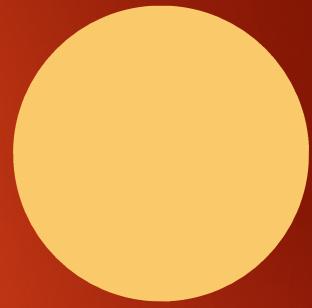


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Marketing Mix

JENNIFER DEBOER AND VILBERT VABI



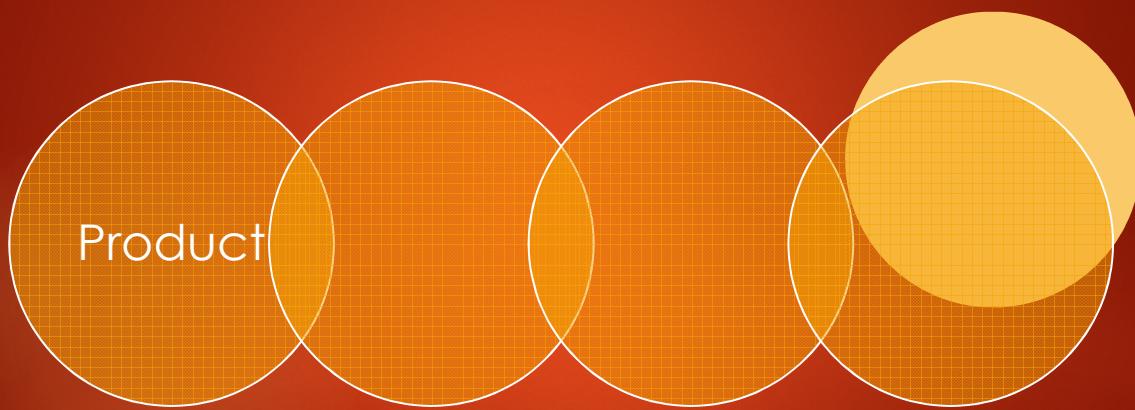
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Marketing Mix (4 P's)



Marketing Mix (4 P's)

3



Product Definition

4

- ▶ **A product can be a tangible good or an intangible service that fulfills a want or need of customers.** Whether you sell plywood or provide ecotourism accommodations, it is imperative that you have a clear understanding of exactly what your product or service is and what makes it unique before you can successfully market it.

- ▶ **Products tend to fill a customer's need or want, which businesses can use to sell a product.** A service is more about selling a relationship and the value of the relationship between the buyer and seller of the service.

Forest Product Context

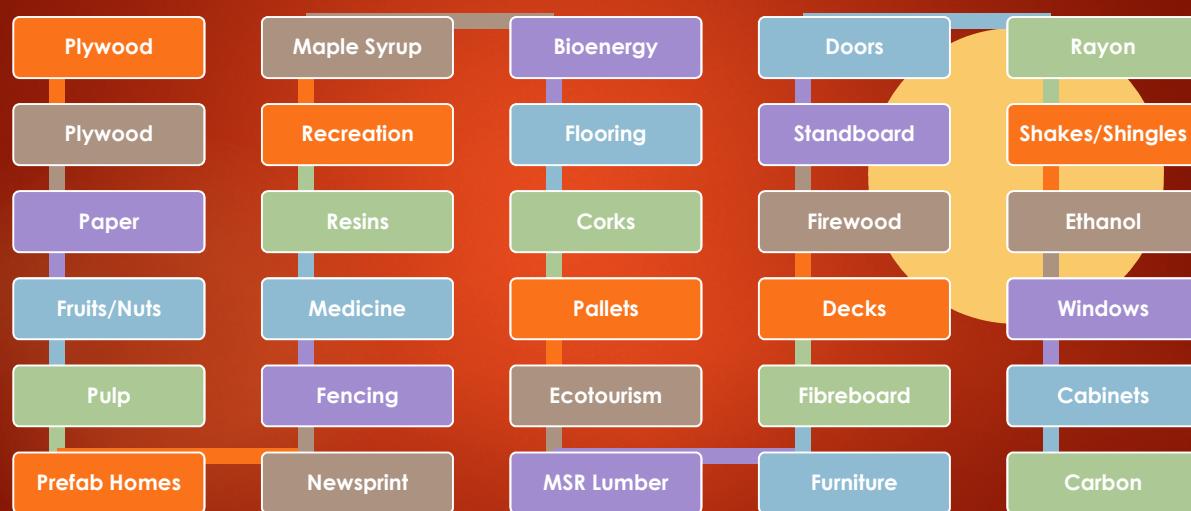
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- ▶ Forests cover approximately 30% of the global land area
- ▶ Forests are an important repository for genetic resources
- ▶ Forests regulate climate and the hydrologic cycle
- ▶ Forests prevent erosion and control runoff
- ▶ Forests provide a variety of ecosystem goods and services
- ▶ ...therefore, forests offer limitless business possibilities



