

## TWO-DIMENSIONAL MODEL OF THE COMPOSITION OF MARKETING INSTRUMENTS

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**Abstract:** The purpose of this article is to present a composition model of the marketing instruments, demonstrating the implementation complexity of the principle of integrated impact on the market. The basic premise for attempting to construct such a model is, predominant in the literature, the superficiality of the interpretation of the concept of “marketing – mix” as a benchmark model of market impact instruments. This is evidenced, among other things, by the difficult to accept abstraction from the diversity of nature of the different groups of marketing instruments in terms of the requirements of strategic and operational management.

**Keywords:** Marketing management, marketing instruments, marketing-mix, strategic marketing, operational marketing.

### 1. Introduction

Starting from the second half of the past century, marketing has been subject to dynamic change. For crystallization of modern marketing understanding, the ground-breaking importance was to formulate and disseminate the *marketing concept* as a business philosophy for gaining a competitive edge in an increasingly challenging and demanding market (Levitt, 1960). The breakthrough consisted in fundamentally revaluing the success factors of the company by putting the consumer first. From then on, marketing orientation has not only inspired the creation of many further marketing concepts (Niestrój, 2002), but also for the evolution of research exploration and the emergence of new approaches and methods in other disciplines under the broadly understood banner of management, such as: Quality Management (TQM – *Total Quality Management*), IT Management Systems (CRM – *Customer Relationship Management*), or the recently popular concept of Business Modelling (Osterwalder, Pigneur, 2010).

## 2. The principle of integrated market impact

Marketing literature contains a number of indications regarding the principles and rules of marketing conduct. Of these, two are crucial in terms of identifying the activities of the marketing. These are: The principle of deliberate choice and shaping of the company's market, and the principle of integrated market impact. Their core is expressed by the key marketing categories: *Target Market and Marketing – Mix* (McCarthy, 1960) This is due to the obvious relationship between variables determining the efficiency and effectiveness of marketing. Marketing efficiency depends on the relevance of recognising and defining the target market as a potential source of future revenues. On the other hand, the actual performance of this source depends primarily on the proper use of available instruments impacting the market – their effectiveness and incurred costs.

Beginning in the 1990s, a strong trend has emerged in the marketing literature that underestimates the actuality of classic marketing rules. In particular, it concerned the concept of “4Ps”, which, in the meantime, was considered a marketing paradigm. Herein, relationship marketing was presented as a modern concept of marketing, standing in opposition to the paradigm “4Ps” (Grönroos 1994). In the following years, the critical trend towards the “4P paradigm” began regaining strength. There have been a number of publications critically diagnosing the state of classical marketing (Vargo, & Lusch, 2004; Constantinides, 2006), as well as polemicist articles (Anderson, & Leshner, 1995; Möller, 2006). It is significant that, in the indices of newer marketing manuals, keywords such as “marketing Mix”, McCarthy”, Borden” are sometimes omitted. (Kotler, Keller, 2012).

On the other hand, in the literature we find a series of new publications popularising the classic formula “4Ps” through its adaptation to the specificities of different branch markets (Thabit, & Raewf, 2018; Andruszkiewicz, & Schulz, 2018), as well as the canvas of empirical research (Hadrian, 2018).

As is known, the principle of integrated market action dictates that non-individual instruments, but appropriately shaped compositions, should be yielded. The aim is to create synergies by coordinating the tools used, making the final effect of the combined impact of the marketing composition more than the sum of the effects that could be achieved as a result of the independent application of individual instruments. The multitude and variety of marketing instruments are natural conditions for their classification, as well as attempts to construct normative patterns (models) of their configurations useful in marketing planning. Before moving to their critical review, we will give a bit of attention to the marketing instruments themselves.

### 3. Marketing instruments

Marketing instruments, in a broad sense, include all the means by which tasks and activities are carried out in successive stages of marketing activities. Thus, not only in the phase of direct impact on the market, but also in the preliminary preparatory activities related to market research, analysis and marketing planning. However, within the meaning of the narrow (strict) term, that concept covers only those measures of impact whereby the trader deliberately seeks to influence the attitudes and behaviour of persons and organizations as consumers and buyers. In such a narrow sense, marketing instruments are a set of elements for the construction of integrated compositions of impact tools on identified Target Markets.

