

Time to kill off the four Ps?

By **CHEKITAN S. DEV & DON E. SCHULTZ**

The four Ps is a supply side framework that assumes marketers are in control. As such, it is out of touch with 21st century realities where the consumer is in control. Dev and Schultz describe a demand side model that flips the emphasis from what marketers do to consumers to what consumers want from marketing. They call their model SIVA: solutions, information, value and access. This article describes why this model is relevant now

THE FOUR Ps framework has been the de facto methodological approach for the management of marketing activities since the middle of the 20th century. Indeed, today, it's almost impossible to find a marketing text, course, lecture, or research piece that doesn't reference, find its base in, or rely on the four Ps concept.

Interestingly, while the marketing concept presumes customers are paramount in any marketing plan, the four Ps approach ignores the primacy of customers, prospects, or even markets. Taking a four Ps viewpoint, the manager makes an assumption that commonly seems to follow this logic: if a manager successfully organises and implements the proper mix of the four Ps, customers and profits will magically appear and the organisation will move successfully ahead. Moreover, there are now generations of marketing academicians and practitioners who seem to place unquestioning faith in this premise, even though it is antithetical to the ideal marketing concept of finding and filling customers' wants and needs.

We argue that the four Ps and the methodologies that go with it are likely to be more harmful than helpful to marketing and the marketing concept in the 21st century marketplace. A primary reason to rethink the four Ps is that changing marketplace dynamics simply make the concept obsolete.

Driven by demand

Beginning in the late 1970s, the marketer's ability to produce products began to outstrip the consumer's ability to buy and use them. Thus, marketers

hit the wall of over-supply and felt the impact it has on traditional marketing theory.

At the same time, distribution channels began to consolidate. Retail category killers emerged and began driving down the power of manufacturers in the marketplace. At about the same time, technology reared its market-disrupting head. This was reflected in the ability of a competitor to almost instantly replicate any product, product improvement, or differentiation factor. Thus, all products became pretty much the same. There were lots of them and retailers and channels could drive prices down. That is how Wal-Mart grew into the biggest retailer in the world in only a few years of operation.

The market changed from the historic marketer in control to retailer in control. Today, we argue it is now customer in control. Customers now have a wide variety of choices from a wide variety of suppliers with a multitude of retail choices among a broad set of products and services that are pretty much alike. Most products and services today are being sold at continuously declining prices or at least at continuously declining margins to the marketing organisations.

The problem, of course, is that most marketing organisations persist in trying to manage the supply side of the firm. That is what traditional four Ps marketing is all about: manipulating price, product, place and promotion to make better use of the tools and resources available to the marketing

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manager in supplying products and services to customers and prospects.

The natural result of a four Ps approach to the marketplace was that, with the marketing manager focusing on controlling the marketing mix, the customer or consumer was viewed primarily as a pawn in the ongoing struggle between various marketing competitors in the supply chain. The supply chain or value chain approach, which was popularised by Michael Porter at Harvard University in the 1980s, was a natural outgrowth of the use of the internally driven four Ps.

Porter argued that the major opportunity for the marketer was to add value in each of the steps involved in the development, promotion, delivery and consumption of a product. Again, starting with the view that the marketer controlled the system, clearly a four Ps premise, Porter suggested that various steps in the process of making, distributing and delivering a product or service provided an opportunity for the marketer or marketing system to add value. That concept is illustrated in Figure 1.

Today, the customer has the power and can vote with his or her purse, wallet, or handbag. Thus, the marketer must shift from a supply model that has been dictated by the four Ps to a demand model that will encourage customer votes in terms of sales and ongoing relationships. That change is illustrated in Figure 2.

This demand-based view of the marketplace provides a different way to look at the marketing function. It positions the consumer at the beginning of the marketing process, not at the end. A simplified example of how this demand chain view might work is illustrated in Figure 3.

