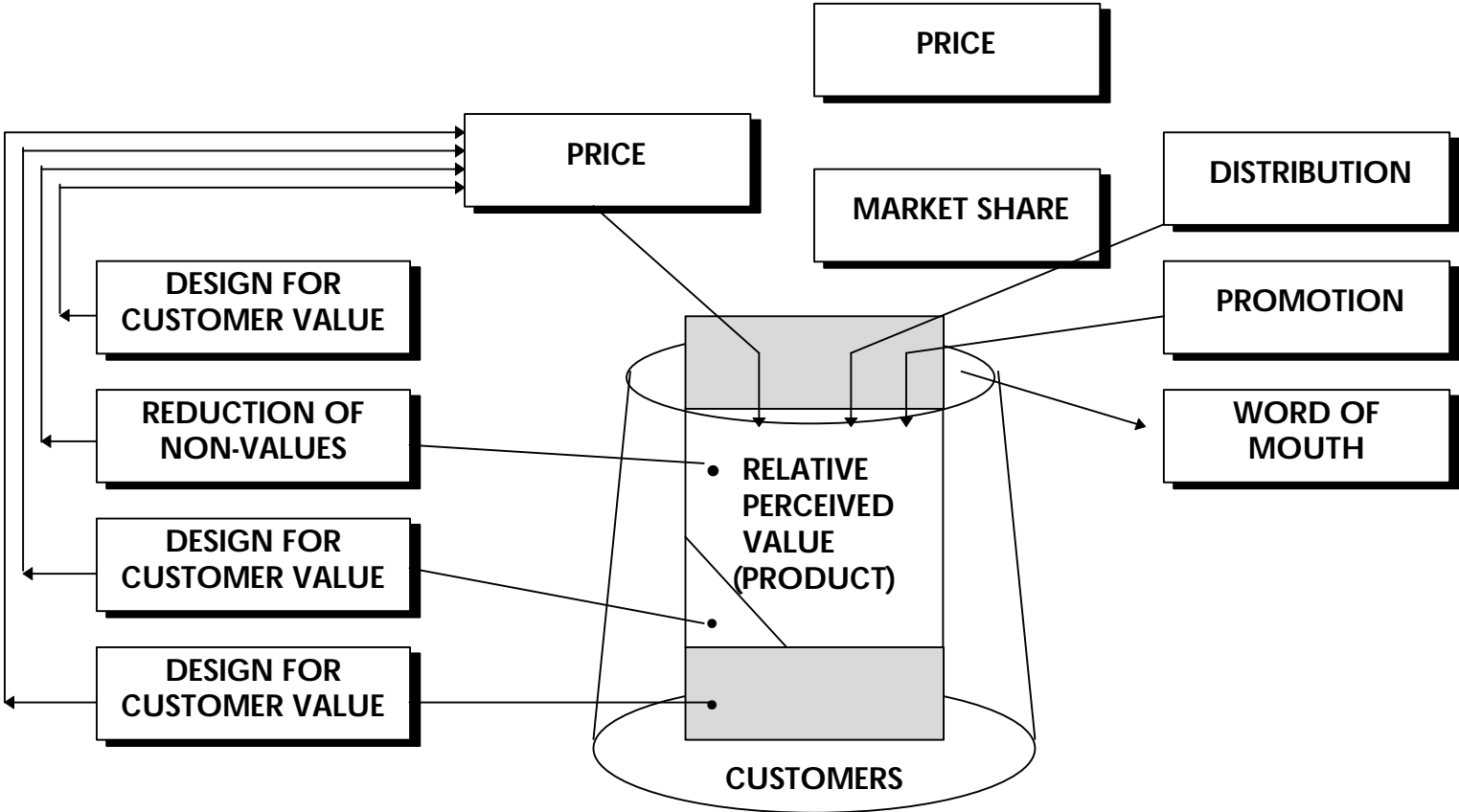
6.3 QUALITY-BASED MARKETING - QUALITY AS AN ELEMENT OF MARKETING MIX

Quality is interdependent with other mix elements from the customer point of view, quality means:

- Quality of design
- Quality of conformity
- Quality of performance.

(Exhibit 6-3) shows the quality as an element of marketing mix.

