



Chapter 7: The Marketing Mix



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Objectives

- Elements of the marketing mix
- How agribusinesses create value for their customers
- Product adoption and product life cycles
- Agribusiness pricing strategies



Objectives

- Methods of product promotion and market communications
- Role of personal sales in the marketing strategy
- Channels of distribution in agribusiness

Figure 7.1 The Marketing Mix





The Value Bundle

The set of tangible and intangible benefits customers receive from the products and services provided



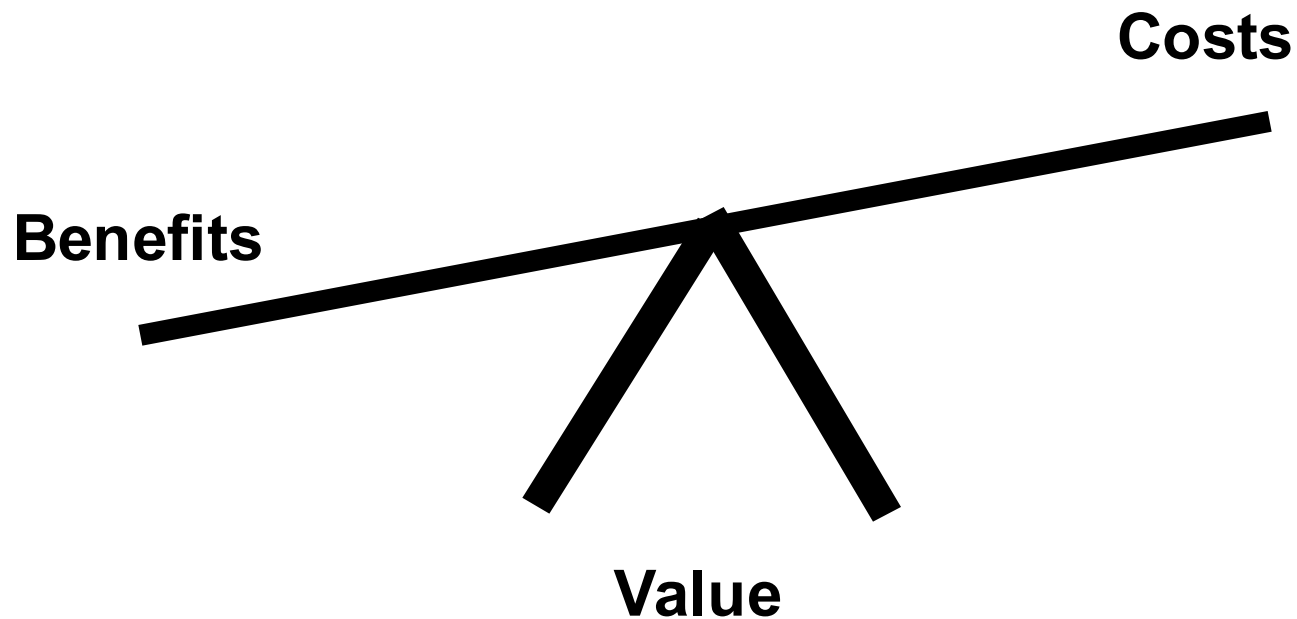
What is Value?

Value to customers:

- the ratio of what they receive (benefits) to what they give up (costs)
- Emphasis on perceived benefits and costs



