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**MARKETING TOOLS FOR SMALL BUSINESSES WITH SPECIAL
FOCUS ON MULTIPLE P'S MODEL, USING BEVERAGE
SUPPLIER AS A CASE MODEL**

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ABSTRACT

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<p>The aim of this bachelor's thesis was to describe and subsequently examine which main marketing tools should company use or take into consideration in order to succeed in today's business world. First it describes marketing in general and then focuses on focus on some main marketing tools - multiple P's model and it's evolution, main differences between differentiation and positioning, the market segmentation, and a product life cycle. As it is mentioned in the name of the thesis, the main focus was given to multiple P's model. It describes the foundation of the model, history, evolution, but also presents some new ideas - 4 C's model and SAVE model.</p> <p>In the theoretical part the focus is given to definitions of models that are later applied in empirical part. In the empirical part it is described how those marketing tools were used in practice in a specific small size company. The main research questions were the following - which marketing models was the company using, how they were implemented and what were the applied results.</p> <p>Those questions were successfully answered. The main finding of the thesis is, that in general, if a company would not do a proper market research and marketing planning it could lose a lot of customers, which means losing a lot of profit.</p>		

Key words Implementation, marketing, marketing tools
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1 INTRODUCTION

Nowadays companies are selling goods and services through wide variety of channels. Mass advertising is no longer as effective as it used to be. Marketers have to explore new ways of communication for example viral marketing or experiential entertainment. The whole business world is shifting its focus towards the customer. Customers are telling companies which products or services they want or need to buy. They are also deciding when, how, and where they want to buy them. Moreover customers are sharing their thoughts about the product or service with other customers via social media. It is no longer just the company sending information about products or services to the world.

In response to these shifts, companies have to adjust from managing product portfolios to managing so called customer portfolios. Companies are nowadays focusing on creating customer databases so they can better understand and manage individual demands. It is no longer about mass offerings. It is about individualized offerings and messages. Companies are more focused on customization than on product or service standardization. Selling monologues are being replaced by customer dialogues.

Marketing is no longer just one of the departments in the company charged with small amount of tasks. It is a company-wide undertaking. Company's mission, vision, and all the planning is driven by marketing. Marketing department now needs to decide the most important questions:

- Who the customers are going to be?
- Which of their needs to satisfy?
- What products or services to offer?
- How to set the prices?
- Which distribution channels to use?
- How to communicate with the customers?
- And which partnerships to maintain and develop?

In this thesis it is described which main marketing tools should company use or take into consideration in order to succeed. First chapter is focused on introduction to marketing in general and the following chapters focus on the main marketing tools - multiple P's model and it's evolution, main differences between differentiation and positioning, the market segmentation, and a product life cycle. As it men-

tioned in the heading of the thesis. The main focus was given to multiple P's model. The thesis concentrates on foundation of the model, history, evolution, but also presents some new ideas - 4 C's model or SAVE model.

In theoretical part the focus is given to definitions of models that are later applied in empirical part. In empirical part a small size company is being examined. The main research questions were - which marketing models was the company using, how they were implemented and what the results of using them were. It is essential to understand the marketing theory in order to be able to correctly understand all the marketing mechanisms and techniques used in examined company.

I chose to study this field because I have both theoretical knowledge and empirical experience. Theoretical background was gained by attending marketing classes and real-life experience was acquired by working for more than a year in a beverage supply company. In my final thesis I was very excited and eager to connect my theoretical knowledge gained through my studies with real-life experience acquired during my work period.

As a theoretical base books from the top marketing gurus were used. More than one book was from Dr. Philip Kotler since he is considered to be the modern father of marketing. Inspiration was taken from other authors as well, for example McCarthy, Keller, Armstrong, Porter, Ries and Trout, and more.

2 INTRODUCTION TO MARKETING

Marketing is science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pin-points which segments the company is capable of serving best and it designs and promotes the appropriate products and services. (Kotler 2001-2015.)

Marketing's main focus is dealing with customers. The clearest description of marketing would be that marketing is managing customer relationships in a profitable way. The most basic goals are attracting new customers and maintaining and developing the current ones. These goals are achieved by offering unique value and by satisfying customer needs. Well-handled marketing is crucial in order for every company to succeed. In fact we are surrounded by marketing in our every-day lives – TV commercials, magazines, catalogues, newspapers, webpages, etc. Marketing is involved in daily aspects of our lives. But behind every advertisement there is much more than a regular person realizes. A lot of people and many activities are trying to attract our attention. (Kotler & Armstrong 2008, 4-5.)

