

III. Business Skills and Marketing

Topic 36a

The 4 P's of Marketing

FACT SHEET

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What is marketing?

Marketing is a process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

Marketing is a management process that identifies, anticipates, and supplies customer requirements efficiently and profitably.

It is a **management process** through which an organization determines the needs, wants, and interests of the target consumers and delivers goods and services in a way that improves the well-being of consumers and society.

Key variables: the 4 P's

The **marketing mix** is the application of the marketing variables of PRODUCT, PRICE, PLACE, and PROMOTION in business decisions. All these factors can be influenced by the agro-dealer.

P1) Product

Products are goods or services offered for sale. The products are based on customers' needs and wants (which change over time) and on what the business is equipped to provide given its infrastructure, equipment, competencies, and available resources.

Agro-dealers must know the characteristics of different agro-inputs, their use benefits, the right time and methods of application, quality and packing, etc. In agri-marketing, the following characteristics of a product are considered important:

- Variation
- Types
- Quality
- Specifications
- Packing
- Use methods
- Use benefits

P2) Price

Price refers to the amount of money a customer pays to obtain a product or service. The price is based on operational and production costs, what competitors are charging, quality of the product, availability of the product/services, customers' purchasing power, etc. It includes:

- Sale price
- Discounts
- Allowances
- Payment terms
- Credit terms

P3) Place

The place describes the activities that make a product available in the target market. It is based on location, building and space availability, product/service distribution system, workplace safety issues, visibility of the business, etc. It includes the following:

- Distribution channels
- Delivery points
- Sales points
- Warehousing
- Logistics
- Inventory management
- Transport

P4) Promotion

Promotion refers to informing customers/clients of the products/services for sale and persuading them to buy that product. It is based on clients' habits, preferences, financial means, and location, and on your budget, creativity, etc. Promotion should include:

- Publicity
- Advertisement
- Sales promotion
- Personal canvassing
- Brand management
- Field demonstrations
- Field days
- Extension methods

ADDITIONAL INFORMATION

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Basics of Marketing

- **Needs:** Needs are human requirements that emerge from three basic needs: food, clothing, and shelter. Needs are fundamental and cannot be influenced by marketing.
- **Wants:** Wants are also requirements, but they differ from needs. Wants are the mode of fulfilling human needs and refer to the desire for the goods and services that satisfy those needs. A farmer wants to buy fertilizers to fulfill his/her need of higher crop yields for food security and income. Similarly, a farmer wants to grow commercial crops, such as paprika, to satisfy his/her financial needs. Paprika is the want to satisfy the farmer's financial needs. Wants can be influenced by marketing.
- **Demands:** Wants backed by financial ability to purchase are converted to demands. Demands are the means of satisfying wants. A customer tries to select products that provide maximum satisfaction for the money spent. The farmer's demand for an agrochemical product is not for personal need but to satisfy his/her desire for higher income. Marketing attempts to meet this demand.

Common Terms Used in Marketing

- **Products:** Products are the goods or services that satisfy human needs and wants. The products should be accessible and of good quality to satisfy consumers.
- **Exchange:** This refers to the activity of exchanging goods and services to satisfy human needs. This is also called a barter system, which is the most primitive marketing system and refers to an exchange of goods without using money.
- **Transaction:** A business transaction is an exchange of values between two parties. It is a two-way activity. For example, it is what "person A" gives to "person B" and what "person B" gives to "person A" in return.
- **Market:** A market is a location where buyers and sellers interact for business transactions. A market can deal with goods, services, or both.

The 4 P's of Marketing (also referred to as the *Marketing Mix*)

P1) Product

- *Variation*: This refers to different products sold in a shop, such as fertilizers, pesticides, seeds, agricultural equipment, etc.
- *Types*: Some products come in different forms. For example, different types of knapsack sprayers include a piston pump-operated knapsack sprayer, compression sprayer, motorized knapsack sprayer, etc.
- *Quality*: Some products are better quality than others. For example, some batteries last for only a few hours, but a battery from a well-known brand such as Duracell lasts much longer.
- *Specifications*: Specifications describe all parts (or ingredients) of the product. Specifications of fertilizers and pesticides can be found on the label. Sometimes customers may want to buy only a certain brand, but another product with the same specifications can offer the same results.
- *Packing*: This refers to the quantity of the product (selling fertilizers in 50-kg bags or in smaller quantities) and the way it is packed. (This is done by the importer and not the dealer.)
- *Use methods*: This refers to the application of the product. For example, pesticides can come in liquid form, granules, or powder. Each formulation has its own advantages and disadvantages.
- *Use benefits*: This refers to the advantages of using a product. For example, some seeds are resistant to certain diseases, while others ensure high yields.

P2) Price

- *Sale price*: This is the price a customer pays for a product. The price cannot be too high; otherwise, no one will buy it. But a price cannot be too low either; otherwise, no profit will be made.
- *Discounts*: Discounts are used to promote products (see Sales Promotion). For example, discounts can be offered to regular customers or customers buying large quantities and paying cash.
- *Payment terms*: Most customers will pay in cash. But when a customer buys larger quantities, he/she might prefer to pay by bank transfer.
- *Credit terms*: It is possible to offer credit to customers. This means they pay for the product later. The terms can include a small amount of interest or a 1-month repayment deadline.