New marketing mix

In this new marketing mix, we re-conceptualise the marketing approach from the customers' viewpoint. That

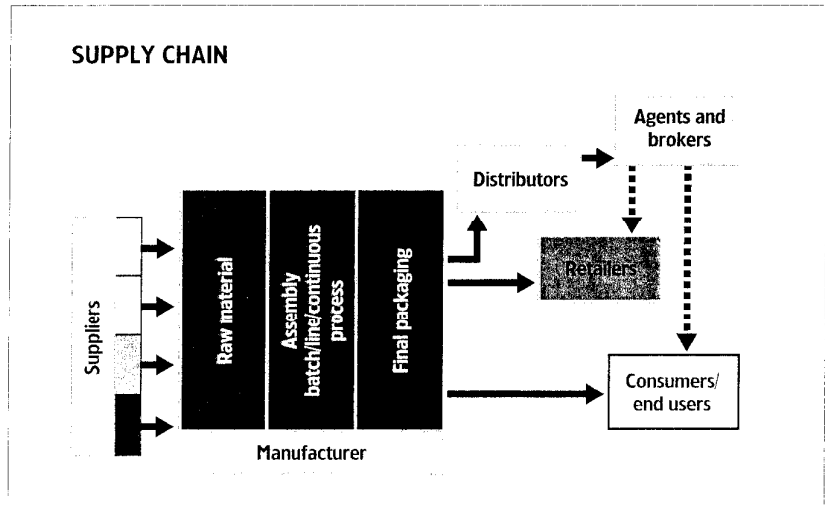


Figure 1: The supply chain approach.

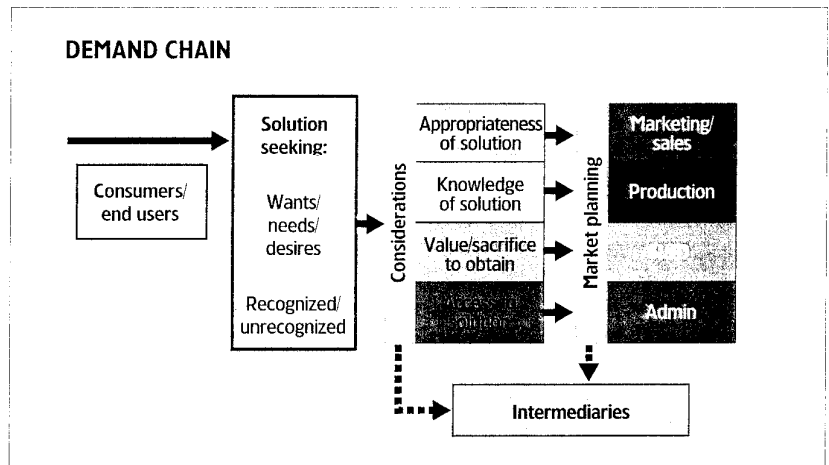


Figure 2: A demand model.

view, we argue, opens up a whole host of possibilities for the marketer that the existing four Ps approach does not readily allow. Our customer-centric' mix has four key elements based on four key questions customers ask when considering or buying a product: solutions, information, value and access (SIVA) fit these new competencies in the order in which we recommend using them. (Incidentally, SIVA, an alternate spelling for Shiva, is the Hindu god of destruction and re-creation. He destroys, it is believed, to create something better.)

Solutions

Customer question: How can I solve my problem?

Customers are inundated with product offerings but starved for solutions to their problems. Witness the rate of new product failures in the United States despite half a century of marketing science on new product development. The problem is, marketers are obsessed with developing products (the next new thing), rather than focusing on solving the problems customers have.

The demand chain approach begins with destroying the notion of the

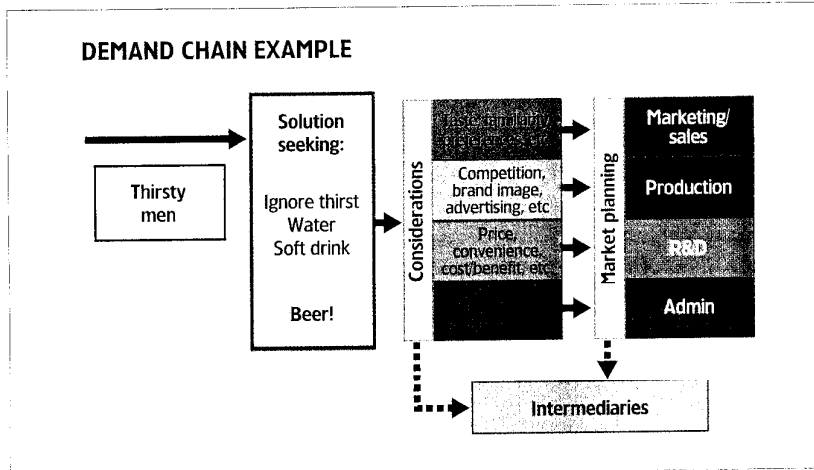


Figure 3: an example of the demand chain approach.

