Session 1: The Marketing Framework: 4 P’s and 5 C’s

Today’s topics

1. Skills you will develop. Plan for 15.810.
2. Review of 4 P’s and 5 C’s – a structure for analysis.
3. Strategic positioning. Why the obvious is not always best.

Readings

Note on Marketing Strategy
Note on Strategic Positioning
We’ll help you to learn …

- Marketing ideas and phenomena like delivering benefits to customers
  - do consumers really want a “black oily pond” look?

- Marketing analysis: selecting marketing strategy
  - will we succeed with a “free-mium” strategy (Dropbox, AMA job website)?

- Marketing analysis: best tactics
  - what fraction should Apple spend on television?

- Marketing analytics
  - what product features give you the most bang for the buck? And how do you price them?
  - how much should you spend to retain a customer?

- Strategic topics: positioning, segmentation, rule of efficiency, etc.
  - does it make sense for IKEA to require consumers to build themselves?
  - why are antique stores (outlet stores, automobile dealerships) located together?
Example puzzles you’ll solve …

• Aqualisa launched a new shower product in Great Britain. Using breakthrough technology that solves a critical consumer need and is easy for plumbers to install, but it is not selling.

• Brita “owns” a market, but P&G enters. The new product may be disruptive? Is it? Do you adopt, fight, or do something else?

• Snapple was developed by entrepreneurs, bought by Quaker and run into the ground. Why did the entrepreneurs succeed? Why did Quaker stumble? Can you revive the brand?

• Timbuk2 wants to make laptop bags. They can choose from many features? Which will be desired by consumers and which will be profitable?

• Blindness due to cataracts is a major scourge in the developing world. Government hospitals cannot treat patients fast enough. Can marketing increase efficiency enough so that cures outstrip new cases?
Theory sessions

- **My role**
  - provide summary from experience and literature
  - provide a few examples
  - use those examples

- **Your role**
  - generalize the concepts
  - provide additional examples
  - learn the boundaries
  - use the theory
Case discussions (e.g., SWA)

• **My role**
  – make sure we are on a common ground
  – make sure we explore key generalizable findings

• **Your role**
  – analyze the case (groups of 3-4)
  – sometimes the analysis is more critical than the recommendation

• **Class participation**
  – helping me: not everyone will know the brand, need to get some background information
  – good comments: new insights, synthesis, building upon other comments, critiquing other comments (if I push you that is good), quality not quantity
  – bad comments: unnecessary repetition, not listening or building upon your teammates, soliloquies
MIT Sloan values

• Professional atmosphere
  – respectful comments and humor
  – refrain from distracting activities
  – courtesy toward all guests, hosts, and participants
  – when in doubt, use conservative standards

• Communication
  – primary role of TAs
  – ask if you have questions, let us know your “customer needs”

• Pronunciation
  – Dr. Spaceman, Jay Waterski
Brand identity

- Name cards, help us get to know you
- Seating chart
- Pictures, information survey, let me know about you
- Demonstratives
Action-learning project

• Choose a firm, division, product, or service by September 29.
  – Initial ideas discussed in class on September 29, refine up until SIP.
  – Meetings with TA within the next two weeks.

• Interview two or more customers each by November 17.

• Summarize with respect to 4P’s and 5C’s.

• Recommendations

• Can be coordinated with Enterprise Management action-learning project
  – Must do project as specified for 15.810
  – Can do additional work with EM track (overlap is fine)
  – Each 15.810 group to be original, but can be multiple groups with same firm, …
Other learning mechanisms

• Two written cases (in groups)
  – Brita
  – Snapple
  – Aqualisa
  – New York Times
  – Swatch

• Individual assignment
  – What are the three most important lessons that you learned about marketing in this course that will help you as a manager?

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Snapple hints

• Understand the Snapple customer(s).

• **Product development is important.**
  – how does Snapple identify new products?
  – how does Snapple decide how much to produce?

• Don’t forget to read the ethnographic research in the back of the case.
Structure provides a template

• **Strategic structure (5 C’s)**
  – **Customer** (customer needs, segments, consumer behavior, etc.)
  – **Company skills** (brand name, image, production capability, organization, etc.)
  – **Competition** (actions are interrelated, market environment, etc.)
  – **Collaborators** (downstream wholesalers or retailers, upstream suppliers, etc.)
  – **Context** (culture, politics, regulations, social norms, etc.)

• **Tactic structure (4 P’s)**
  – **Product** (features, quality, service, support, product line, etc.)
  – **Place** (channel of distribution, exclusive vs. intensive, power, etc.)
  – **Promotion** (advertising, sales force, brochures, coupons, etc.)
  – **Price** (list price, discount, deals, both end-user and channel, etc.)
Brand manager job available at Catalina Yachts, but you are not a sailor.

Customer

- serious sailor
- cares about quality
- but modest budget
- more likely ocean than lake (but some lake)
- willing to trailer boat

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Company strengths

- listen to customer
- customer loyalty
- 40 years to design continuity
- efficient Florida factory
- good support system
- quality hardware, but
- not high-end design

A Message from Frank Butler, President of Catalina Yachts

When I founded Catalina Yachts in 1970, my goal was not to become the largest sailboat builder in the United States. My goal was, and still is to build good boats that are a good value for our customers, accomplishing this requires planning, efficient manufacturing (a part of the process I particularly enjoy) and well-designed boats. I believe Catalinas do well in a very competitive market, because they are the result of listening carefully to our customers and dealers. When we design a new boat, we don’t try to reinvent the wheel each time. We incorporate proven features with new ideas and a lot of boatowners’ suggestions. This gives the line continuity, helps us avoid overly trendy styling, and insures good resale value for Catalina owners. At Catalina we are especially proud of having the biggest percentage of repeat customers in the industry. We are all committed to maintaining the high level of customer confidence this represents. The Catalina philosophy means listening to our customers and doing our best every day. On that promise the Catalina family will continue to grow.