P3) Place

- *Distribution channels*: A product normally passes through a chain of intermediaries before it finally reaches the consumer or end user. For example, fertilizers are produced in a factory (for example, in South Africa) and then transported via sea or air to an importer in Nigeria. The importer will sell the fertilizer to a wholesaler, and the wholesaler will sell to a dealer. Finally, the dealer will sell the fertilizer to a customer. It is important for dealers to select the best distribution channel. The best channel can be an importer (who sells the products for a good price, but

lives in the capital, which is far away from the dealer's shop) or a wholesaler (who lives nearby but sells products for a higher price).

- *Delivery points:* This refers to a location or facility where the products you buy will be delivered. For example, some importers might have a distribution point in certain state capitals. Instead of traveling to Lagos to collect products, a dealer can save money on transport by only traveling to the state capital.
- *Sales points:* This refers to the place products will be sold. A dealer can open a shop or travel to farmers during the season with a small van to sell products.
- *Warehousing:* This is the place products are stored or kept in stock. Dealers must have a good place to store products, because some products are dangerous and need to be kept out of reach. Products can spoil if not stored well.
- *Logistics:* This refers to the management of flows of products necessary to operate as a business.
- *Inventory management:* This is the management of stock. Dealers must know what inventory comes in and what goes out.
- *Transport:* This refers to the way products are transported from the importer to the shop. The importer can arrange transport, or the dealer can collaborate with other dealers that live in the same area to organize transport and share the costs.

P4) Promotion

- *Publicity:* Publicity (usually unpaid for) makes the business or products known. Examples include reports in the press or radio, displaying products on a table during a meeting of a farmers' organization, etc.
- *Advertisement:* This is paid promotion for products. For example, a dealer can buy space in the newspaper or airtime on the radio to show what products are sold.
- *Sales promotion:* This is a special sale in which products are sold with an extra offer, for a lower price (discount), in a special package, etc. An example of an extra offer is "buy two, get one free" or "buy a spraying machine, get a free bottle of herbicide." An example of a special package is selling fertilizer in a 2-kg bag instead of 1-kg or 5-kg bags.
- *Personal canvassing:* This is campaigning for the business or products. Canvassing could be done during a meeting with farmers or other potential customers.
- *Brand management:* A brand is a class of goods identified as the product of a particular producer. Examples include Coca-Cola and Mercedes-Benz. Fertilizers and pesticides have brands, such as Snipper or Aldrex. Some customers only want to buy a certain brand, but other cheaper products can often offer the same result. It might be useful to become an agent for an importer or producer. This means that a dealer is the official salesman of products from that company. Customers might be more confident if products are sold by an agent of a reputable producer such as Monsanto, Yara or Syngenta.
- *Field demonstrations:* During field demonstrations, results of different agro-inputs are shown on a plot of land. Farmers or other potential

customers can visit the field whenever they want or they are specially invited on field days held at the demonstration plots.

- *Field days:* Techniques and knowledge are shared during field days. Examples of techniques include the application of agro-inputs, the usage of a knapsack sprayer, etc.
- *Extension methods:* This refers to teaching on-the-spot. Extension is often provided by the government. Extension officers will visit villages to explain how to apply certain types of fertilizers. Farmers who understand how to apply a product might be more willing to buy the product. If farmers are able to apply the inputs correctly, yields will increase.

Other Marketing Factors

Sometimes, reference is made to other P's, such as:

Political Environment

It is very difficult for agro-dealers to influence the policy environment, but they can try to do so via lobbying. The **political environment** relates to government policies, rules, and regulations that are applicable to production, import, distribution, and sale of a product. This may consist of:

- Rules and regulations
- Policies of import and distribution
- Taxes and duties
- Subsidies
- Credit schemes

Packaging

This is described under "packing" as part of Product.

People or Personnel

People refer to customers and **personnel** are those selling the products.

INSTRUCTIONS

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Materials needed:

- Flip-sheet board with flip-sheets
- Markers (1 black, 1 blue, 1 green, 1 red)
- Colored cards

Time needed: 1 hour

Preparations:

- Flip-sheet with the words:
 - *Marketing* (as heading)
 - *4 P's of Marketing* (as heading)
- Colored cards with the following words (1 item per cards, with 30 cards total)
 - *Product*
 - *Price*
 - *Place*
 - *Promotion*
 - *Packing*
 - *Quality*
 - *Specifications*
 - *Variation*
 - *Types*
 - *Use Methods*
 - *Use Benefits*
 - *Sale Price*
 - *Discounts*
 - *Payment Terms*
 - *Credit Terms*
 - *Distribution Channels*
 - *Delivery Points*
 - *Sales Points*
 - *Warehousing*
 - *Logistics*
 - *Inventory Management*
 - *Transport*
 - *Advertisement*
 - *Sales Promotion*
 - *Publicity*