According to public opinion marketing is only about advertising and selling. But that is no surprise because we are often being attacked by direct e-mails, sales calls, TV commercials, etc. Nevertheless advertising and selling are just the top of the marketing iceberg. There is much more hidden from customer's casual eye. Over the years the marketing conception has changed. It is no longer just about making the sale. The new purpose of marketing is to satisfy customer needs. The main idea is to develop unique product that brings a customer value. The general view of marketing often implies that selling and marketing go hand in hand. But in fact, as Peter Drucker (2007) says, the goal of marketing is to make selling unnecessary. In a more general terms, marketing can be described as social and managerial process that allows persons and organizations to get what they need or want by creation and exchange of value with others. To put things in a business prospective, marketing includes creating profitable and valuable relationships with customers. This is why marketing is often defined as a way which companies use to create value for customers, which in turn allows the companies to build lasting and meaningful relationships with the customers. In return the company receives value from the customers. (Kotler & Armstrong 2008, 5.)

It is essential for every company in today's world to manage their marketing processes well. Customers are nowadays much more educated and refined. In time real incomes have increased so the customer has wider variety of choices. Not just because of his increased buying power but also because of an increasingly wide range of available products or services. (Jobber & Lancaster 2009, 17.)

But in a more simple terms it is a process by which a firm transforms customer needs into revenue. It is a process which starts and ends with the customer. Firstly company needs to have a product or a service that customers need or want. The company simply needs to come up with a desired item or service. To be able to bring something with a demand market research should be done. That means that the whole process starts with a customer. The first real step of marketing starts after exploring the market and creating a product or a service. Company needs to create a logo, a slogan, labels, packaging and many other things. But it is not the end of the process. The company has to prepare the product for launching on the market and create product campaign and all kinds of advertisements. When the product or service is finally available on the market, it is not the end of the marketing process. After some time it is needed to make another research, collect feedback from the customers, start upgrading or innovating the product, etc. And with innovations or new upgrades there needs to be a new commercial campaign and the marketing process spins again. To sum it up, marketing can be explained as a never-ending process of creating, innovating, upgrading, launching and re-launching, promoting, selling product or service.

3 MULTIPLE P'S MODEL

3.1 Introduction

To begin with a brief introduction of marketing mix which is closely related to multiple P's model is needed. The term "marketing-mix" was first introduced in 1953 by the president of the American Marketing Association Neil Marathi. The term marketing mix is a business tool used in marketing products and it is usually crucial when determining and differentiating product or services unique selling point (Kerin, Hartley, Rudelius, 2001). The Marketing Mix was made popular by one of the greatest and most famous marketing gurus Philip Kotler.

(The) Marketing Mix is the set of controllable variables that the firm can use to influence the buyer's response. (Kotler & Keller, 2006.)

The traditional marketing mix usually refers or is sometimes synonymous to 4Ps - product, price, place and promotion. This idea was first proposed by an academic Jerome McCarthy in 1960. It has been very popular over the years even though the very first idea of the model has changed and evolved due to the enormous increase in the use of technology. These four variables help a company to develop a strong brand image and create a unique selling point.

Throughout the years, with the rise of the Internet and new concepts like digital marketing, e-commerce and social media, many marketers started doubting the relevance of the classic 4 P's model. Some believed that this model is dead. They proclaimed that even though the framework was easy to understand and simple to apply, it was lacking several important elements and was too shallow.

3.2 History and Evolution

Throughout the history of business free main stages of modern business practices occurred. At the beginning of 20th century all the businesses were mainly production-oriented. This stage involved focus on achieving the highest production possible. Secondly, in the 20s and 30s the business became sales-oriented. The main focus in this stage was on making sure that all production is sold. The dawn of the last stage signifies customer orientation. This stage is referred to as the customer-oriented stage (Jobber & Lancaster 2009, 17). It became clear that a concise and universal model covering the new found customer oriented practices was needed. That is why The Marketing Mix was introduced and 4P model emerged. The 4P's model – product, price, place, and production was first established by Paul McCarthy in 1960.

First of the Ps stands for product. It might be a tangible product or an intangible service that satisfies consumers demand. Secondly there is a P for price. It is very essential because it determines company's profit and decides if company survives or not. It is very important how company settles and after that adjust the price. Price cannot be very high because customers would not accept it and would not buy the product but at the same time it cannot be very low because the company needs to make profit to cover all the expenses. The price always depends on the price elasticity of the product. Next one to explain is place. It stands for channels by which company makes the product or service available to the customers. Last on is promotion, it includes all the methods of communication that a marketer may use to provide information to different parties about the product – advertising, public relations, sales organization and sales promotion.

The 5P's model was introduced by Judd in 1987, a fifth P was added to the model. This stood for People. In 1987 the 6 P's model was founded. Kotler suggested to add two additional aspects to the classic 4 P's model, public opinion and political power. This model was made especially for companies entering foreign markets. Kotler claimed that there was a need to satisfy wider audience beyond the target market when entering a foreign market. He said that company should take into consideration groups who have the power to affect the market like governments, trade associations, etc.

The 7P's model is sometimes called The Mix of Services Marketing. This new model was introduced by Bitner and Booms in 1981 and was straightly related to the service industry. They added three new Ps - physical evidence, people and process. The traditional marketing mix was designed in a stage where most businesses were selling products. It happend that the service provisions and the role of good

customer service were ignored and some aspects were not even taken into consideration, for example potential impact on brand development and the customer experience.