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Competition

- varies within line
- Example: Catalina 275 sport
- Tattoo Yachts [formerly MacGregor] (motor)
- Hunter Edge (motor)
- Compac 23/IV (passage)
- Seaward 26RK (passage)
• **Collaborators**
  - dealers
  - part suppliers
  - marine stores
  - marinas

• **Context**
  - economy
  - carbon footprint
Now let’s consider the tactics

- **Product**
- **Place**
- **Promotion**
- **Price**
Product

Catalina 275 Sport

CATALINA C275 Sport Preliminary Specifications

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Length Overall</td>
<td>8.38 m</td>
<td>27' - 6&quot;</td>
</tr>
<tr>
<td>Length of Hull</td>
<td>8.38 m</td>
<td>27' - 6&quot;</td>
</tr>
<tr>
<td>Length of Waterline</td>
<td>8.10 m</td>
<td>26' - 7&quot;</td>
</tr>
<tr>
<td>Beam</td>
<td>2.59 m</td>
<td>8' - 6&quot;</td>
</tr>
<tr>
<td>Draft</td>
<td>Fin Keel 1.52 m</td>
<td>5' - 0&quot;</td>
</tr>
<tr>
<td></td>
<td>Sail Area Actual</td>
<td>35.30 m² 380 sq. ft</td>
</tr>
<tr>
<td></td>
<td>Sail Area 100% Foretriangle</td>
<td>29.56 m² 318 sq. ft</td>
</tr>
<tr>
<td>Mast Height Above Water</td>
<td>11.89 m 39' - 6&quot;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I 10.49 m</td>
<td>34' - 5&quot;</td>
</tr>
<tr>
<td></td>
<td>J 2.74 m</td>
<td>8' - 9&quot;</td>
</tr>
<tr>
<td></td>
<td>P 9.60 m</td>
<td>31' - 6&quot;</td>
</tr>
<tr>
<td></td>
<td>E 3.50 m</td>
<td>11' - 6&quot;</td>
</tr>
<tr>
<td>Approx. Basal Weight</td>
<td>2,260 kg 5,000 lb</td>
<td></td>
</tr>
<tr>
<td>Bowling</td>
<td>Fin Keel 925 kg</td>
<td>2,040 lbs</td>
</tr>
</tbody>
</table>

All Specifications are approximate and subject to change without notice. Actual equipment is subject to change without notice.
There are over 40 boat dealers in Eastern MA.
Promotion

• Need to find customers

• Need to communication benefits to customers

• Need to learn from customers

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Price

• **Base boat**
  – $25,000 to $75,000

• **from dealer**
  – mark-up or discount
  – end of season

  – **As sold**
    – electronics
    – Catalina options
    – dealer options

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Bottom line

- Tactics (4 P’s) depend upon strategic insights (5 C’s)

- 4 P’s can be set based on analysis
  - qualitative insight
  - quantitative analytics

- Good manager can diagnose the strategy and select the tactics
Returning now to competitive strategy – strategic positioning

- Catalina 275
- Hunter Edge
- Tattoo 26
- Compac 23/IV
- Seaward 26RK
“Positioning maps”

- Called a “joint-space” map
  - product features
  - products
  - preferences (optional)
Example perceptual maps (illustrative web search)
Now let’s simplify to understand the theory

- The one more pediatricians give their own children.
- The pain reliever hospitals use most.
- Tough on pain, easy on your stomach

- The wonder drug.
- Bayer works wonders.

- The headache medicine.
- I’ve got a headache THIS big – and it’s got Excedrin written all over it.

- Fast, fast, fast relief.
- When only fast will do.

- Tough on pain, gentler to your stomach.
- Bufferin, it’s worth it.

- Example of various “store brands.”

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Positioning map (also called a “perceptual map”)

- Tylenol
- Bufferin
- Bayer
- CVS generic
- Anacin
- Excedrin
Value map
(rescale, divide by price, complementary viewpoint)

GENTLENESS/$

- Tylenol
- Bufferin
- Bayer
- CVS generic
- Anacin
- Excedrin

EFFECTIVENESS/$
Company Strengths

GENTLENESS/$

- Tylenol

- Bufferin

- Bayer
- CVS generic
- Anacin
- Excedrin

EFFECTIVENESS/$

Position opportunities limited by:
- physical product (acetaminophen)
- previous positioning (consumer memory)
- believability
- brand extension?
Customers (highly segmented)

GENTLENESS/$

- Tylenol

EFFECTIVENESS/$

- Bufferin
- Bayer
- CVS generic
- Anacin
- Excedrin
Customers (strength in center)

GENTLENESS/$
- Tylenol

EFFECTIVENESS/$
- Bufferin
- Bayer
- CVS generic
- Anacin
- Excedrin
How does Tylenol fare in each market?

Which market is more stable?
Examples of positioning


- ILikeThisAD. “Samsung Galaxy S3 Ad.” September 20, 2012. YouTube.
Strategic positioning examples

- Neiman Marcus vs. Wal-Mart
- Apple v. Samsung
- Toyota vs. General Motors
- Verizon vs. Virgin Mobile
Positioning and the 4P’s

- **Product** – acetaminophen (gentle vs. effective, but product line), capsules, package, etc.

- **Promotion** – slogan, advertising, online forums, etc.

- **Place** – hospital image, otherwise extensive distribution (drug, supermarket, convenience, Walmart, vending, …)

- **Price** – unique positioning enables premium pricing
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