Exhibit 6-3: Quality As An Element of Marketing Mix



Quality of **product design** can be measured by the degree to which the product meets the customer expectations. Product ideas, market opportunities, new technologies, materials, skills, and competitors successes in the market are the main factors that trigger product design procedures. With the modern trend toward preventing defects as early as possible, quality planning has become increasingly useful and important. Quality starts conceptually and practically with customer requirements, with the designer translating customer's requirements into product design.

Clearly, it is never possible to satisfy all the needs of a target segment. However, a marketing manager can try to position the offer to achieve the greatest possible edge over the competition. Some quality characteristics, such as product performance, usage, and price are essential for customer satisfaction. However, if they are common to all products or services offered by the industry, they fail to create any real differentiation. Some trivial quality characteristics, called *quality plus*, might induce a customer to choose one product over another. There may be special features, add-on quality service, or customer care.

Once the product has been defined and its final quality characteristics have been specified, the next step is to go for "quality of conformity". This is the field of engineering design, industrial engineering and production. If an error, mistake or a failure appears, an inspection system will have to be set up to avoid a perceived external failure. Costs will go up due to the non-conformance, which is known as "the cost of poor quality", such as:

- Costs of detection
- Costs of internal and external defects
- Redundant or needless functions
- Wasted time
- Needless processing and procedures.

Most of the companies are not aware of the cost of poor quality that can be as high as 25% of the total expenditure. Reducing the cost of poor quality may lead to the increase of profit or the reduction in price. The marketing mix elements which are highly related to quality of conformity will be product, price, people, and process.

The customer, after having ordered and bought an item or service, expects that what the company delivers will be in accordance with the specified quality, that its performance will be accordingly adequate. However, whether the "quality of performance" will truly turn out to be adequate, remains somewhat uncertain at the point of sale. Quality of performance derives from quality of design, and quality of conformance may be further extended to the after-sale services. Many factors, foreseen and unforeseen, have a continuing impact on the quality of performance. Quality of performance is, therefore, related with all the marketing mix elements, i.e. the 7 P's. (**Exhibit 6-4**) shows the life-cycle approach to quality.