The longest extension to the original model, 15P's mix was created by Baumgartner in 1991 and includes - people, politics, public relations, probe, partition, prioritize, position, profit, plan, performance and positive implementations. These were added as an attempt to add depth and much more complexity. Even though many models were invented during the years, the most widely used and the most favorite extension to the classic 4P's model is still 7P's marketing mix for the service industry.

On the set of pictures below it is shown how this whole evolution happened. You can see all the schemes starting from McCarthy's model founded in 1960 to Baumgartner's most extensive model described in 1991.

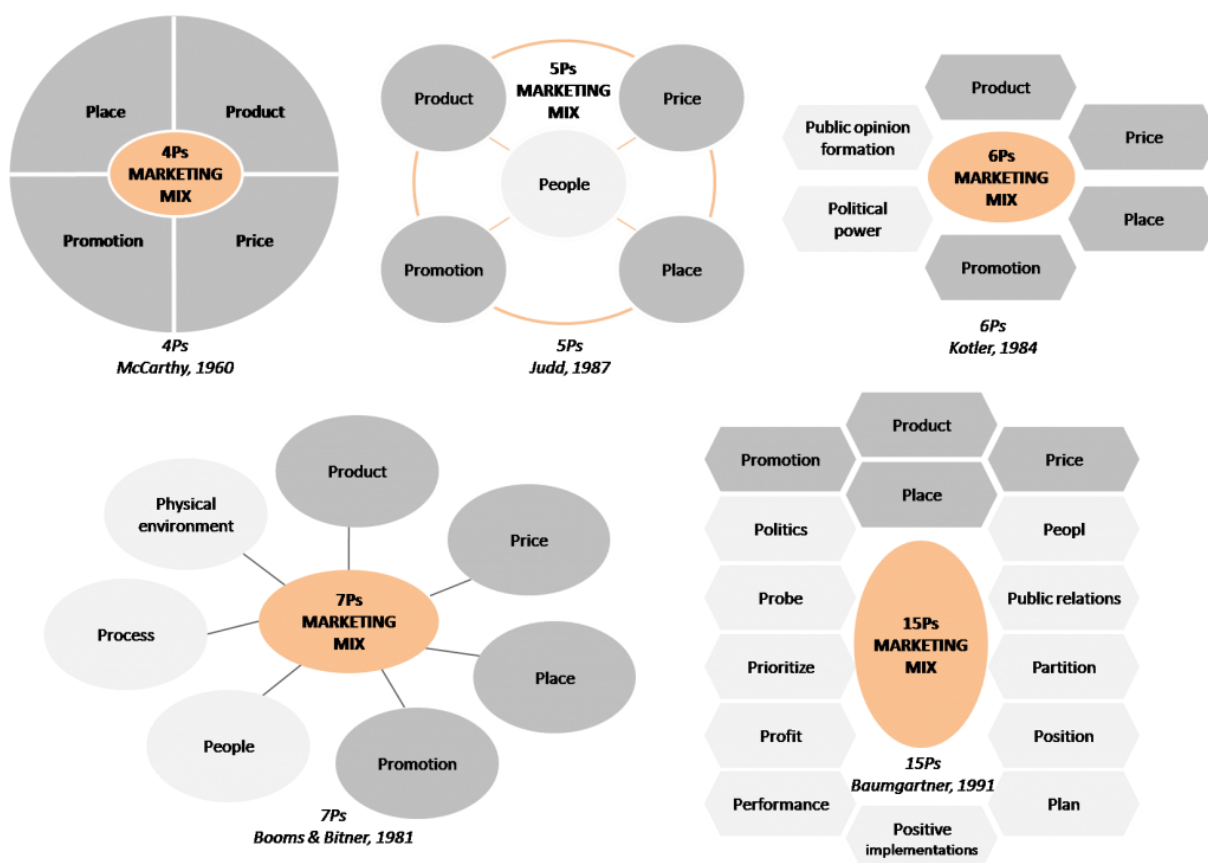


FIGURE 1. Marketing mix evolution (Cleverism 2014)

Over the time, as the concept of marketing has changed and developed, and the definition of a service/product has grown more complex, the traditional marketing mix has been redefined and extended.

I personally expect that with the progress of new technologies and with changes in our lifestyles there might be 20Ps marketing mix in few years. Or is the evolution going to stop and marketing will go in complete different direction? With the rise of using the Internet and advent of some new concepts like digital marketing, e-commerce but mainly social media, critics started doubting the relevance of the whole marketing mix idea. Some were suggesting that one P for promotion should be removed. They proclaimed that there are some good examples like Google, who were never really advertising and still became so popular. Similarly with the rise of e-commerce, the place is no longer relevant as well. So who knows what the future holds?

Each of every ingredients of the marketing mix is a key to success. No one element can be considered in isolation – you cannot, for example, develop a product without considering a price, or how it will reach the customer. (The Chartered Institute of Marketing 2008, 9.)