Figure 7.2 The Value Equation



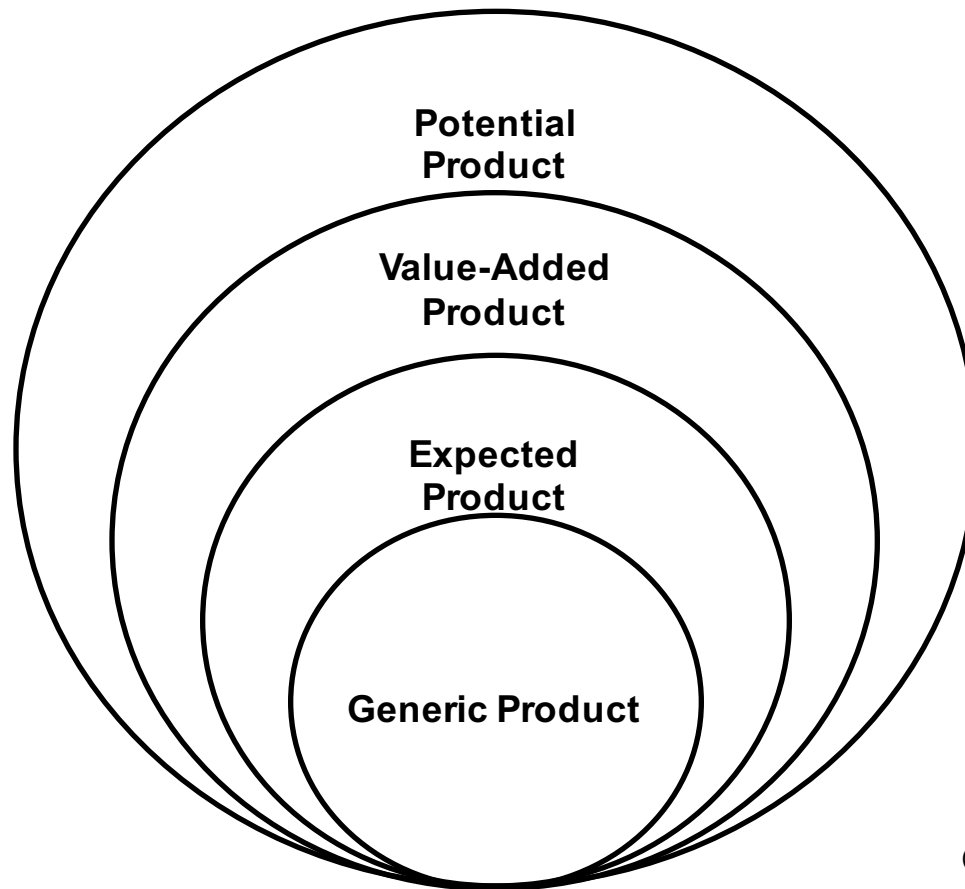


Product

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Figure 7.3

The Total Product Concept



Source: Manning and Reece. *Selling Today: An Extension of the Marketing Concept*.

