

# Using the marketing mix to drive change



### Curriculum Topics

- Marketing mix
- Product portfolio
- Market-orientated business
- Pricing strategies

## Introduction

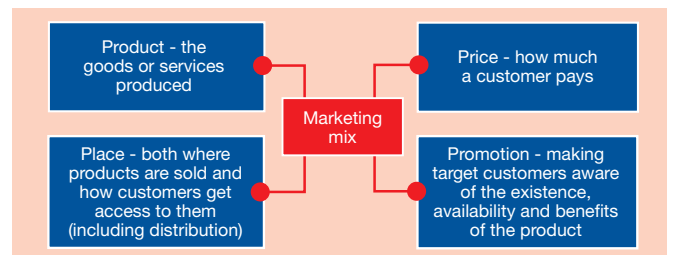
Parcelforce Worldwide is part of the Royal Mail Group and is a leading provider of express parcel deliveries. It provides a range of services including a guaranteed delivery on certain times or days. Parcelforce Worldwide uses a network of international partners to extend its reach beyond the UK to 99.6% of the world population. The company's European delivery partners include General Logistics Systems (GLS), a commercial parcel carrier and European Parcels Group (EPG), which is a postal parcels company and is part of the Express Mails Services (EMS) worldwide network.

Parcelforce Worldwide delivers around 220,000 parcels a day and operates in three distinct markets:

- Business-to-Business services (B2B) – the transportation of parcels and supplies from one company or commercial venture to another. For example, this could be a manufacturer sending to a wholesaler or a wholesaler sending to a retailer. These are likely to be repeat orders to re-stock a supply chain.
- Business-to-Consumer services (B2C) – parcels going from businesses to homes. This is driven by retailers and 'etailers' (online retailers) sending mainly single parcels to consumers.
- Consumer-to-Consumer (C2C) – parcels going from one home address to another. This could be people sending Christmas or birthday presents or eBay parcels through a Post Office® or ordering a collection on the Parcelforce Worldwide website.

In the last few years Parcelforce Worldwide has made big changes to improve its business. It has improved its quality of service by focusing on time-critical products. This reduced the number of parcels handled (the volume) but increased the value of each delivery. Parcelforce Worldwide is now a key player in the market and one of the few consistently profitable.

In 2007, an analysis of a customer research survey showed Parcelforce Worldwide needed to improve its international services. It also needed to change its marketing to respond to an increase in competition and changes in the **external environment**. This case study explores how this was achieved using the **marketing mix** or 4Ps.



There are different **strategies** which can be applied for each element depending on circumstances and aims. Parcelforce Worldwide needed to achieve the right balance of the marketing mix to achieve its goals.

**External environment:** Factors outside the business over which it has little control.

**Marketing mix:** A series of variable factors such as the four Ps (product/price/place/promotion) used by an organisation to meet customer

needs– any place or method by which goods and services are offered for sale and bought.

**Strategies:** Long-term business plan of an organisation.



## Product

The product was the key starting point for Parcelforce Worldwide. As a service organisation, it looked at the service range it offered the market. A range may be broadened or a product strengthened for tactical reasons, such as matching a competitor's offer. Alternatively, a product may be re-positioned to make it more acceptable for a new group of customers. An example of this is Parcelforce Worldwide's International Datapost service.

This covered both the 'urgent' (i.e. very fast) and 'deferred' (i.e. medium-speed) categories of its delivery range.

Parcelforce Worldwide needed to **differentiate** the product to meet the needs of the different users. It therefore created two separate products - Global Express for the urgent category and Global Priority for the deferred or medium speed market. This enabled customers to clearly pick out which product suited their need.

As a **market-orientated** organisation, Parcelforce Worldwide must understand what its customers want to meet their needs. Market research helped Parcelforce Worldwide decide what it needed to change to best meet those needs. Market research falls in two types:

1. Primary research – this involves gathering information from original sources. Research may be either:
  - Qualitative methods that try to find out how people feel. Samples of customers are often asked to discuss products and services while researchers take notes about what they have to say
  - Quantitative methods that produce figures or statistics. Questionnaires, telephone and internet surveys are often used.
2. Secondary research – this involves compiling information from existing or published sources. Internal sources include Parcelforce Worldwide's own customer databases; external sources include published materials like newspapers, trade publications, industry reports, and the internet.