Forest Product Examples

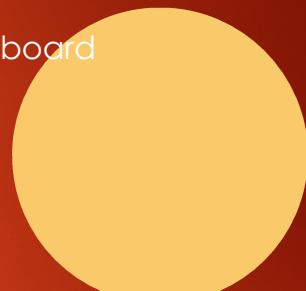
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Forest Products Categories

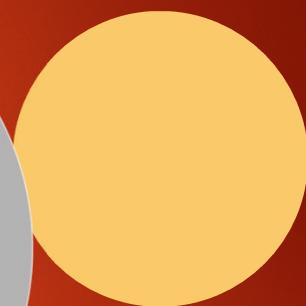
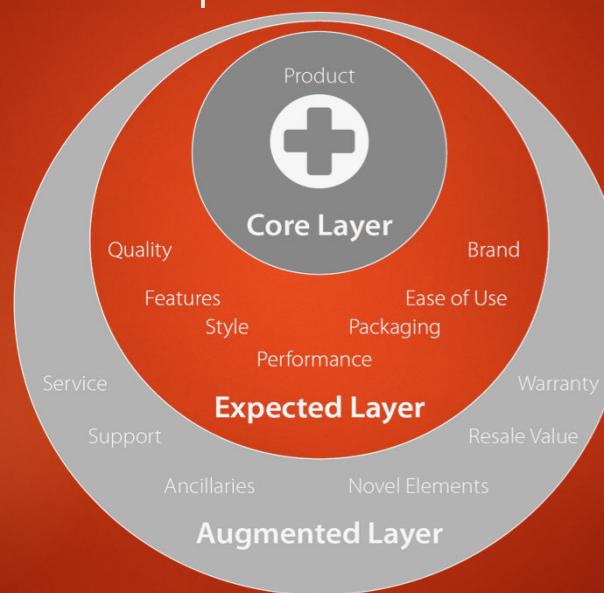
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- ▶ **Commodity** – plywood, paper, pulp
- ▶ **Differentiated** – MSR lumber, OSB, fiberboard, cardboard
- ▶ **Value-added** – doors, furniture, prefab homes
- ▶ **Non-timber** – resins, medicines, floral
- ▶ **Subsistence** – mushrooms, firewood, fruits, nuts
- ▶ **Innovative** – nanocellulose, rayon, bioenergy
- ▶ **Ecosystem services** – recreation, tourism, carbon management