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Stages of Product Diffusion

1. Awareness
2. Interest
3. Evaluation
4. Trial
5. Adoption

Figure 7.4 Categories of New Technology Adopters

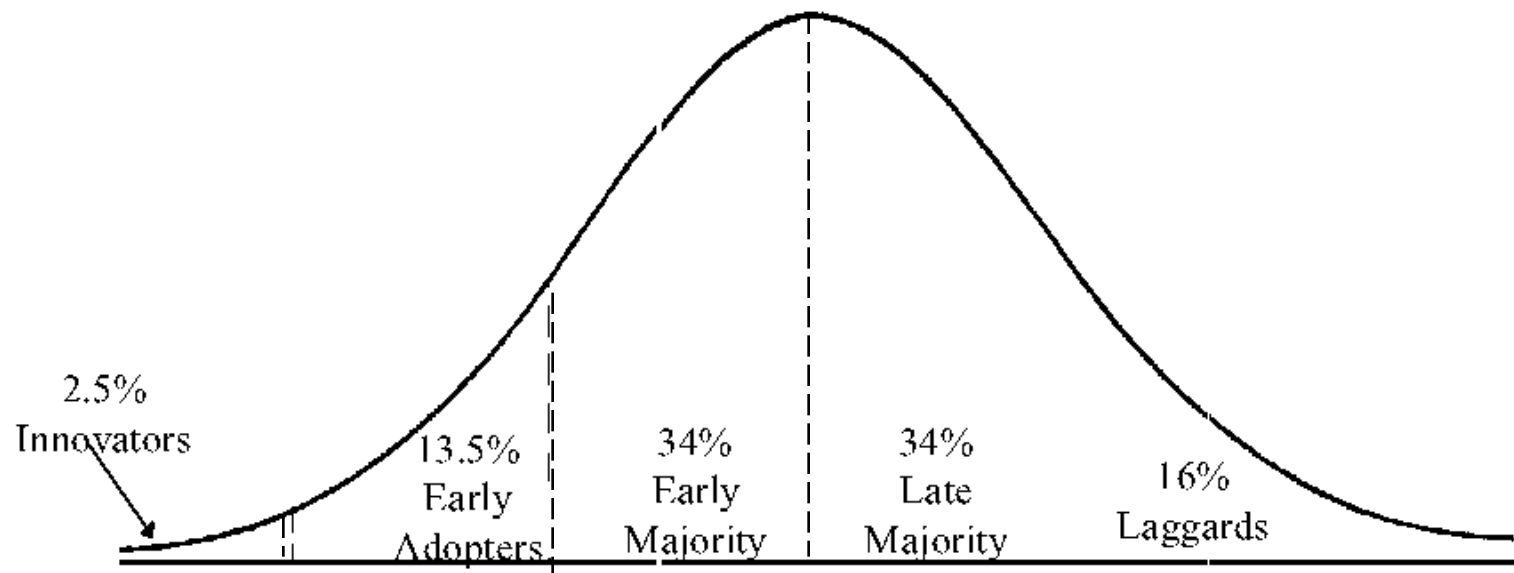
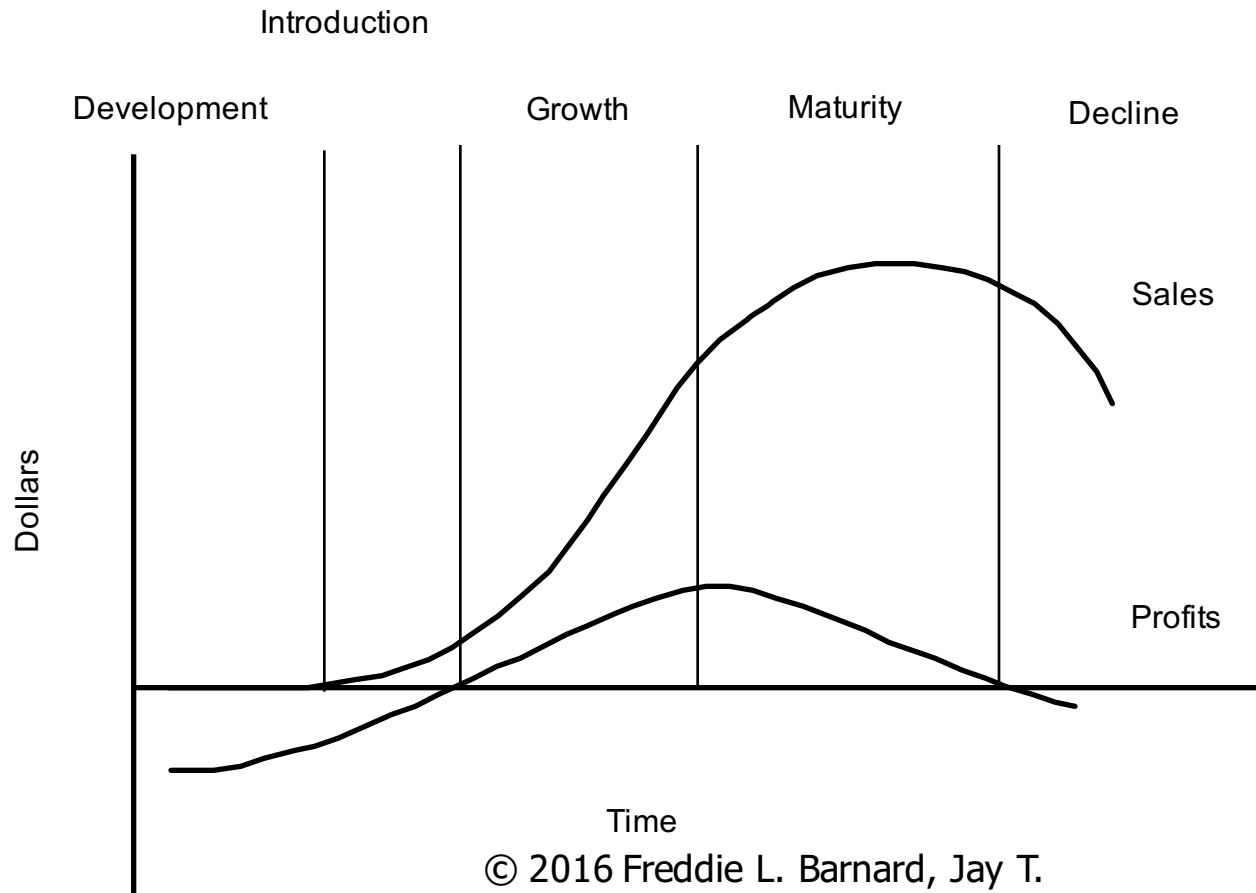