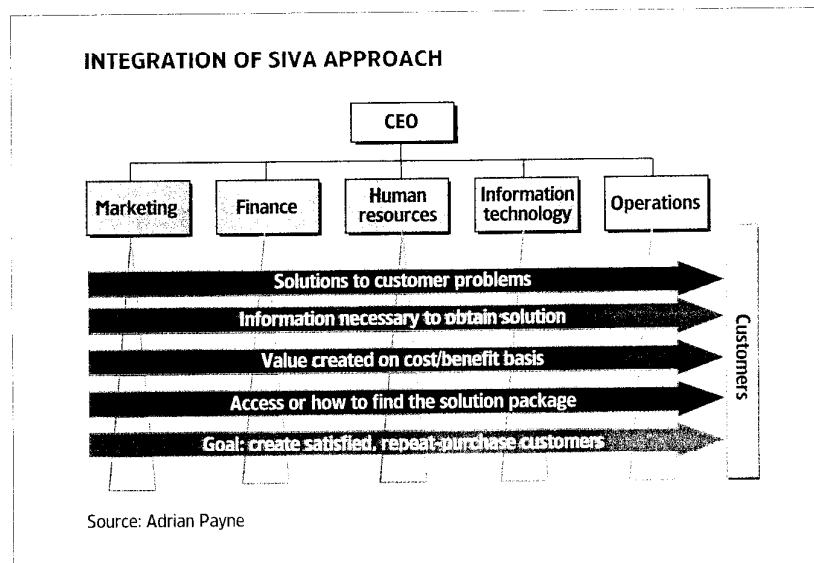


Figure 4: The SIVA marketing mix.

product or service as the first element of a marketing mix and re-creating that product or service as a solution. IBM, anticipating this change more than a decade ago, refocused the company from ‘we sell computers’ to ‘we sell solutions’. Today, if you look up computer consulting in the Yellow Pages, it’s not surprising to note that Microsoft-endorsed software supplier and support firms are listed as solution providers.

Recently, the wife of a colleague shopped for her young son’s birthday party supplies at birthdayexpress.com. The company provided themed plates, cups, streamers, posters, cake-top decorations, party favour boxes, and

goodies – even ideas for games. She was not in the market for birthday party products but simply for a solution to the birthday ‘problem’. All the mothers in the wife’s playgroup are now considering shifting their business from the local party goods store to Birthday Express.

Similarly, McDonald’s foray into alternative cuisines is quickly repositioning it from quick-serve supplier of fast food to purveyor of food away from home solutions. *McKinsey Quarterly* recently reported that solution providers pick up an extra 3%–7% return on sales. Understanding consumer problems, instead of developing products and trying to fit them to customer needs, is the new marketing imperative for researchers and practitioners alike.

Having created the best solution to real consumer problems, the next step is to let our customers and prospects know about those solutions. We argue the marketing mix element of promotion should be destroyed in its present form and re-created as information.

Information

Customer question: Where can I learn more about it?

The current marketing and marketing communication spectrum inundates customers in a sea of messages, visuals and sound bites. The average American sees an estimated 3,000 advertisements a day. Thus, simply having customers and prospects hear us so they can either purchase or learn more, is today’s major communication challenge.

Our current marketing and communication planning and delivery methods simply are not relevant in the marketplace that most of our customers and consumers operate in today. For example, most consumers are networked, interactive, and accustomed to multi-tasking. Yet, most marketing approaches assume single point in time messaging or marketing activities designed primarily to deliver outbound monologues in an attempt

to convince customers or prospects to buy or try the products or services we have already developed. That is simply not how the multi-tasking consumer works anymore.

Likewise, customers are drowning in promotions, coupons and price-offs, but starved for information on solutions to their problems. Witness the abysmally low response rate to direct marketing despite decades of study and millions invested in research. The click-through rate for web banners has dropped to 0.3%, while responses to email solicitations range between 1.5% and 4.5%. Obviously, our inside-out based promotion model is broken, if not irrelevant.

Permission marketing is all about moving from an outbound, promotional delivery model to one based on supplying useful information to customers and prospects when they want and need it. Developing the means to give customers the right information on the right subject at the right time on their terms becomes another key marketing function. It is therefore not surprising to witness the increased interest in word-of-mouth marketing, the primary source of information for most customers today.

Interestingly, new research from the UK shows that word-of-mouth support for a product or service occurs more among new users than among established customers. Thus, the people most likely to advocate for a new product or service are those who have just adopted or purchased it. Yet that is not the model we use in our marketing and communication programs, particularly when we begin to develop brand value or brand equity models. The assumption is that the longer customers are retained, the more value they have as advocates. While intuitively appealing, the evidence is beginning to show that it simply is not true.