3.3 4C Marketing Mix

McCarthy's well-know 4 P's model was the main pillar of marketing education for more than twenty years. But in 1990 according to Lauterborn it was time for the model to retire. Product, price, place and promotion were suitable for world that no longer existed. It was more about being focused on a customer, to be customer-oriented. And a new formula was invented – Lauterborn's 4 C's. (Quing, Wein & Huilan 2013. 207.)

The new model was suggesting to forget product and focus more on what customer wants and needs. Lauterborn stated that the market has changed and that companies can no longer sell just whatever they can manufacture. He proposed that product should be replaced with customer needs and wants and tried to suggest that companies should only try to sell what customer specifically wants to buy. (Lauterborn 1990, 20.)

In this new model price was supposed to be forgotten as well. Instead of being focused on adjusting the price companies should try to understand consumers' costs to satisfy what they want or need. Lauterborn was saying that price is almost not relevant at all. The actual price is just one part of the actual cost. Shown on an example – if company is selling burgers the price does not really matter. It is the cost of time to drive to the burger place, the cost of conscience to eat meat at all, versus perhaps the cost of guilt

for not treating the kids. Value does not lie where it used to. It is no longer about the biggest burger for the smallest amount of money. (Lauterborn 1990, 20.)

It is a complex equation with as many different correct solutions as there are subsets of customers. (Lauterborn 1990, 20.)

In this new era with arrival of credit cards, personal phones and selling catalogs place was no longer relevant and was suggested by the 4C's marketing mix to be replaced with - convenience to buy. People in those days did not have to go anywhere to buy products anymore. For the companies it was no longer about having the nicest shop in the city. It was more about offering the customers convenient and maybe more comfortable and easier way of purchasing their products. (Lauterborn 1990, 20.)

Last but not least promotion was replaced by communication. It is said that communication is maybe the most important aspect in this new model. Lauterborn was saying that a good marketer and seller can say almost anything if using the right words (Lauterborn 1990, 20). He was also predicting that the second millennium will be mainly based on communication. And he was right.

Following picture shows how product, price, place and promotion from original 4P's model got swapped for consumer, costs, convenience and communication.



FIGURE 2. Lauterborn's 4C's model (Marketing at Joka 2016)

3.4 Rethinking the 4 P's

According to Harvard Business Review classical multiple P's model is outdated and over. The classic marketing mix consisting of 4 P's - product, place, price and promotion has been around for more than fifty years. But in today's business-to-business (B2B) world, this concept is too much oriented towards the product and not oriented enough to deliver solutions, which are more important in this context. (Ettenson, Conrado & Knowles 2013.)

It has been found that his model has three significant disadvantages when used in B2B industries - it makes the marketing and sales team to put emphasis on product technology and quality despite the fact that these are not the ways of differentiating themselves anymore, because they've become the cost of entry. Secondly, the model doesn't put enough emphasis on building awareness for the superior value of the solutions they offer. Lastly, the model doesn't make them realize that they should build on their advantage, which in B2B world is diagnostics, advice and problem solving. (Ettenson, Conrado & Knowles 2013.)

The 4 P's model is a good and well-established model for a reason. However, for the B2B world, the model needs to be adjusted. A SAVE model swaps aspects from classical 4P's model to more suitable aspects for B2B environment. Products are swapped with solutions, place with access, price with value, and promotion with education (Ettenson, Conrado & Knowles 2013). This new scheme is displayed below and shows which aspects from normal marketing mix substitute which aspects from SAVE model.



FIGURE 3. Marketing mix model for B2B

In fact, the SAVE model has been pioneered by Motorola Solutions. It used the model to restructure their marketing organization and to develop a new approach to their go-to-market strategies - both in the public and the private sector. Three requirements regarding successful transition from 4P's thinking to SAVE have been identified. (Ettenson, Conrado & Knowles 2013.)

Firstly, a mindset focusing on solutions should be encouraged throughout the organization - mainly by management. The main problem with most companies is that they focus on improving technological aspects of their products instead of focusing on the perspective of their customers. Secondly, the organization's management should ensure that the way the marketing organization is set up promotes customer-oriented thinking. Lastly, the marketing and the sales department should cooperate as well as the delivery and the development teams should be promoted. The way Motorola Solutions used this was that they had their specialist teams focus on creating solutions and coordinating their approaches to the specific needs of customers. This allowed the company's solutions to not be limited by functional limitations. (Ettenson, Conrado & Knowles 2013.)

4 PRODUCT AND MARKET

4.1 Differentiation and Positioning

In marketing, differentiation means creating or offering unique products or services that within a particular segment of the market possess certain competitive advantage. In order to differentiate a product from competitors, company needs to make or offer different or more attractive product or service (Porter 1985). To be sure that differentiation is successful companies need to build a compelling value proposition.

Even though value proposition is a well-known and often used concept, there is no concrete definition to it. It is a statement that summarizes why customer should buy certain product or use certain service. It describes the added value that customer gets by buying it. Value can be created many different ways – quality, price, brand, location, etc. Companies should settle their value proposition according to its strengths, strategies and shareholder's values. (Hasan 2012, 68.)