Product Concept

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Product Evaluation

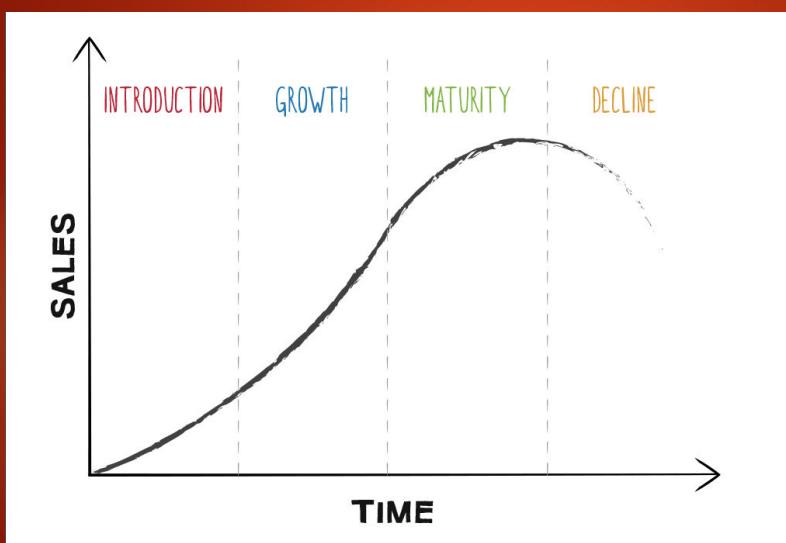
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- ▶ What does the customer want from the product or service?*
- ▶ What does the product look like?
- ▶ How will the customer use it?
- ▶ Where will the customer use it?
- ▶ What features must the product have to meet the client's needs?*
- ▶ Are there any necessary features that you missed out?
- ▶ Are you creating features that are not needed by the client?



Product Life Cycle

10



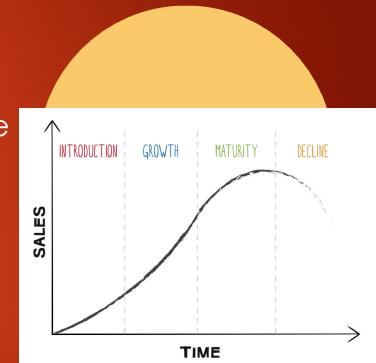
All products have a limited lifespan!

The key to a successful business is not just understanding this life cycle, but also proactively managing products throughout their lifetime, applying the appropriate resources and sales and marketing strategies, depending on what stage products are at in the cycle.

Product Life Cycle Description

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- ▶ **Stage 1. Market Introduction:** this is when a new product is first brought to market, before there is a proved demand for it; costs are high while sales are low and creep along slowly (e.g. wood-based plastic)
- ▶ **Stage 2. Market Growth:** demand begins to accelerate and the size of the total market expands rapidly; this might also be called the "Takeoff Stage." Costs decrease while sales and competition increase (e.g. CLT, tall buildings)
- ▶ **Stage 3. Market Maturity:** demand slows and levels off; costs decrease while sales and competition increase (e.g. softwood lumber)
- ▶ **Stage 4. Market Decline:** the product begins to lose customer appeal and sales drift downward; prices, sales, and profitability diminish (e.g. newspaper)



Product Life Cycle Implications

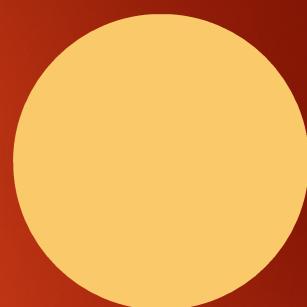
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Length of a product's life cycle depends on:

- ▶ the rate of technological change and innovation
- ▶ market acceptance of substitutes
- ▶ economic factors
- ▶ product features

Extending a product's life cycle is possible:

- ▶ redefine markets
- ▶ redefine production
- ▶ redefine products



New Product Development

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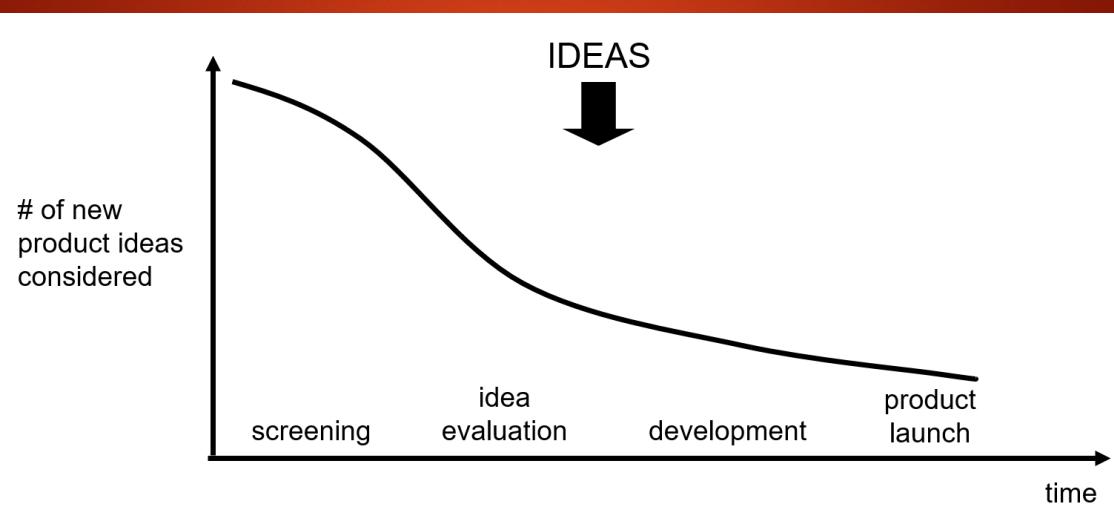
Why must businesses (continually) develop new products?