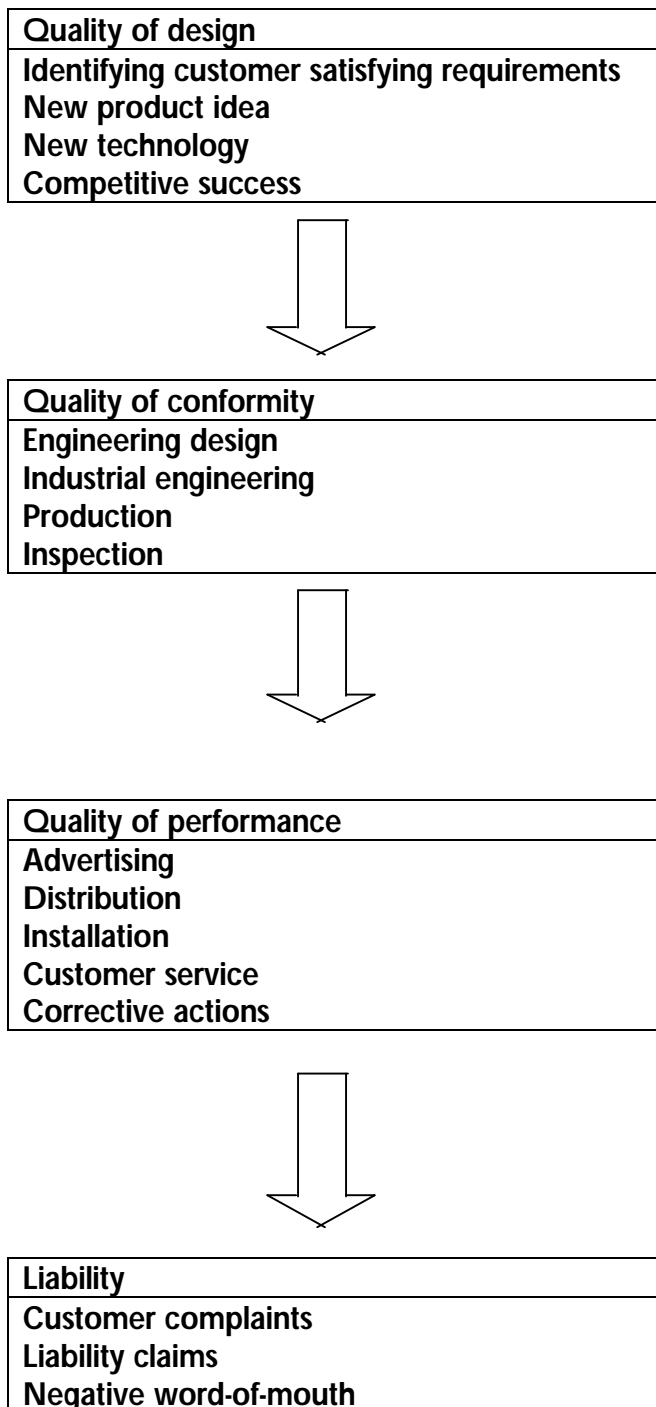
6.4 JUST-IN-TIME MARKETING TIME AS AN ELEMENT OF MARKETING MIX

In the 1980s, America rediscovered the importance of quality, and **Total Quality Management** came in suddenly. Many aggressive companies had developed a **quality-based** strategy, and declared that quality is everybody's responsibility, including suppliers of the material used to build the product. The challenge was to produce the products or services that surpassed the quality of competitors at a lower cost. Quality was the number one business strategy or priority for companies to stay ahead of competition.

Time-based strategy is the logical approach to the next frontier in competitiveness. Time-based competitors are offering greater varieties of products and services, at lower costs and in less time than are their more pedestrian competitors. Customers are locked in, competition is reduced,

sales and marketing outlays are better contained and improved prices are feasible.

Exhibit 6-4 : Life-cycle Approach to Total Quality



In the **competitive** environment, customers have become more discriminating; low product price and high product quality are taken for granted. To maintain or even gain market position in the future, the challenge is to shift the emphasis from traditional mass marketing to JIT marketing.

JIT marketing requires a firm to practice the following actions to gain competitive advantage:

1. High-quality, low-cost products.
2. On-time order delivery.
3. Ability to accommodate reasonable order sizes and delivery date changes.
4. Rapid response to requests for customized or new products.
5. Easy order entry and inquiry.
6. Correct counts, packaging and labeling.
7. Correct invoicing and appropriate payment terms.
8. Fast, accurate, and courteous response to requests for information about pricing, delivery dates, product specifications, and so on.

Just-in-time (JIT) approach is traditionally viewed as a production technique. In fact, JIT approach can be developed as a marketing tool which can lock suppliers and customers into a mutually beneficial, stable, and profitable relationship.

Manufacturing companies embracing the JIT approach tend to increase efficiency and reduce costs. JIT approach considers excess inventory as waste and focuses on reducing all types of inventories used in the production. However, reducing inventories is not the primary goal of the JIT system. The primary goal of a JIT system is to increase the productivity of a manufacturing system by eliminating all kinds of activities that add no value to a customer.

In contrast with the traditional manufacturing process, the JIT system requires a firm to seek reliable suppliers and build long-term partnerships to improve quality and processes. Buffer inventory will be reduced to a minimum by cutting lot sizes and increasing frequency of orders. Smaller lot sizes of components result in reduced inventory and dramatically diminished factory response times.

The layout in a JIT system typically follows product, rather than process lines. Instead of grouping machines by function, they are grouped into flow lines supporting similar components or products. A simple layout of this type is, of course, very helpful when components are being reduced to small batches. As a side benefit, space requirements are also reduced by sizable amounts.

To schedule production, a simple demand-pull system can be used. Material handling is more simple which can be done by locating the exact quantity required and just in time for its use. With shorter throughput times, long-term forecasting requirements are no longer necessary. Production scheduling can be done daily on a unitary basis, and allows each product to change monthly.