The value proposition is a written statement focusing all the organization's market activities onto customer critical elements that create a significant differential within the customer's decision process, to prefer and/or purchase the organization's offering over a competitor's. (Fifield 2007, 443.)

When the value proposition is articulated, companies have to think about key processes and resources that are necessary to deliver that value. Key processes and resources differ according to the industry company operates in. In service sector key resources are people providing the service and key processes are also human related, for example training and development. On the other hand for a company selling packaged goods the key resources are a strong brand and well-selected retailers. Accordingly the critical processes are developing or building the brand and distribution channels management processes. Very often the success stands behind a cohesion of all the key resources and processes not behind individual ones. In order to get a job done perfectly for different sets of customers companies usually have combine key resources and key processes in a unique way. This is how long-lasting competitive advantage is created. (Harvard Business Review, 2011.)

On following example you can see how differentiation works in a practice. In the early 2000s Google started becoming the world's leader in search engine business on the Internet. Before Google entered the market there were many similar companies. All of them were offering the same service – a list of requested webpages surrounded by some advertisement, pictures, etc. Google's differentiation strategy was, and actually still is, the simplicity. Everyone knows that if you go to Google.com home screen you always see just two things – company's logo and the search input field. That was the difference why users fell in love right with Google. With this case it is obvious that differentiation is very important and sometimes based on small details. It is essential to remember that even very small detail can stand between the huge success and total failure.

Positioning on the other hand is something more cosmetic. Company is not changing the product itself but is only making cosmetic changes. Name, price or packaging is changed in order to gain a worthwhile position in the prospect's mind. The term "product positioning" is a bit confusing. It tempts to think that the product itself is being changed but it is more about changing buyers view on the product. So-called "Positioning Era" started after Ries, Trout and company published a series of articles for the trade paper called Advertising Age in 1972. (Ries & Trout 1981.)

Positioning is not what you do to a product. It is what you do to the mind of a prospect. You concentrate on perceptions of prospect, not the reality of the product. That is, you position the product in the mind of the prospect. (Ries & Trout 1981.)

How you differentiate yourself in the mind of your prospect. (Ries & Trout 1981.)

The easiest way how to get into customer's mind is to be original and different, ideally to be the first one on the market. Good examples are companies like Xerox, Kodak or Polaroid. When positioning a product it is very important to have a clear vision and stay objective. It is essential to find a unique way how to define a product and sometimes conventional logic can be ignored. The basic approach is to manipulate what is already in the mind.

4.2 Market Segmentation

Market segmentation is the process of splitting customers, or potential customers, in a market into different groups, or segments. (McDonald & Dunbar 2004, 34.)

Market segmentation is about dividing potential customers with similar needs into groups and offering them tailored product or services and suitable marketing mixes (Kotler & Armstrong 2005, 54). Different market groups or segments gather individuals with similar characteristics such as age, salary, social status, lifestyle, geographical location, cultural background, etc. There are four main categories:

1. Geographic (countries, nationalities, regions, neighborhoods, etc.),
2. Demographic (age, gender, sex, income, etc.),
3. Psychographic (lifestyle, personality, etc.),
4. And behavioral (user status, loyalty, attitude, etc.).

It is essential for every company to find its specific target group and more effectively adjust products or services to the target group's needs. But there is actually one important fact that companies need to understand. Customers divide themselves, or are divided by their characteristics, into specific segments. Companies have to examine and understand segments' needs and motivations and adjust accordingly (McDonald & Dunbar 2004, 34). The challenge is to deliver desired value proposition and based on that make a profit. In order for marketers to deliver a desired and wanted product or a service market segmentation and proper targeting is necessary (Pickton & Broderick 2005, 373).

4.3 Product Life Cycle

Product life cycle is a curve describing product profitability in time. Most of the product life cycles have bell-shaped curves and are divided into at least four stages – introduction, growth, maturity, and decline (Kotler & Keller 2015, 370).

To say that a product has a life cycle, four conditions must be met:

1. Product has a limited life.
2. Product sales are going through different stages, in each there are different threats, problems, challenges, and opportunities for the seller.
3. In these different stages profits rise, stagnate or fall.

Different marketing, financing, purchasing, manufacturing, etc. strategies are required in each stage. (Kotler & Keller 2015, 371.)

Picture below shows a basic graph of the product life cycle. There are two fixed perpendicular directed lines. One of them (horizontal) represents time and the other one (vertical) stands for amount of sales and profits. Most important are two bell-shaped curves that show how the product was doing in different stages of its life.



GRAPH 1. Sales and profit life cycles (Kotler & Keller 2015, 371)

Introduction stage is specific for slow sales volume, costs are very high, customers are hard to find and need to be prompted to try the product, and the overall profit is very little. However there are few or even none competitors operating in the same market. Growth stage is economically a bit better. Costs

reduces because of economies of scale, public is aware of the product and customers are getting used to buying it, volume of sales is rapidly increasing and product is becoming profitable. Hand to hand with increasing amount of sales comes also bigger competition with some new companies in establishing market. Maturity stage always comes when product is widely accepted by the customers on the market. Sales volume reaches the peak and it can be said that market is saturated. Thanks to the learning curve and production volumes costs decreases. Competition is great so brand differentiation is very important. In decline stage sales volume is falling and profits erode. Many products cannot recover and suffer final decline and death.