To understand the essence of market impact instruments, it is important to emphasize the desirability of their use. Factors such as the quality and variation of the product, the price, the place and the form of the sale, in all circumstances, affect the decisions of the buyers. Nevertheless, we can call them “instruments” only if they have been deliberately shaped, taking into account the anticipated response of buyers and users. In marketing, this reaction is, as far as possible, controlled, consistent with the company's designated objectives, rather than accidental, allowing only the recording of the results obtained without being able to actively shape them. This can be illustrated by typical situational examples. A new product built/created exclusively from the technical innovation of the constructor can only be a passive subject of sale. The technical concept of a product or service becomes a product and a marketing instrument when it passes the commercialization phase, thus shaping the product's characteristics in a way that increases the value in the assessment of potential buyers. Likewise, the price, if it arises only from the calculation of costs and the expected profits, it is merely a settlement tool with the purchaser. It becomes a marketing tool after assessment of the expected market response, confronting the buyers' perceived value of the product and the prices of substitute (competing) products.

It should be noted that the names of the different types of instruments are distinguished from specific instruments constituting the merits of marketing plans and the subject of real marketing operations. In theoretical considerations, we usually use generic names (e.g. product, price, brand), while in the marketing plan in the right places, as marketing instruments the name of specific product models will appear, the price amount expressed in monetary units, the specific trademark (logo), etc.

As already mentioned, the multitude and variety of marketing instruments at the disposal of the manager who builds a marketing plan tends to support his task by constructing a type of an organiser that contains a number of compartments, facilitating the orientation of the entire tool set. This entails the need for a specific classification of this toolset. The basic scheme for classifying marketing instruments is derived from the marketing – mix model promoted by

E.J. McCarthy (1960) in the form of *Four Ps (Product, Price, Place, Promotion)*, that is, "4Ps". Accordingly, the classification of marketing instruments is distinguished by subsets:

1. "Product" containing all the tools that can be attributed directly to the formation of the company's offer in the part concerning the value offered to purchasers.
2. "Price" shall include those elements of the offer which the purchaser takes into account as determiners of the total cost of acquiring the product.
3. "Place" hides all the tools for shaping the flow of transactional and logistic processes leading to the displacement of the product and property from the place of manufacture to the final consignee.
4. The "Promotion" contains the instruments by which the tenderer communicates with prospective buyers, communicating and trying to differentiate their own offer against the competitors offers.

#### **4. Marketing-mix**

The classification of marketing instruments, or the "4Ps" model, should not be equated with marketing – mix in an operational sense. Marketing-mix as part of a particular marketing plan is a creative composition of tools, selected from the identified, available collection, in such a way as to achieve synergies in the process of market impact.

This implies that the following key questions must be answered (Nistrój, 1998):

- What does the company intend to offer the buyer and how to distinguish its product among other offers?
- Under what financial conditions can a product go into possession of a buyer?
- Where and when will the product be offered to the final consignee and how will it be delivered there?
- How does the company intend to inform the purchaser about its offer and convince it to accept it?

Taking into account the variety of instruments classified in individual subsets, it is necessary to shape the hierarchical structure of a marketing composition, composed according to the model in question from the four sub-compositions:

- The sub-composition of the product (basic characteristics of the products and their assortment varieties forming the composition concerned and the brand, packaging, product-related services, etc.),
- Price sub-composition (basic price, discounts, payment terms, credit, etc.),
- Distribution sub-composition (distribution channel layout and logistic solutions),
- Promotion sub-composition (personal sales, advertising, sales activation measures, public relations instruments).

The abovementioned elements of the sub-composition, depending on the scope and variety of the specific instruments, may be developed in a specific situation in sub-level sub-compositions (e.g. sub-composition of advertising media, or sub-composition alternative distribution channels).