- ▶ to stay in business (to mitigate against the decline of products)
- ▶ to contribute to growth in sales and/or profitability
- ▶ to gain a competitive advantage (address needs and wants of customers)
- ▶ to capitalize on excess plant capacity, even out seasonal production flows, and address changes in resource base
- ▶ to exploit new technologies



New Product Ideas

14



Types of New Products

15

Base products provide customers with entirely new products

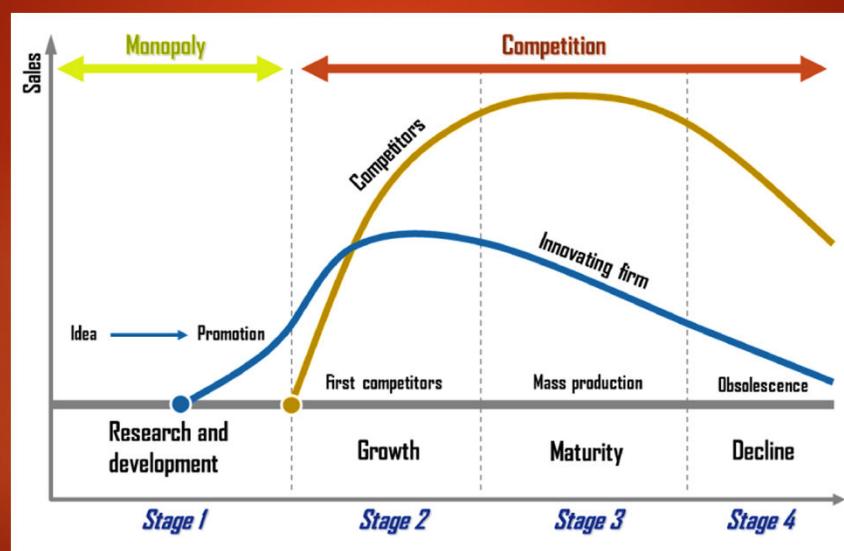
- ▶ breakthrough products
- ▶ platform products

Derivative products are versions of base products that are significantly modified or differentiated in some way

- ▶ customized
- ▶ cost-reduced
- ▶ enhanced
- ▶ hybrid

Innovative Product Life Cycle

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New Product Implications

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Why do new products succeed (fail) in the marketplace?

- ▶ the product offers no competitive advantage*
- ▶ markets are poorly defined
- ▶ poor company fit, lack of channel support
- ▶ weak marketing efforts
- ▶ Development, production, and/or marketing costs underestimated
- ▶ markets overestimated
- ▶ poor understanding of customers' wants and needs



Starbucks Example

18

► What are examples of Starbucks' products?

- ▶ Coffee
- ▶ Tea
- ▶ Food (pastries, sandwiches, salads, etc.)
- ▶ Frappuccinos
- ▶ Smoothies
- ▶ Merchandise (mugs, instant coffee, etc.)
- ▶ Environment ("cozy," free wi-fi, restrooms)



Marketing Mix (4 P's)

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Price

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- ▶ The price of the product is the amount that a customer pays for it.
- ▶ The price must encompass **fixed costs, variable costs, taxes, and profit margins.**
- ▶ Once a concrete understanding of the product offering is established we can start making some pricing decisions. Price determinations will impact profit, supply, demand, survival, and marketing strategy.
- ▶ Adjusting the price of the product has a big impact on the entire marketing strategy as well as greatly affecting the sales and demand of the product.

