The Forgotten Three Ps of Marketing

BY LINDSAY PEDERSEN

Recently, I met a category director of an international beverage brand. She described her job to me – she develops products and line extensions (**Product**), determines what to charge (**Pricing**), and determines where the product is available (**Place**). In the next sentence, she said, "My job is not a marketing job." Huh? It was like hearing a penguin say "I'm a flightless black-and-white amphibious Antarctic bird, but I'm not a penguin." When I asked her to elaborate, she said, "Well, the marketing department handles all the advertising (**Promotion**), not us."

Marketing's economic role is to drive demand for the business. In order to best drive demand, marketing must harness all four "Ps" in concert, synergistically. So I am always puzzled when marketing is equated only with the final P of the four. Promotion is a crucial part of marketing, and definitely the sexiest – notice AMC's hit show "Mad Men" focuses on advertising, not product development – but it is only one part. No amount of promotion, no matter how compelling, can make up for weakness in any of the other Ps.

Promotion, though "sexy," is merely one element of the four Ps, and cannot stand alone.

It often makes sense to have different teams drive different pieces of marketing: to specialize in one or some of the four Ps, ratherthan covering all of them. But it can be a costly misconception for any business to equate marketing only with Promotion. All four Ps need to work together in order to drive high demand for the product. The teams that own Product, Pricing and Place own marketing, too. And having an “us versus them” split can weaken the synergy of the four Ps.

If you decide it’s beneficial to have different teams drive different Ps, make it a top priority that they collaborate well and continually. Their objectives must align and the partnership culture must be deeply felt. Since such a partnership requires a firm grasp of each other’s Ps, here is a primer on all four Ps and their unique roles in generating demand.

Product

The most upstream and, in my experience, most pivotal decision of the four Ps is Product. The most successful products are conceived with a deep understanding of the customer, and are regularly improved and reinvented to delight that customer.

In the end, product demand hinges on consumers valuing the product so much that they are willing to part with their hard-earned money in order to enjoy the product’s benefit.

With their White Strips product, Crest promises and delivers a product that gives consumers a brighter smile, and consumers value that brighter smile benefit enough to spend money on that product. The product delights over and over to keep the customer coming back.

> A product succeeds when its value is deemed so great that consumers are willing to part with money to enjoy it.

In contrast, here’s a product that failed, despite the strength of its other three Ps, because the consumer did not value the product benefit enough to pay money for it. In the late 90s, Kellogg introduced “Breakfast Mates,” an all-in-one breakfast package that included cereal, milk and a spoon, positioned for children who want to feel the independence of serving themselves. Kellogg launched the product with a $3 million advertising blitz (Promotion), achieved widespread grocery and mass retailer distribution (Place) and priced it similarly to other convenience breakfast products (Pricing). But the consumers did not like the product. The marketers failed to notice and address a key consumer need with respect to breakfast cereals: consumers like their milk cold. Breakfast Mates did not last a year, because consumers disliked that the milk, although completely shelf-stable, was room temperature. All the optimization of Promotion, Price & Place could not drive demand for Breakfast Mates, because consumers did not like the Product itself.

Even a highly successful combination of Promotion, Price and Place cannot drive demand if consumers don't like the Product.

In my recent white paper, "Delighting Your Customers through Smart Products," I discuss how consumers today expect "smart products" that are flexible enough to adapt to their needs. One example is the music website Pandora. Its mission is to "play only music you like." After you identify favorite songs and artists, Pandora delivers a customized radio station with songs it deems similar to your favorites, which you can further refine. Customization is possible with almost any product. Michelin even offers tires that respond to variable road conditions by adapting their tire pressure.

Price

To look at price's role, let's examine what a value proposition is. "Value" comes from the Latin root *val*, meaning "of worth." "Proposition" comes from the Latin verb *proponere*, which means "to put forth." A value proposition is what you offer that is of worth to your customer. It answers the question: what will compel your customer to spend their money on your product? The following equation illustrates this:

VALUE = BENEFITS - PRICE

VALUE	=	BENEFITS	-	PRICE
		What you deliver		What the customer gives you in return

As you can see, the more benefit you deliver, the more value you give your customer and/or the more you can charge that customer.

This equation should be the crux of your pricing decisions and should inform your entire positioning.

Let's consider a case in which pricing played a key role in a business's success. We all know that, economically speaking, lowering price should increase demand for a product. However, lowering price is not always the best way to drive demand. Smirnoff Vodka successfully fought a price competitor, Wolfschmidt (selling for $1 less per bottle), by *raising* its price by $1 per bottle. Using the extra revenue to expand advertising, Smirnoff bolstered the brand's image and therefore the perceived benefit: the increased price served as a signal of the product's superior quality. They actually *increased* consumer value when they increased price, because they made an even larger increase to the product's perceived benefit.

Creative pricing strategies can increase demand.