A JIT system offers a way to improve product quality and cycle time and to lower product cost. However, what has been missing is an awareness that a JIT system applying to marketing. To achieve the lowest total company cost, highest total quality, and superior total customer responsiveness, companies must extend the JIT approach to the marketing concept. JIT marketing involves and includes every function in the company - not just manufacturing, to do a job in the right place, at the right time, in the right quantity, and at the right quality level. Unless the cost, quality, and cycle-time required of the manufacturing operation extend to the marketing function as well, the customers' perceptions of the company will likely improve very little.

JIT marketing pushes the business strategy from downstream to upstream. Given the importance of the business cycles to the competitive posture of a

company, it is clear that reducing cycle time should be extended to the total business unit. A focus on total business cycle time is important because :

- All activities take time and cost money.
- The longer it takes, the more it costs.

Time-based competition requires a firm to reduce cycle-time and increase responsiveness. What does it mean for an individual company? It must :

- Shorten new-product introduction lead times.
- Shorten manufacturing - cycle times.
- Shorten sales and distribution lead times.
- Shorten white collar cycle times.

Meeting the responsiveness challenge well or not depends on a firm's ability to identify and shorten the four primary business cycles :

- Book / bill
- Design / develop
- Specification / source
- Purchase / produce

Becoming a time-based competitor demands major transformations in the way the traditional manufacturing firm is managed. Not surprisingly, these changes are precisely the ones required to convert the firm's operations itself to a Just-in-time system.

Marketing strategy identifies how products win orders in the market place and uses such order-winning criteria to become the task for manufacturing to achieve. Competitive advantage can be obtained by benchmarking the performance of a firm against that of the world-class competitors. JIT system

can provide an excellent framework for competitive advantage. **(Exhibit 6-5)** shows the competitive strategies and JIT system.

Exhibit 6-5 : Competitive Strategies and JIT System

Competitive Strategy	JIT System
Rapid response to cusomter needs	Flexibility, WIP reduction
Compete on quality	Increase quality
Compete on price	WIP reduction, Raw material reduction, Increased productivity, Reduced space requirements, Lower overheads
Rapid product change	Increased Flexibility

JIT marketing includes all the support functions before and after the manufacturing activities, i.e. the process for completing the book / bill and purchase / produce cycles as shown below:

1. Sales receiving and logging an order.
2. The order being transmitted to order entry for paperwork processing.
3. Order entry submitting the paperwork to credit for approval.
4. Credit approving or disapproving the order, then transmitting the order to inventory control.

5. Production control entering the order on the production schedule and returning the paperwork to sales for order acknowledgment.
6. Sales acknowledging the order to the customer and transmitting the order to traffic for entry on the shipping schedule.
7. After the order is shipped, traffic transmitting the paperwork to accounting for invoicing.

JIT marketing can lock customers into a mutually beneficial, stable, and profitable relationship by offering excellent customer service, responsiveness, and reduction of delivery times (external forward marketing).

However, it is impossible for any operation to attain a JIT status without involving the internal customers (employees) and external suppliers.

To attain a JIT status, a company needs to change the flows to eliminate travel time, distance, and handling and avoid confusion and delays. It requires numerous customer / supplier relationships when responsibility for cost, quality and responsiveness is shared. In fact, every employee is both a supplier and a customer. Customers receive **work** from suppliers, perform their task(s), and supply their **product** to the next customer. Such relationships are often obscure because internal customers and suppliers independently perform tasks that constitute a process.

It is the top management's responsibility to develop the internal customer-supplier relationship and **remove** functional **barriers** to organizational effectiveness. Top management should not only focus on the external marketing, but also extend the look into the "internal marketing" by empowering the employees to better understand internal customer-supplier relationship so as to reduce cost, increase quality and responsiveness.

JIT marketing depends on the **process capability** of the manufacturing, in terms of cost, quality and responsiveness. A quality supplier is a vital part of JIT system. The key for a supplier to deliver parts of perfect quality, at exactly the time they are needed in the process, is developing a partnership with that

supplier. Equally important is the need to create an efficient information system to give quality and delivery-feedback to the supplier. A successful supplier's quality program is like a long-term marriage that requires commitment on the part of both parties to succeed. To meet the external customer requirements, the supplier should be integrated into the customer value-delivery system in a reverse situation. External reverse marketing looks into the external supplier relationship under the supply chain.