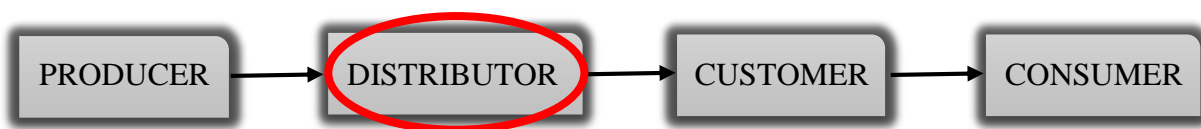
5 MODELS IMPLEMENTATION

In empirical part a small size company is going to be examined. The main research questions, that I want to answer in the practical part, are -

- Which marketing models was the company using?
- How the models were implemented?
- What were the results of using them?

5.1 Company introduction

Examined company is called Gastro21. It was established in April 2008. The company specializes in supply industry. Gastro21 distributes wide variety of drinks to restaurants and cafés. On the picture below it is shown how the examined company interlinks a producer and a customer but not the final consumer. It is a very good example of a supply chain and business-to-business (B2B) selling situation.



Gastro21, examined company

FIGURE 4. Supply chain scheme for examined company

Company's mission is to help restaurants to profit and prosper via its drink distribution. When the company was established it was only importing and distributing ready-made instant drink bags to restaurants and other facilities. With more customers and company development Gastro21 started launching its own products, for example Coffe21. Company owners owns the rights to the formula how to make that specific coffee but they are still not the producers or makers in a way. They needed to find a coffee producer who would roast the coffee seeds, mix them in a certain ratio and put them into packages. So even though they started selling their own products they were still not the first-tier company in the supply chain.

As mentioned already examined company specializes in drink distribution. Main products are instant flavored bags of Hot Drink, Hot Chocolate, Ice Chocolate, Milk Shake, and Greek Frappé. Company's

customers are mainly restaurants but also cafés, catering companies, companies, schools, kindergartens, wholesalers, etc.

The main reason why I chose to study this company is that I used to work there for more than a year as a sales representative. Company was established in 2008 by brothers Karel Harazím and Milan Harazím. I joined them in May 2011 and worked there as a sales representative until August 2012. Company employs between five to ten people at a time.

5.2 Marketing Mix

The main marketing pillar for examined company was marketing mix model. After making a market research the owners decided to use the 7P's model because it suited the company the best. The following scheme shows what all the Ps stand for.



FIGURE 5. Marketing mix scheme for examined company

The first element of 7 P formula is product or in this case products. There were three main products - Instant flavored Hot Drinks, Original Greek Frappé and Hot Chocolate. These three were not chosen

randomly. Company owners made a huge market research in spring 2007 where they asked over 1,000 restaurant or café owners what are they missing on the market. That is how company found the gaps on the market that needed to be filled. In more details they discovered that there were not such products as Greek Frappé in instant bags for easy and fast use. The research also showed that there are no products such as instant Hot Chocolate that thickens while being prepared. And lastly during the winter it was obvious that final customers were really passionate about fruity Hot Drinks but options available on the market at that time were too costly for restaurant owners. Restaurant managers had a lot of potential consumers of Hot Drinks but they were too expensive to buy and the profitability was very low.

So Gastro21 came up with a smart solution. They started importing freshly roasted Original Greek Frappe from Greece so every restaurant or café interested could buy it. They also made a deal with a manufacturer on manufacturing a special type of Hot Chocolate that changes it's thickness according to the time of boiling. And finally the same manufacturer agreed on producing a cheaper variant of instant Hot Drinks. That was the stepping stone to future success.

Those three pictures shown below were used as promotion materials to be send to the restaurants and displayed there on the tables or on the bar to attract customer's attention. The left picture shows Original Greek Frappé, the middle one shows product Hot Chocolate and flavors available and the right one shows Hot Drink and wide variety of its flavors.



FIGURE 6. Promotion leaflets (Gastro21)

Next aspect that needed to be taken into consideration was price. Company owners set the prices very low and that way basically offered customers the cheapest products on the market. With lower price they did not receive such a high profit from one sold product but overall they managed to take over the market and sold two times more than competitors. So-called penetration pricing strategy was used. This is a very good example of economies of scale where with increased output of a product profit arises. I consider the price strategy in that company very successful and smart. They were not profiting one single product but on quantity.

In case of promotion, company used direct mails sent to e-mail boxes of gastro-facility owners, but did not actually use any public or massive marketing campaigns because they are extremely expensive and they could not afford it. But they made a very smart choice and as the main promotion channel they decided to use promotion leaflets. They were made to be placed on the tables in restaurants or café to attract final consumer. In that way restaurant sold more and demanded more from the distributor – Gastro21, the examined company. Here you can already see how beautiful and complex marketing is.