Figure 7.5 The Product Life Cycle



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Price

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How Prices Affect Revenue

1. Price is a component of the revenue equation
 - Revenue = Price x Quantity Sold
2. Price level affects quantity sold through its effect on demand



Pricing Strategies

Cost pricing

- Add a constant margin to the basic cost of the individual product or service
- Margin covers overhead and handling costs, and leaves a profit
- $\text{Cost} + \% \text{ markup} = \text{selling price}$
- Drawback: difficulty of allocating fixed cost to a specific product or service



Pricing Strategies

Competitive pricing

- Prices based on competitors' prices
- Price may be strategically above or below that of competitors
- Drawback: ignores cost structure of the firm



Pricing Strategies

CTO (contribution-to-overhead) pricing

- Products sold above some base sales projection are priced slightly greater than additional out-of-pocket costs of handling
- Drawback: difficult to limit CTO pricing to only extra sales



Pricing Strategies

Value-based pricing

- Prices set at a level just below estimated perceived value of the product/service bundle
 - Reference value: price of closest substitute
 - Differentiation value: perceived value of product's unique attributes



Pricing Strategies

- Penetration pricing
 - Product offered at a low price to gain broad market acceptance quickly
- Skimming the market
 - Product offered at a high price to make high profits from initial sales
 - As limited market becomes saturated, price is gradually lowered



Pricing Strategies

- Discount pricing
 - Offers customers a reduction from list price
 - Volume discounts
 - Cash discounts: “2/10, net 30”
 - Early order discounts



Pricing Strategies

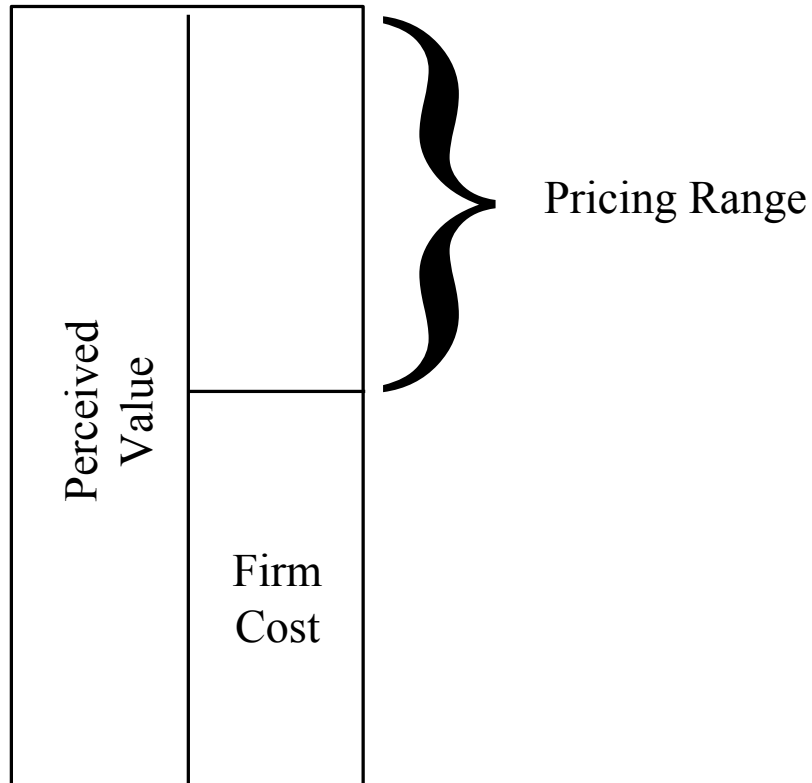
- Loss-leader pricing
 - One or more products in a product mix are offered at a specially reduced price for a limited time
- Psychological pricing
 - Establish prices that are emotionally satisfying
 - \$.99 or 2 for \$1.99



