

## **SALES & MARKETING / TASK 4: ANALYZING ELEMENTS OF THE MARKETING MIX: PRODUCT, PRICE, POSITION, PROMOTION AND PLACEMENT**

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### **VE Departments Involved**

Sales & Marketing, Purchasing, Accounting

### **Month for Activity/Time Frame**

October

### **Outcomes**

*Employees will be able to:*

- Identify and explain the concept of a “marketing mix” as it relates to their VE.
- Determine the most successful marketing mix for their product or service.
- Determine and apply the best method to price their products.
- Understand how pricing objectives are affected by changes in supply and demand.

### **Activities/Strategies**

- Convene a department meeting.
- The facilitator will lead a discussion about **FIVE basic marketing decisions**—product, price, promotion, placement, and position. These are called the “marketing mix.”
  1. **Product decisions** involve what product to make, how to package it, what brand name to use, and what image to project. (*Note:* If you are distributing existing named products in your VE, then you must research how products decisions were made by the actual company.)
  2. **Placement decisions** determine how and where a product will be distributed—drugstores, superstores like Costco and Walmart, boutiques.
  3. **Price decisions** should reflect what customers are willing and able to pay and the price of competitor’s products.
  4. **Positioning decisions** determine where your business fits in the market. For example, are you a business designed to meet the needs of individuals on a budget, or a business with access to large sums of money?
  5. **Promotion decisions** deal with how potential customers will be told about the new product: what the message will be, when and where it will be delivered, and what inducements to buy.
- For each product that the VE sells, ask participants to determine the marketing mix.
- Research different pricing methods. Explain that a major factor in determining profitability is any product is price. You need to find the right price for your target market.
  - **Cost-oriented pricing.** Calculate the costs of acquiring or making a product and their expenses of doing business. Add the projected profit margin to this to arrive at the price.
  - **Mark-up pricing** is used by wholesalers and retailers who are involved in acquiring goods for resale (which is the way VE typically operates). A mark-up is the difference between the price of an item and its cost. It is generally expressed as a percentage. Mark-up must be high enough to cover the expenses of running the business and must include the intended profit.
  - **Cost-plus pricing.** Calculate all costs and expenses, then add the desired profit to arrive at a price. This pricing method is used primarily by manufacturers and service companies.

- **Demand-oriented pricing.** Calculates the costs by determining what present consumers are willing to pay for goods and services. Consumers are willing to pay higher prices because they believe an item is different from its competitors.
- **Competition-oriented pricing.** Calculate the price based on the competitors' price. Choose a pricing method and determine the prices of the products in the VE.

Use the breakeven point analysis to help determine the price. *(You must analyze your costs and expenses in relation to unit and dollar sales in order to determine a price. The break-even point is the point at which revenue equals the costs and expenses of making and distributing a product. After this point is reached, businesses begin to make a profit on the product. To determine the breakeven point, divide the total amount of costs and expenses by the selling price. For example, if a company plans to make 100,000 lamps at \$6 each, and the cost of making the lamp is \$4.50 per unit or \$450,000 for the 100,000 lamps, the formula is:  $\$450,000/\$6 = 75,000$ . The firm must sell 75,000 lamps to break even.)*

- Prepare price lists.
- Direct several members of the Sales & Marketing Department to summarize the marketing mix for your products in a report (which will be used as part of the business plan). Distribute to the entire company.

### Online Update

Research competitors' prices (in the VE market and actual companies making your product)

### Materials/Resources

- International VE directory for international companies found on the VE website
- VE website to check national competition
- *Marketing Essentials*, (New York: Glencoe, 2012)

### Mastery and Assessment

- Marketing mix strategy report (to be used in the business plan)
- Price lists
- Agenda and minutes of meeting