There were just few distribution channels that the company was using:

1. The least successful was stone shop situated in the ground floor of company's premises. It was not planned to place a shop there but once in a while people driving around stopped there and wanted to try some samples and buy starting package for their restaurant.



FIGURE 7. Distribution channel - stone shop

2. Another possibility was to use an e-shop. Customer had that chance to order goods via the Internet through company's website.



FIGURE 8. Distribution channel - e-shop

3. But the main and the most successful channel was made through simple phone-calls. Instead of hiring usual sale representatives who would be walking door-to-door trying to offer products and make a deal, Gastro21 came up with a very smart idea. It hired group of people that were selling the products via the phone. It was much more effective. On average a sales rep that is meeting customers in person can visit and make an offer to fifteen customers a day. Whilst a sales rep calling to customers can make an offer to fifteen customers in an hour. Company owners found out that if they train their sale reps well in selling via phone it would be much more effective and profitable. And it was.



FIGURE 9. Distribution channel - sales calls

Another important aspect of 7P's model is physical evidence. This term is mainly used when talking about selling services or something intangible. It says that there should be an evidence that the service was delivered. This term could be used when talking about products as well. Then it is about company and how it presents its products on the market place. Gastro21 was selling tangible products so their physical evidence was focused on presenting itself and its products in a best possible way. The company kept its promises such as reception or main lobby in a very good shape, tide and well decorated so all the coming customers got the best impression possible.

Another marketing mix element are people. Everyone who comes into contact with a company is important and leaves with some kind of impression. It can be everything between negative feeling and full customer satisfaction. People that come to the contact with a company are hand to hand with employees creating company's reputation. Therefor employees and other stuff should be well-motivated, have a right attitude and be trained appropriately. At the time when I was working for examined company, there were two owners and four sales representatives. There were trainings and special seminars taking place at least two times a month so all the employees could portray and represent the company in the best possible way. All the representatives were making selling calls and had meetings every day and company owners had to be sure that they are in every case highly professional, representative, helpful and respectful. Me and my colleagues were the very first and most of the times the only people that potential customers were talking to so we had to make sure that we were making the best first impression possible.

The very last segment to explain is process. It describes the way how the products are delivered. It includes all the activities, protocols and procedures by which the product is delivered to the customer. Gastro21 was using a delivery company to distribute orders to the customers. It was very fact and relatively cheap way how to send packages all around the country. The process was simple, delivery tags were printed by the company and the delivery company came once a day to pick up all the packages. The next day orders were delivered to the final customer.

5.3 Differentiation and Positioning

In case of differentiation Gastro21 had few things that they did differently than the competition. First of all the selling system was purely different and new. There were no other companies in the sector that would sell mainly via the phone. It was always hard for the examined company to make the first deal with a new customer but since the trust was built it was working very well. Customers found it very convenient just to call, order, and have the goods delivered to their premises by the other day. If restaurant owners would have to arrange meetings to see and discuss every potentially new product it would take them too much time. In most of the cases they were very happy to hear the offer just via the phone in couple of sentences instead of scheduling long meetings with try outs.

Another aspect that differentiated Gastro21 from the competition was the portfolio. Some of their products were rare or unique on the market. Imported Greek Frappé or original Coffe21 were only available at this one company. And what is more the prices were more than convenient. Shown on an example Gastro21 was selling one bag of instant Hot Chocolate to the customers for 0.50 euro. But than restaurant facilities were selling ready-to-drink Hot Chocolates to the final consumers for approximately 3 euros. The profit for the restaurants was then something around 200 - 250% which is more than standard.

Last aspect of differentiation were unique labels and the whole packaging. In this particular industry drinks are usually delivered to the restaurants in the same silver plastic bags without any special labels in order to cut the price on the piece as much as possible. Usual bag of an instant drink is packed into a silver bag and there is only written which kind of and flavor is inside. Gastro21 wanted to be different. They made a market research and asked around 500 restaurant owners how would they imagine a perfect product to look like. In most cases they answered that it is very hard for the stuff of the restaurants in rush hours to distinguish silver bags with just tiny black line saying what is in there. They also mentioned

that the bags are delivered in poor looking paper boxes which restaurant owners cannot place anywhere visible in the bar area because they would not look representative.

That was very valuable opinion for Gastro21. They started producing very transparent-looking bags. On each bag they placed a sticker with a big product name tag and picture of a flavor. That made it much easier for the restaurants staff to distinguish which bag to take when order comes. Single bags were packed into boxes. Each box was a convenient size and consisted of 50 bags of one flavor. Boxes were manufactured for Gastro21 in a special company and they were very colorful and were displaying the final products in the best possible way. The box label was displaying the product itself, name tag with flavor specification, and Gastro21 logo and contact information. These boxes were such a clever solution and another way of double promotion. They promoted the drink itself for the restaurant but also Gastro21 as a distributor.