- *Personal Canvassing*
- *Brand Management*
- *Field Demonstrations*
- *Field Days*
- *Extension Methods*

Set up

- Attention:** Tell participants that we are going to explain the basics of marketing. It is necessary for them to pay attention, because the rest of the sessions will be difficult to understand if they do not understand the basics.
- Title:** Tell the title: *The 4 P's of Marketing*.
- Credibility:** Explain your experience with marketing. Explain that this information is not made up by you or IFDC. There are many books written about marketing. One of the famous marketing experts is Phillip Kotler, and many of his ideas are still used, including the 4 P's of marketing.
- Objectives:** To explain marketing and the marketing mix using the 4 P's.
- Benefits:** Knowing the basics of marketing is the first step in developing a marketing strategy that can improve your business.
- Direction:** We are first going to define marketing. Then we will discuss the 4 P's. We will focus only on 4 P's, but sometimes more P's are also mentioned in the marketing mix.

Delivery

Explanation, Demonstration, Exercise, and Guidance:

1. Show the flip-sheet with the word *Marketing*. Ask if someone can explain what **marketing** is. Collect answers, but do not discuss them in detail. According to the experts (refer to Phillip Kotler again), marketing is the following:
 - A **process** by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. (Add to the flip-sheet the words *Needs, Wants, Exchange of Products*.)
 - A **management process** that identifies, anticipates, and supplies customer requirements efficiently and profitably. It is a process through which an organization determines the needs, wants, and interests of the target consumers and delivers goods and services in a way that improves the well-being of consumers and society. (Add to the flip-sheet the term *Management Process*.)
2. Ask if someone can explain the difference between *needs* and *wants*.
 - **Needs:** Needs are human requirements that emerge from three basic necessities: food, clothing, and shelter.

- **Wants:** Wants are also requirements, but they differ from needs. Wants are the mode of fulfilling human needs and refer to the goods and services that satisfy those needs. A farmer wants to buy fertilizers to fulfill his/her need of higher crop yields for food security and income. Similarly, a farmer wants to grow commercial crops, such as paprika, to satisfy his/her financial needs. Paprika is the want to satisfy the farmer's financial needs.

In short, needs are basic human requirements and wants are ways to fulfill these needs.

3. Show the flip-sheet with the heading *4 P's of Marketing*. Ask if anyone has heard of the **4 P's of marketing**. If they have, ask if anyone can mention one of the P's. Every time someone mentions a correct P, write it on the flip-sheet. The 4 P's are: Product, Price, Place, and Promotion. Explain that the 4 P's are called the **marketing mix**.
4. Ask if someone can explain what **product** means. Products are the goods or services offered for sale.
5. Ask what **price** means. The price is the amount of money a customer should pay to obtain a product or a service.
6. Ask what **place** means. The place describes the activities that make a product available in the target market. Someone will probably mention that place is where you will sell products. Tell participants that that is correct, but that place encompasses much more. We will discuss that in an exercise.
7. Ask what **promotion** means. Promotion refers to informing customers/clients of the products/services for sale and persuading them to buy that product.
8. Pin the colored cards with the words *Product, Price, Place, and Promotion* on a board next to each other. Tell participants that we are going to do an **exercise** with the 4 P's. Divide participants into five groups. Mix the prepared colored cards (26) and distribute them to the groups (four groups will get five cards and one group will get six cards). Tell participants that each card belongs to one of the 4 P's. The group has to decide where to place each card under *Product, Price, Place, or Promotion*.
9. Let participants discuss in their groups. If they agree on where to place the cards, let them come to the board and paste the cards under the heading. The results should be as follows:

Product	Price	Place	Promotion
Variation	Sale Price	Distribution Channels	Publicity
Types	Discounts	Delivery Points	Advertisement
Quality	Payment Terms	Sales Points	Sales Promotion
Specifications	Credit Terms	Warehousing	Personal Canvassing

Packing	Logistics	Brand Management
Use Methods	Inventory Management	Field Demonstrations
Use Benefits	Transport	Field Days
		Extension Methods

10. Wait until all groups have placed their cards. Ask everyone to sit down and discuss the results card by card. Ask what every card means. For example, what is *packing*? Packing refers to the quantity of the product (selling fertilizers in 50-kg bags or in smaller quantities) and the way it is packed. (This is done by the importer and not the dealer.) If a card is placed in the wrong category, discuss first what the card means. Then, ask the group who placed the card if they would like to keep the card there or change it to another category.

11. Discuss all the cards. Focus on the following:

Product

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Place

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Promotion

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Finish

- Summary:** Give a summary using the table. Repeat the 4 P’s and some of their components.
- Questions:** Ask if anyone has a question or comment.
- Evaluation:** Ask participants to define marketing. Marketing is a process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. Ask what the 4 P’s are and ask participants to name one or two examples of each.
- Next step:** We have discussed the basics of marketing. Before we discuss details, we will first learn the difference between marketing and selling in the next session.

Distribute the **fact sheet** to all participants.