Pricing changes can also increase profits when they respond nimbly to the changing competitive environment. Early price adjustments to Amazon's Kindle boosted profit and overall market success. Debuting in 2007 with a $399 price tag, the Kindle sold out in less than six hours and was out of stock for five months. Kindle held this premium price for over a year (this practice is known as "market skimming"). Then, just prior to the release of Apple's iPad – which also had eReader capabilities – Amazon added new features *and* dropped the price of its new model to under $300. It suddenly looked like a terrific deal in the digital book space compared to the $600 iPad multi-touch device. Bottom line: Amazon shrewdly adjusted its price-value equation to maintain an edge among intensifying competition.

While price is sometimes the easiest of the four Ps to change, marketers should approach the decision to reduce price carefully. When considering a price adjustment, keep in mind:

1. **Price is an important signal of quality.**
2. **Price must be consistent with positioning.**

Keep your eye on the whole value equation. Instead of lowering price, what benefits might be added or amplified in order to boost the value proposition? Can you increase or maintain value without lowering price?

Place

For your product's sales to capture demand, your customer needs to know where and how to buy it. The place you make your product available must be easy for your customer to find, and it needs to dovetail with her need state. Without this, all the promotion in the world won't help. For example, the author of a recently published book about job search strategies wound up a publicity tour with a prime slot on "The Today Show." At that critical moment, the book's distribution was delayed. Consumers who went looking for the book couldn't find it, making their first (and possibly only) impression of the product one of frustration.

Make your product available where the customer wants and expects to purchase it. A recent homerun on this practice is the sale of vitamins and supplements in physicians' offices. Patients who have just heard from their doctor that they need more calcium in their diet can purchase calcium supplements as they leave the office. Not only are they avoiding an extra errand, they also know they've chosen a trustworthy brand and formulation recommended by their physician (which is extremely beneficial in the confusing world of non-regulated supplements).

Make your product easily available where and when your customer wants access to it.

A creative distribution strategy can also serve as a competitive advantage. Organic farmers formed a partnership to create the company Organic Valley. Using their bargaining power, they cut out the middlemen to reach distributors directly, thus increasing their profit margin on sales of their milk.

Promotion

Now for that scene-stealer, Promotion – the most sexy of the four Ps. You need your customer to be aware of your product. Etymologically, "promote" (from the Latin *promovere*) means "to move forward." You need to get it out there in front of people so they know about it and desire it.

First, identify your customer's key beliefs; then you can address her in a meaningful and motivating way.

Promotion should be driven by a messaging strategy based on deep consumer insights. No matter the size of your budget, you must address your customer in a way that is meaningful and motivating to her. Start by defining, for yourself, your consumer's key beliefs about your product or category. These could be receptive beliefs (beliefs that would make her receptive to your message) or preventive beliefs (beliefs that would prevent her from listening to your message). Your messaging should address these beliefs, either implicitly or explicitly.

For example, in the category of filtered water, Brita articulated their consumer's belief to be:

Water is important to looking and feeling my best. However, I've heard there may be things in my water that aren't good for me.

Once you've identified the key belief, pivot from that to your core benefit. The benefit is the consumer's reward for using your product – the advantage she experiences through interacting with it. Brita pivoted from its consumer belief to this core benefit:

Brita turns tap water into clear, cleaner, refreshing water.

Finally, articulate why your consumer should believe the promise you are making with your benefit statement. This is the "reason to believe" (RTB) part of your messaging strategy, and it is what gives teeth to your message. Brita defined its RTB as:

Brita filters out 99% of lead and chlorine.

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All promotional messaging should bring to life your product's benefit in a way that is meaningful given your consumer's beliefs, and that is made believable by a tight RTB.

Conclusion

Marketing is a set of levers that, when optimized together, produce demand. It's helpful to remember that the famous four Ps – Product, Price, Placement and Promotion – are placed in the correct chronological order. Promotion, like the icing on the cake, should only be added once the batter is mixed in perfect proportions – and fully baked.

Once you have a well-defined marketing mix, test its strength from the customer's perspective by asking customer-focused questions (often referred to as the "Four Cs"), as in:

- → Does it satisfy **CONSUMER** wants and needs? (**Product**)
- → Will they consider its **COST** worthwhile? (**Price**)
- → Is it **CONVENIENT** to buy when they're ready to make a purchase decision? (**Place**)
- → Will the marketing **COMMUNICATIONS** reach them? (**Promotion**)

When you get the marketing mix right, you will have a product that satiates an unmet need, is sold at a compelling price, and is offered in a relevant place at the appropriate time.

Then go ahead and promote the heck out of it.

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Ironclad principal Lindsay Pedersen is a brand strategist with a scientific, growth-oriented approach to brand building. She has advised companies from burgeoning startups to national corporations, including Zulily, Starbucks, T-Mobile, Coinstar and IMDb. Lindsay's brand strategies are tested in the crucible of her proprietary Ironclad Method. She arms leaders with a powerful, ironclad brand positioning, so they can grow their business with intention, clarity and focus.

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