6.5 CUSTOMIZED MARKETING FLEXIBILITY AS AN ELEMENT OF MARKETING MIX

Flexibility means being responsive to change, adaptable, capable of variation or modification. There are five primary sources of variability that may require an organization to be flexible: (1) demand variability, (2) supply variability, (3) new product introduction or product variability, (4) new introduction or process variability, and (5) work-force and equipment variability.

Quality means **conforming** to customer requirements. In a highly competitive environment, a firm must be able to satisfy the needs of each individual customers. It means that if a firm has 5,000 customers, it has to customize 5,000 kinds of products or services to meet the individual needs of the 5,000 customers. It is often called "mass customization".

As attention to the customer grows, there are more and more differences between different market segments. This increased product variety diffuses production volume, nullifying economies of scale. Product life cycles become shorter. In the extreme situation, when the market segment is equal to one, there will be no product life cycle. It means that the life of a product will be finished once it is produced to a particular customer. No products will be the same.

Therefore, a company can no longer rely on **continued cost reductions** during the product's manufacturing process. Processes suitable for products in one

stage of the life cycle do not apply to products in another stage. The importance of any individual product decreases, because of the availability of many products.

Under the following market conditions a **customized marketing** approach has to be used to differentiate a firm from the other competitors:

- Customers require more customized products and service.
- The new challenges are numerous, discontinuous, diverse, and coupled.
- Change becomes less predictable and surprise becomes frequent.

This flexibility-based marketing strategy allows a firm to respond effectively to changing circumstances, including:

- Product flexibility
- Process flexibility
- Volume flexibility
- Mix flexibility
- Design-change flexibility
- Expansion flexibility
- Job flexibility
- Operation flexibility
- Routing flexibility
- Parts flexibility
- Program flexibility

- Machine flexibility

The following are different strategies for customized marketing :

1. **Customize Service around Standardized Products and Services.**

For example, "Worldlink" is a customized service provided by Northwest Airlines to its first and business - class passengers with an interactive entertainment center built into the armrest or seat (using headphones, a touch-sensitive screen or a joystick) in front of them. They can also make telephone calls from their seat.

2. **Create Customizable Products and Services.**

For example, Steelcare Inc. created a line of office chairs, that are continuously customizable across six dimensions: black height, arm height, foot ring height, back angle, seat angle, and arm width, customers can also customize the chairs with a number of other options.

3. **Provide Print-of-delivery Customization.**

For example, Progressive Corporation implemented a new claims system for its insurance customers. Adjusters are using vans with PCs and modems, fax machines, and cellular telephones. All are linked to a central dispatch unit. When an accident occurs, the policyholder calls a 24-hour claims hotline and the adjuster will come within two hours. The claim is processed in the field and, in most cases, the policyholder has a check within three hours.

4. **Move all Production to the Customer.**

For example, Domino Pizza is producing pizzas on the way to the customer's home in specially designed delivery vans. A

national toll-free number automatically routes the order to the closest location, anywhere in the United States.

5. **Modularize Components to Customize Products and Service.**

For example, some companies can produce customized products by keeping a minimum level of inventory in different types of modularized components; according to the analysis of customer requirements. Once a customer places an order, the company can pick up the different modularities immediately to customize the product.

In **mass customization**, product life cycles diminish, new products and services are quickly developed, variety is constantly proliferated, and customization occurs with each sale.

The characteristics of a **customized marketing** are as follows :

1. Differentiate the market segment by customized products and services.
2. Delight the customers by modular-structure, customer-built products and services.
3. Treat customers as long-term partners.
4. Serve ever-smaller niche markets, even quantities of one without increasing costs.
5. Practice one-on-one marketing promotion programs.

Usually, to practice **customized marketing** a firm needs to re-design the organizational architecture with the ability to make rapid design, volume, and product mix changes through autonomous groups and flexible systems. It requires an integrated effort of different functions to emphasize flexibility,

while maintaining quality and delivery standards. It also requires the following Human Resource Strategy :

- Increased emphasis on knowledgeable, highly trained and empowered workers.
- Increased emphasis on creativity and multi-skills.
- More cross-functional task forces.
- Institute leadership and ownership of process.
- Performance appraisals reflect long-term and group-based achievements.
- Develop long-term partnerships with employees.