Parcelforce Worldwide focused on primary research through web interviews to see what customers thought about its services. It needed to identify the right focus for its approach in an increasingly competitive market. One key question was to find out what was the main factor affecting the decision making of customers using the Urgent service. (This is an example of **quota sampling** as it selected customers from the Urgent product subset). The research showed that for most of these customers, speed not price was the primary factor.

The other key issues the research identified were:

- Parcelforce Worldwide's **product portfolio** was not aligned to customer needs.
- In the urgent market, customers were mainly interested in speed of delivery; in the 'deferred' market, customers wanted a balance of speed and price; and lastly, there was also a market where price was the main purchasing consideration.
- Across all services, customers had a number of factors they required as a minimum. These included reliability, high levels of customer service, management reporting and good tracking.

To meet these needs, Parcelforce Worldwide has created a new set of international services which have these factors as attributes and which are then differentiated by price and speed in line with customers' needs. It has also created product names (or brands) that help to reinforce and clarify for customers what each service offers.

Market	Urgent	Deferred	Non-urgent
Price or speed	Speed	Balance of price/speed	Price
New service	Global <b>Express</b>	Global <b>Priority</b>	Global <b>Value</b>
Description	Urgent parcel delivery with guaranteed speeds from next working day. Higher priced service	Mid range delivery speed from 2 working days. Mid range price	Delivery from 4 working days. Lower priced service

## Price

Price is determined by a number of factors. These include market share, competition, material costs or how the customer sees the value of the product. Businesses can use different pricing strategies for various purposes. Each gives different impacts.

**Differentiate:** To make someone or something different.  
**Market-orientated:** When a company bases its activities on customer needs.

**Quota sampling:** The survey population is segmented into mutually exclusive sub-groups. A proportion of each segment is selected for analysis. For example, an interviewer may be told

to sample 200 females and 300 males between the age of 45 and 60.

**Product portfolio:** The range of products developed by an organisation.



Pricing strategies may be cost based or market-orientated:

- **Differential pricing** – this gives different prices for different groups or types of customers. Parcelforce Worldwide is able to negotiate prices with business customers (B2B and B2C) based on their exact sending profile (for example, volumes, weights, destinations).
- **Price leadership** – where a market leader sets market price. In the non-urgent market, Parcelforce Worldwide is looking to achieve some degree of price leadership by finding lower cost international delivery models and passing some of this cost saving to its customers.
- **Market penetration** – pricing may be low in order to gain a foothold in a new market or with a new product. To take market share with its new Express service, Parcelforce Worldwide needed to price keenly.
- **Competitive pricing** – where price matches or undercuts those of competitors. This could, for example, increase market share with Parcelforce Worldwide's new Priority service.

Other pricing strategies a business may use include:

Pricing Strategy	Impact
Destroyer Pricing	Where the business sets a very low price to drive competitors out of business. This is anti-competitive.
Skimming	Selling a new or premium product at an initially high price to gain a high profit. Appropriate if the product is unique, has a premium image or incurred huge investment costs.
Psychological point pricing	A marketing practice based on the theory that certain prices have a psychological impact, for example, £9.99 is more attractive than £10.

Parcelforce Worldwide's market is **price sensitive** and consumers have a choice. New competitors affect its choice of pricing strategies. Parcelforce Worldwide has differentiated its products by offering services that offer a balance and choice between speed and value for money. Its express service leads on speed; its non-urgent product leads on price. This clearly sets Parcelforce Worldwide as the price leader in the non-urgent sector.

## Place

Place refers to the channels that are used to reach the marketplace, for example, methods of transporting and storing goods. Good distribution is defined as getting the right product to the right place at the right time. The choice of distribution method depends on both product and market. Some businesses will sell to **wholesalers**, who then sell to retailers. Others will sell directly to **retailers** or consumers. Place also includes where a business has its points of sale. In Parcelforce Worldwide's case, customers can access its services through:

- **direct collection by Parcelforce Worldwide** – all business and personal customers can access services through the Parcelforce Worldwide website (for ordering a collection, printing barcode labels or accessing the customer address book) or through a call centre to book a direct collection by Parcelforce Worldwide van from the customer's premises (business or home)
- **Post Office branches** – all customers can also send parcels from Post Offices across the UK. This tends to be focused more on C2C customers
- **depots** – Parcelforce Worldwide has 53 depots across the UK where all customers (B2B, B2C and C2C) can send parcels to both UK and international destinations
- **international partner networks overseas** – where customers send parcels from overseas back into the UK through a partner company, with the final delivery in the UK carried out by Parcelforce Worldwide.