Pricing Models

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Pricing models:

- ▶ cost-based pricing (often 2-5 times the product cost; most common)
- ▶ market share-based pricing (e.g. introductory pricing)
- ▶ sales volume-based pricing (e.g. price by sales volume range)
- ▶ status quo pricing (e.g. adopt current mainstream prices)***
- ▶ value-based pricing (e.g. vital medicines/pay anything)
- ▶ feature pricing (e.g. price incrementals for additional features)
- ▶ portfolio pricing (e.g. blend low and high mark-ups)
- ▶ competitive positioning (e.g. push competitors out of market)
- ▶ razor blade model (e.g. cheap product/razor and expensive supplies/blades)

Discounts: trade, package, cash, promotional, quantity, seasonal, coupons, rebates

Pricing Model Examples

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Cost-Based Pricing



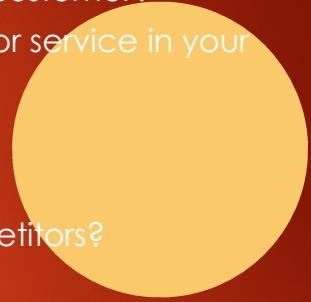
Value-Based Pricing ← PREFERRED! Good pricing starts with customer!



Pricing Implications

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- ▶ What is the value of the product or service to the customer?
- ▶ Are there established price points for this product or service in your market segment?
- ▶ Is the customer price sensitive?
- ▶ What discounts should be considered?
- ▶ How will your price compare to that of your competitors?



Starbucks Example

24

► What is Starbucks' primary pricing strategy?

- ▶ **Premium Pricing** – Starbucks uses a premium pricing strategy to reinforce the company's premium brand image. Premium pricing involves an artificially high price; Starbucks coffee is much more expensive than comparable coffee, such as Tim Horton's. As people tend to assume a correlation between high price and high value, the high price helps maintain Starbucks' high-end specialty image.



Marketing Mix (4 P's)

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Promotion

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- ▶ A successful product or service means nothing unless the benefit of such a product or service can be communicated clearly to the target market.
- ▶ Promotion is any activity to raise awareness of a product or to encourage existing and potential customers to purchase a product.
- ▶ Advertising is a form of promotion but not all promotions are advertisements.



Promotional Mix

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Advertising and direct marketing require the least cost per contact but tend to be less effective whereas public relations and personal selling require the greatest cost per contact but tend to be more effective.

Personal selling dominates the forest products industry.

Promotional Mix Described

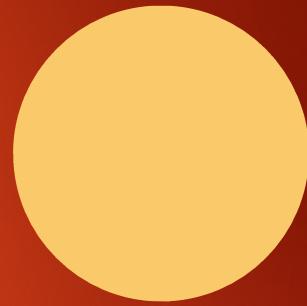
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- ▶ **Advertising:** paid form of nonpersonal communication to customers / potential customers through media outlets (TV, magazines, radio, outdoor)
- ▶ **Direct Marketing:** communication with target markets to generate a response and/or transaction (telemarketing, direct mail, catalogues, flyers)
- ▶ **Internet Marketing:** interactive media and messaging delivered via the internet (social media, company websites, e-commerce)
- ▶ **Sales Promotion:** marketing activities that provide extra value or incentives to the sales force or customers (trade shows, showrooms, free samples, coupons, discounts, point of purchase displays, sales incentives, etc.)
- ▶ **Public Relations:** information about a company / product disseminated to the public at no (or little) cost (news releases, media reporting, etc.) in order to earn public understanding and acceptance
- ▶ **Personal Selling:** direct presentation of information related to a company's product/service; provides personalized/tailored message and immediate feedback.