In an emerging trend, marketers now devote resources to maintaining and monitoring chat rooms. Understanding how customers search, sort, digest and use information thus

becomes a research priority. Again, the goal is to provide the information customers want and need when they want and need it. Such an approach would represent a radical advance over current systems.

Once the information is obtained by the customer or prospect, (notice that we don't say 'disseminated by the marketer'), we need to value the solution to consummate the transaction. Here we propose replacing the price (the third P) with 'value' as the next key element of the SIVA model.

Value

Customer question: What is my total sacrifice to get this solution?

Today, the customer buys a solution bundle or even a solution experience, not a product or service. Thus, we need to think in terms of customer sacrifice, not just financial costs. The V in the SIVA model becomes the value received by the customer for the investment made.

More than 100 years ago, economists were telling us that value is best defined as pleasure minus pain, or satisfaction minus sacrifice. We seem to have forgotten this and continue to focus obsessively on price. While many organisations believe that price and promotion are the primary tools for increasing sales or gaining market share, price-and-price-alone customers generally

account for only 15%–20% of all shoppers at most organisations. The *New York Times* recently reported that, with Burger King's Whopper often selling at 99¢, prices of most products have gone down in the past 12 months. 'While McDonald's and Burger King engage in a dollar menu death-spiral price war, Starbucks has customers paying nearly \$5 for a cup of coffee and \$49.99 for a wireless access connection.' Smart marketers like Starbucks have realised that taking the customer's mind off the price and focusing on value with an emphasis on style, time, and delivery can change the value equation and motivate customers to pay more, not less.

With the growing popularity of customer lifetime value as the key manageable marketing metric, marketing's role then becomes one of facilitating the value exchange. The general marketing message becomes: 'We will give you what you want if you take yourselves out of the market by professing lifetime loyalty to our products and services.' Some say this is an unrealistic objective given the protean nature of today's consumer. Not always.

Once you have developed the best solution, offered the most useful information in a timely manner, and determined the correct level of sacrifice the customer would need to make, the marketer now has to provide the

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solution. In replacing the fourth and final P (place), we propose access – giving customers solutions on their terms: what they want, when they want it, where they want it, and how they want it.

Access

Customer question: Where can I find it?

Instead of thinking in typical manufacturing terms of getting the product to the customer, marketers should think in terms of service businesses that are obsessed with bringing the customer to the solution. Even McDonald's, the paragon of bringing a manufacturing approach to service, is experimenting with letting customers phone their orders in for more convenient pickup. Domino's Pizza's success with delivery was an object lesson for most restaurant businesses that have begun to offer easier takeout and delivery options.

Today, the question is less about what type of logistical system the marketer can build and more about what type of distribution system the consumer wants to access. Thus, the issue is no longer about place, but about how the marketer can provide the fastest, easiest, least expensive access to the product or service – alone or in combination with others – even including erstwhile competitors. Access has at least two components: closing the loop with customers by getting the customers to the products on their terms and making the contact work.

This then helps us think of non-traditional ways to provide customers with greater access to our products or services. Procter & Gamble's alliance with Coca-Cola was more about access than about distribution (giving people access to P&G brands by putting them within arm's reach using Coca-Cola's awesome distribution system). Tesco's development of banking, insurance, telecommunication, and other serv-

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ices is about giving customers access. Wal-Mart's recent entry into selling travel is leveraging the company's customer base by giving the customers access to commonly sought solutions.

The bottom line

In the SIVA marketing mix, the marketer acts as a server (not as a supplier) of the ideal combination of solution, information, value, and access for each market segment. Defining, designing, and delivering these combinations constitute the marketer's key challenge. Doing it from the customer's point of view, as we have shown in our examples, can only improve the odds of success.

Over the years, Pogo, Walt Kelly's most famous cartoon character, provided many business truths. One was: 'We have met the enemy, and he is us'. Purloining Pogo's line, we suggest that this wisdom applies to the traditional approach to marketing. Marketers today have an opportunity to re-establish their claim to adding shareholder value. One impediment, we think, is related to our reluctance to re-examine the fundamental approach enshrined in the four Ps, arguably the fundamental marketing orthodoxy.

What we are proposing here is to redefine the marketing mix as customer driven rather than manager driven. Clearly, the four Ps have provided businesses with a valuable framework for managing the marketing effort and have served us well for the past half-century. The time has come to build on that foundation with a next-generation marketing mix that will help businesses create and capture value within the realities of the 21st century marketplace. ☛

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