

THE FOUR P'S

Buying, selling, market research, transportation, storage, advertising—these are all part of the complex area of business known as marketing. In simple terms marketing means the movement of goods and services from manufacturer to customer in order to satisfy the customer and to achieve the company's objectives. Marketing can be divided into four main elements that are popularly known as the four P's:¹

- product
- price
- placement
- promotion

Each one plays a vital role in the success or failure of the marketing operation.

The product element of marketing refers to the good or service that a company wants to sell. This often involves research and development (R & D) of a new product, research of the potential market, testing of the product to insure quality, and then introduction to the market.

A company next considers the price to charge for its product. There are three pricing options the company may take: *above*, *with* or *below* the prices that its competitors are charging. For example, if the average price of a pair of women's leather shoes is \$47, a company that charges \$43 has priced *below* the market; a company that charges \$47 has priced *with* the market; and a company that charges \$53 has priced *above* the market. Most companies price *with* the market selling their goods or services for average prices established by major producers in the industry. The producers who establish these prices are known as price leaders.

The third element of the marketing process—placement—involves getting the product to the customer. This takes place through the channels of distribution. A common channel of distribution is:

manufacturer → wholesaler → retailer → customer

Wholesalers generally sell large quantities of a product to retailers, and retailers usually sell smaller quantities to customers.

Finally, communication about the product takes place between buyer and seller. This communication between buyer and seller is known as promotion. There are two major ways promotion occurs: through personal selling, as in a department store; and through advertising, as in a newspaper or magazine.

The four elements of marketing—product, price, placement, and promotion—work together to develop a successful marketing operation that satisfies customers and achieves the company's objectives.

¹E. Jerome McCarthy, *Basic Marketing* (Homewood, Ill.: Richard D. Irwin, Inc., 1971), pp. 44–46.