Pricing Strategies

- Prestige pricing
 - High prices used to communicate a prestige image
 - “You get what you pay for”

Figure 7.6 Upper and Lower Limits on Pricing Decisions



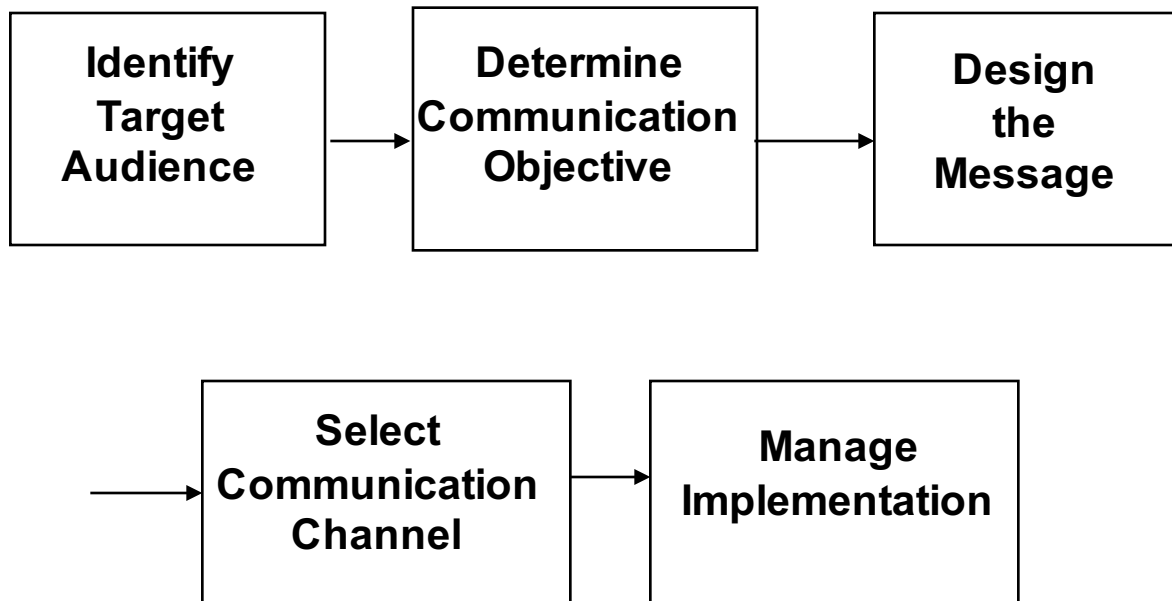


Promotion

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Figure 7.7 The Promotion Strategy Process





Advertising

- Mass communication with potential customers
 - Product advertising
 - Institutional or generic advertising
 - Cooperative advertising



Advertising Media

- Television and radio
- Magazines
- Newspapers
- Direct mail
- Internet/social media
- Other: billboards, shopping carts, etc.



Sales Promotion

Programs and special offerings to encourage positive buying decisions

- "Freebies"
- Entertainment
- Free samples, coupons, contests, etc.
- Loyalty programs



Public Relations

Influence target audience indirectly

- Education programs
- Favorable news stories
- Outside activities
- Lobbying



Personal Selling

Most flexible and highest impact possible, but expensive

- Tailor communication to individual needs of the customer
- Can establish long-term relationships with priority customers



Place

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Place Decisions

- Physical distribution
 - How to physically get resources and products to where they need to be
- Channel management
 - Who owns and controls the product on its journey to the customer