Promotional Objectives

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- ▶ **Building Awareness**
- ▶ **Creating Interest**
- ▶ **Providing Information**
- ▶ **Stimulating Demand**
- ▶ **Differentiating Product/Service**
- ▶ **Reinforcing the Brand**



While most of these objectives are aimed at influencing the target market segment, some companies aim their promotions at influencers (e.g. people or organizations), distribution channel members (e.g. retailer promotion/placement), and/or other companies (e.g. in search of collaborative or joint venture opportunities)

Starbucks Example

30

- ▶ **How does Starbucks promote their product(s)?**
- ▶ **Advertising** – brand/logo, new/special locations, products, flavors*, personalized advertisements*
- ▶ **Sales Promotion** – specialties, limited time offers, exclusive products, contests, premiums, coupons
- ▶ **Public Relations** – charity campaigns, social media posts/hashtags, “blank red canvas” holiday cups
- ▶ **Direct Marketing** – store, retailers, website/extensions, social media



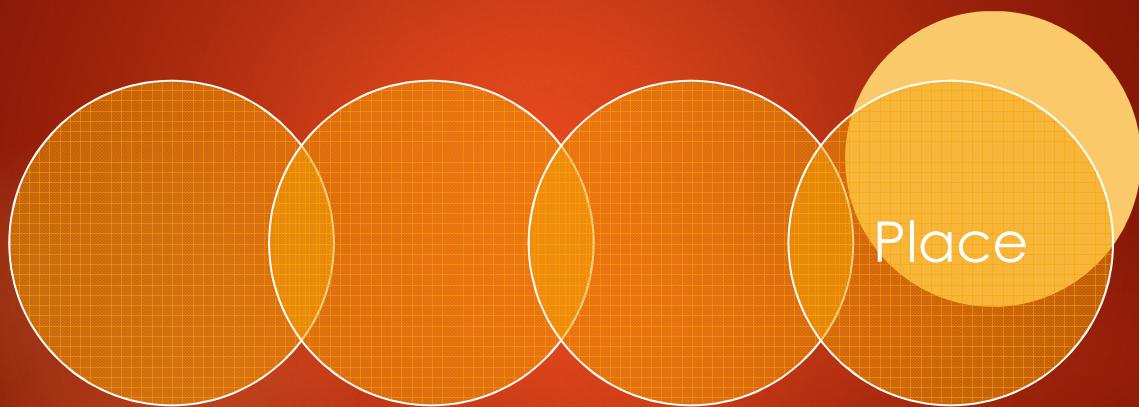
Promotional Implications

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- ▶ When can you best communicate your marketing messages to your target market?
- ▶ Where can you best communicate your marketing messages to your target market?
- ▶ How do your competitors promote their products or services?
- ▶ How does your competitors' choices/actions influence your choice of promotional activity?

Marketing Mix (4 P's)

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Place

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- ▶ Place (aka distribution or logistics) is about **(1) where the product is made, (2) where the product is stored, (3) how the product is transported to the customer, and (4) where the customer receives the product.**
- ▶ The place for each of these things should ensure that the product gets to the right place at the right time without damage or loss.
- ▶ The ideal place will be:
 - ▶ Convenient for the customer and the business
 - ▶ Accessible for the customer if it is the place where the product is sold
 - ▶ Low cost or free for the customer if it is the place where the product is sold
 - ▶ Reasonable cost to the business

Place Strategies

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There are many place/distribution strategies:

- ▶ **Exclusive distribution** – single retailer has exclusive rights
- ▶ **Selective distribution** – limited retailers have rights
- ▶ **Intensive distribution** – sell through as many retailers as possible
- ▶ **Franchising** - the right to market or sell goods under the trademarked name, or patented process, of an established business

Starbucks Example

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► What represents Starbucks' place?

- Starbucks cafes
- Grocery/retail cafes
- Grocery/retail stores
- Online store
- Starbucks App
- Where beverages/products are sourced
- How beverages/products are transported



Place Implications

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- Where do current and potential customers go to look for your product?
- If they look in a store, what kind and where?
- How can you access the best distribution channels?
- What do your competitors do and how can you learn and/or differentiate from them?
- Do you need a sales force, brick and mortar store?
- Do you need a website and online presence?

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https://www.ted.com/talks/seth_godin_on_sliced_bread