In my opinion Gastro21 created very strong value proposition that was of the most important key success factors. They created something very original. Products and prices were tailored to suited restaurant's needs, supply chain was constructed to be as time-conscious as possible, and packaging was designed to be very customer-appealing and convenient for the staff.

In case of positioning Gastro21 had an easy way to go. With most of its main products they were first on the market. That means that there is no need for some special positioning. Potential customers, customers and consumers remembered the company as the one producing those drinks. In case of Hot Drinks it was special labeling and packaging described above that helped customers to remember examined company.

5.4 Market segmentation, target market

As mentioned in theoretical part there are four main categories for dividing customers – geographic, demographic, psychographic, and behavioral. Gastro21 used two out of these four, geographic and demographic. So called geo-cluster approach which is a mix of geographic and demographic data for creating more concrete profile was used.

For geographic segmentation they decided to offer products to restaurants and cafés in area of The Czech Republic. Since the delivery was made by hired delivery company, location on the area for the republic did not matter. The delivery company charged money according to the weight of the package not according to the distance from the company (Gastro21) to the customer (restaurant facility).

So for demographic segmentation the company chose middle-quality restaurants and cafés to be its target group. Company owners decided so because the products were not the highest quality so they could not satisfied the demand of top quality restaurants. On the other hand they did not have convenient products for pubs or low quality countryside restaurants. And it appeared to be the right decision afterwards because almost every restaurant facility that Gastro21 made an offer to, were at least interested or even accepted it. And at this point everything goes back to the very begging. If the company would not make proper market research and market segmentation they would lose a lot of time money by offering it to the wrong market groups, wrong restaurants, and wrong people.

5.5 Product Life Cycle

As an example I chose Hot Chocolate from company's portfolio. Launch (or introduction) is the first phase of the product life cycle. Company was planning and preparing to launch the product for almost a year. Firstly they had to plan when exactly the launching is going to happen. As it was a hot drink we decided to launch the product during the first autumn month (September). Almost every restaurant runner is planning seasonal range of products in advanced so it was very crucial to make a right timing otherwise it could be late and there might be no demand. Than after we planned entire time scale we started with promotion. We printed out leaflets and sent them with some samples to our current and some potential customers. It was a very good move because almost everyone responded very well and there was immediately good demand. So we entered the market in September 2010.

Growth is the second stage of the cycle. During the few first months company set the price low so many customers were excited and wanted to try it. Due to that sales numbers were growing extremely steeply.

Product reached the Peak and went to the maturity phase during the winter 2010/2011. December, January and February, company sold hundreds of Hot Chocolate bags every day. It was mainly because of the cold weather outside but also because of the perfect launch timing.

But right after the winter ended, sales numbers started to decline. According to the owner the main reason was warmer weather but also the fact that Hot Chocolate was no longer new on the market. The owners suggested to make a product innovation. Couple of months later Flavored Hot Chocolate was ready, and company was preparing a new promotion materials and planning to relaunch the product on the market again. This innovation prevented the product from final decline and death.

On the pictures below promotion pictures of product Hot Chocolate are displayed. On the left there is a picture of ready-to-drink Hot Chocolate Classic and on the right there is a picture of Hot Chocolate and its wide variety of flavors available.



FIGURE 10. Promotion pictures - Hot Chocolate

6 CONCLUSION

To begin with I want to summarize the theoretical findings. First chapter was describing marketing in general and how important it is for all the companies in today's business world. The aspect that should be pointed is that focus shifted from product to customer. Customization is more important than standardization.

Later on, in the part describing history and evolution of 4P's model, it was said that this is one of the most important models in history of marketing. It gives a company complex marketing schema which if implemented well can ensure the success of a whole company. However over the years, with the enormous changes in business world and customers behavior, marketers started doubting the relevance of the classic 4 P's model. Some proclaimed that the Four Ps model is dead because the framework became too simple for second millennium world. That is why some chapters revolved around new ideas like 4C's of marketing or SAVE model.

Last chapters of theoretical part were focusing on how to differentiate a company from the competition and how to position a product or the whole company to the market, how to segment customers into specific target groups, and how product life cycle works.

Overall marketing and some of the most important marketing tools were successfully described in the theoretical part. Traditional marketing is no longer as effective, because people living now have been exposed to marketing strategies for the entirety of their lives and have therefore grown immune to it. So-called modern marketing brings new and efficient methods to further expand the customer base or the brand awareness. Main marketing models and schemes were identified, discussed and furthermore examined in empirical part.

As for the empirical part, the aim of this thesis was to examine how are some of the marketing tools used in practice in a specific company. The goal of this case study was to demonstrate how important, successful and thorough marketing actually is for companies and what methods in particular were used by this company to ensure its success. Main research questions were following - which marketing models was the company using, how the models were implemented, and what the results of using them were. Those questions were successfully answered. The main finding of the thesis is, that in general, if the company would not do a proper market research and marketing planning it could lose a lot of customers, which means losing a lot of money.

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