Figure 7.8a Major Agribusiness Distribution Channels

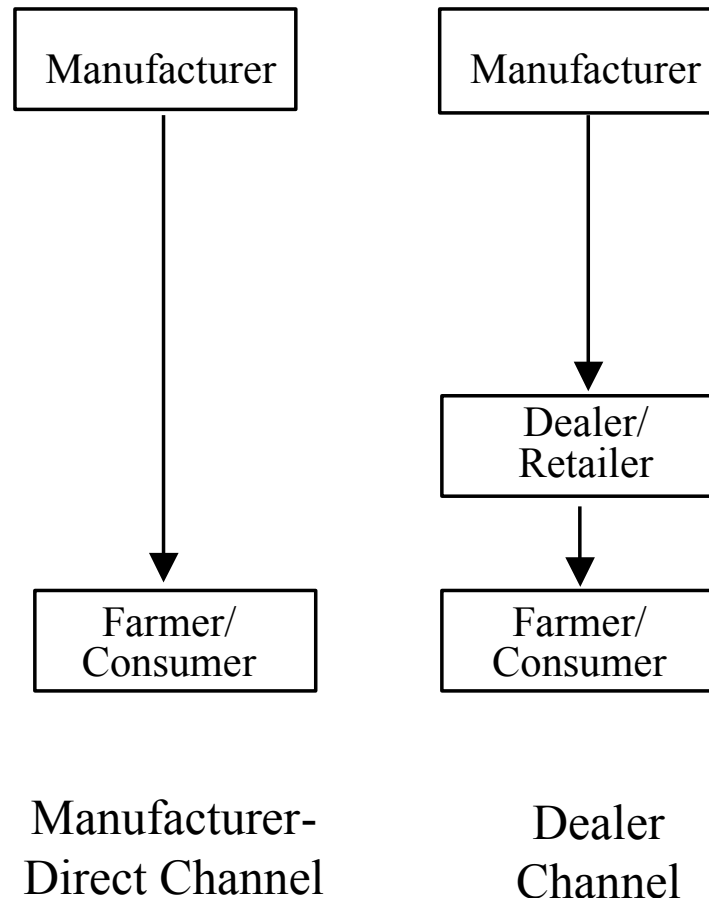
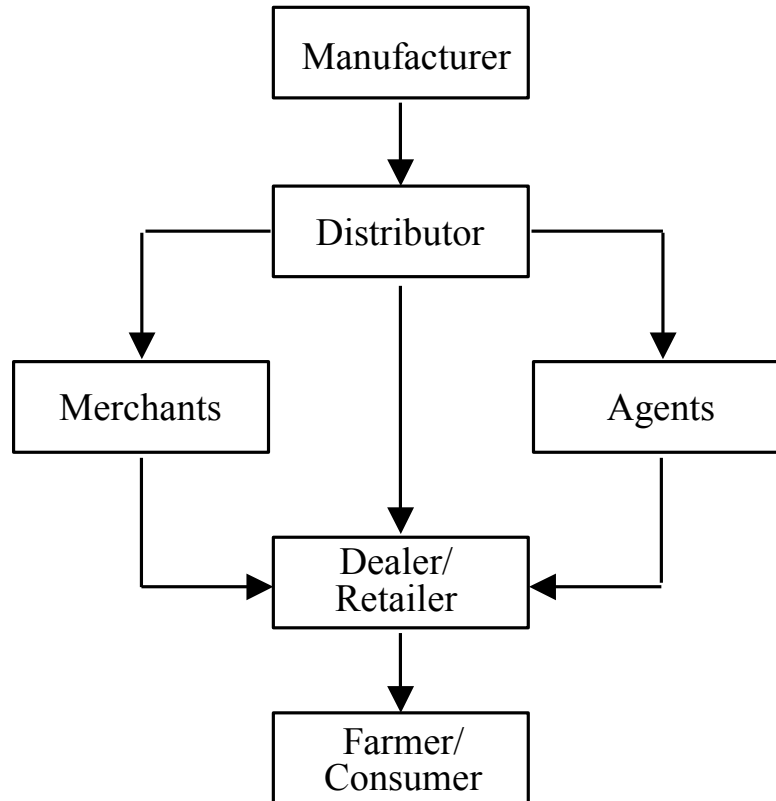


Figure 7.8b Major Agribusiness Distribution Channels



Distributor
Channel

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