New technology allows Parcelforce Worldwide to track parcels. In 2007, a single IT platform was created which can follow every single event of a parcel's journey, from dispatch to depot to customer.

Parcelforce Worldwide's development of key partnerships has played a part in improving its service. Its network partner GLS is an unrivalled road-based European network that deals with specific day guaranteed deliveries.

**Price sensitive:** Describes a product whose sales are influenced by price rather than quality.

**Wholesalers:** Businesses buying goods in bulk and selling those goods in large amounts at low prices to shops and businesses, rather than the selling of goods in shops to customers.

**Retailers:** Organisations involved in providing activities related to selling goods or providing services for the final consumer as the final part of the chain of distribution.

It consists of 23 parcel delivery companies operating in 30 countries across Europe. GLS provides Parcelforce Worldwide with the broadest delivery network and capability across Europe. Parcelforce Worldwide is also part of the EMS network.

These partnerships have widened Parcelforce Worldwide's service offerings dramatically, particularly in the international markets. This has provided the company with a competitive edge and expanded its global reach. The main benefits of these partnerships come from using their existing delivery mechanisms without the need to set up new transportation methods or services. This reduces both **capital** and revenue costs.



## Promotion

Promotion represents the ways a business informs customers of products and persuades them to buy. Promotional activity needs clear aims and objectives. For example, the business needs to understand who it is promoting to, what the messages are, what **return on investment** it expects to get and when the returns will be seen. Using market research establishes the best **market segments** at which to aim a campaign.

Before a new campaign, Parcelforce Worldwide looks back at the outcomes of previous promotions. This helps decide which type of campaigns give the best return on investment. Parcelforce Worldwide's approach to and style of promotion has changed as market competitiveness has increased. This helps to maintain its market position.

Promotion can be classified as either:

- Above-the-line – this includes directly paid-for advertising through media such as television, radio, internet and newspapers. It also includes exhibitions and sponsorship. It is mainly used to reach consumers, but can also be used in B2B markets. For example, Parcelforce Worldwide runs online banner advertisements to promote the availability of its services on the website.
- Below-the-line – this includes other forms of promotion where the business has more control, such as direct mail, e-mail marketing, **public relations** and sales promotions. For example, Parcelforce Worldwide is using direct mail to tell thousands of UK businesses about the new services, which will generate responses from potential interested new customers for the sales teams to follow up. It is also using email to tell all existing customers about the new international services.

## Conclusion

Parcelforce Worldwide's vision is: 'To be the UK's most trusted worldwide express carrier'. Its simplified range of products and its focus on customer needs have helped towards achieving this goal.

Parcelforce Worldwide's new international product portfolio will allow it to sell services which more closely meet customer needs. Through this, it will win more business and market share as well as retaining its existing customers.

Parcelforce Worldwide now faces the challenge of building on these improvements and operating at sustained levels of profitability. Developing its partnerships will improve this. By addressing the 4Ps of the marketing mix, Parcelforce Worldwide has been able to establish a new product range, choose the most effective approach to price, place it so that it is easily accessible and promote the range to customers. By responding to external changes, it has improved its market position and can meet potential competition.

1. Describe the different types of pricing strategies.
2. Explain the difference between primary and secondary research. Why would a business use both?
3. Explain why the balance of the marketing mix is said to be more important than the individual elements.
4. Evaluate the steps that Parcelforce Worldwide took to find out what its market wanted. Decide which you think was most important and explain why you think so.

QUESTIONS

**Capital:** Money, buildings, machinery, equipment etc.

**Return on investment:** The return on the funds invested in the business.

**Market segments:** Recognisable consumer groups consisting of people with similar needs and requirements.

**Public relations:** Activities involved in communicating with different stakeholders such as customers, the government, the general public and the media.