The set of marketing instruments is not a closed collection. As a result of technological development and the creativity of marketers, the resource of marketing tools is constantly expanding, revealing the shortcomings of the simple "4Ps" model. This Model owes its popularity mainly to didactic qualities (an impressive, easy-to-remember acronym). However, the division "4Ps" is difficult to identify any unambiguous classification criterion. Also, from a practical point of view, the "4Ps" concept exhibits significant shortcomings. The main ones are:

- Artificial detachment of the price from the product, which in practice, is its inherent element and must be considered in close conjunction with the quality of the product.
- Too narrow definition of the fourth element (promotion), weakening the importance of broadly understood communication with the market and making it difficult to distinguish between the terms "promotion" (in a broad sense) and "sales promotion".
- Too narrow recognition of sales promotion instruments, hindering the understanding of its relationship with the other elements of the Marketing-Mix (e.g. promotional prices, promotional packaging, etc.).
- Ambiguous placement of personal sales that are more related to distribution than promotion (especially in the case of acquisitions and so-called direct marketing).

The popularity of the one-letter acronym "4Ps" was the impulse to create the following constructions of type "5Ps", "7Ps", "4C", etc. In services, the particular important role of the human factor was to rationalise the extension of the term "4Ps" to the next "P" (Personnel) (Daszkowska, 1998). Bearing in mind that marketing mix is instrumental, it is difficult to consider it acceptable to compensate people with marketing tools. People involved in marketing activities are the role of wizards, operators and participants in all marketing processes and tools, and their personality, competencies and engagement are an important component of the value composition for the customer satisfaction level. In the services, this share is especially marked as a component of the product, along with other components that comprise the marketing structure of service products (Prymon, 2014). However, this is not the basis for the extraction of employees as the next group of marketing instruments. The same is true for the sixth "P" (processes) and seventh "P" (physical evidence), complementing the mix of service "7P" (Booms, & Bitner, 1981). In essence, these are elements specific to the service product as broadly understood, rather than separate components of the marketing mix.

Other sources have counterproposals such as "4P" that result from confusion with the marketing mix of creation as an instrumental composition, not as a marketing element. A typical example of such disagreement is the formula "4C" (Lauterborn, 1990), which includes: Customer wants and needs, Cost of fulfilment, Convenience and Communication. In essence,

it is set of goals, not a set of marketing instruments. This is, therefore, a supplement rather than a substitute for "4Ps" (Burgers, 2010). A similar nature is the attempt to completely negate "4Ps" based on changes in the tools resulting from the development of information and communication technologies. For example, the last "death" of "4Ps" was announced by J. Adelson-Yan, who proposed replacing the classic marketing mix with a set of "3Ps" (Pithy, Precious and Prudent) (Adelson, 2019).

Some of the shortcomings of the "4Ps" model are eliminated by the three-member models, which are popular in germane literature. They put marketing-mix as a coordinated set of instruments, generated in three instrumental marketing fields (Becker, 2006):

- Supply policy (product, assortment program, price).
- Distribution policies (distribution channels, personal sales, physical distribution).
- Market communication policy (advertising, sales promotion, public relations).

In this way, the sub-composition of the offer constitutes a compact list of products proffered to purchasers with full performance characteristics, prices and financial conditions of the transaction. The sub-composition of the distribution includes a complete project of distribution channels and logistic solutions, including personal sales. In contrast, the sub-composition of the communication instruments focuses on the transmission and exchange of information using appropriately selected media.

In this model, a noticeable difference in comparison with the "4Ps" model, in addition to incorporating price tools into the offer policy, is the transfer of personal sales from the market communication area to the distribution. Indeed, personal sales carried out by retailers, acquisitions, consultants, etc. are more of a direct distribution channel than a communication tool.

However, despite the undoubted advantages, the above-said does not eliminate the doubts about the location of the instruments of sales promotion: Where, for example, should there be promotional packages or price promotions - In the communication project, or as part of the offer? In other words, whether a generic or a functional criterion from a marketing management perspective is prioritised. This issue has a fairly distant history, but its solution is not reflected broadly in the marketing textbooks. Namely, already in 1992, the practical way of resolving this issue was presented in an article by W. Waterschoot & C. Van den Bulte (1992). Starting with the classification of marketing functions, they split the general instruments into:

1. Basic Mix consisting of:

- *basic product mix*,
- *basic price mix*,
- *basic distribution mix*, and
- *basic communications mix*, in which they distinguish:
  - *mass communications mix*,
  - *personal communications mix*,
  - *publicity mix*.

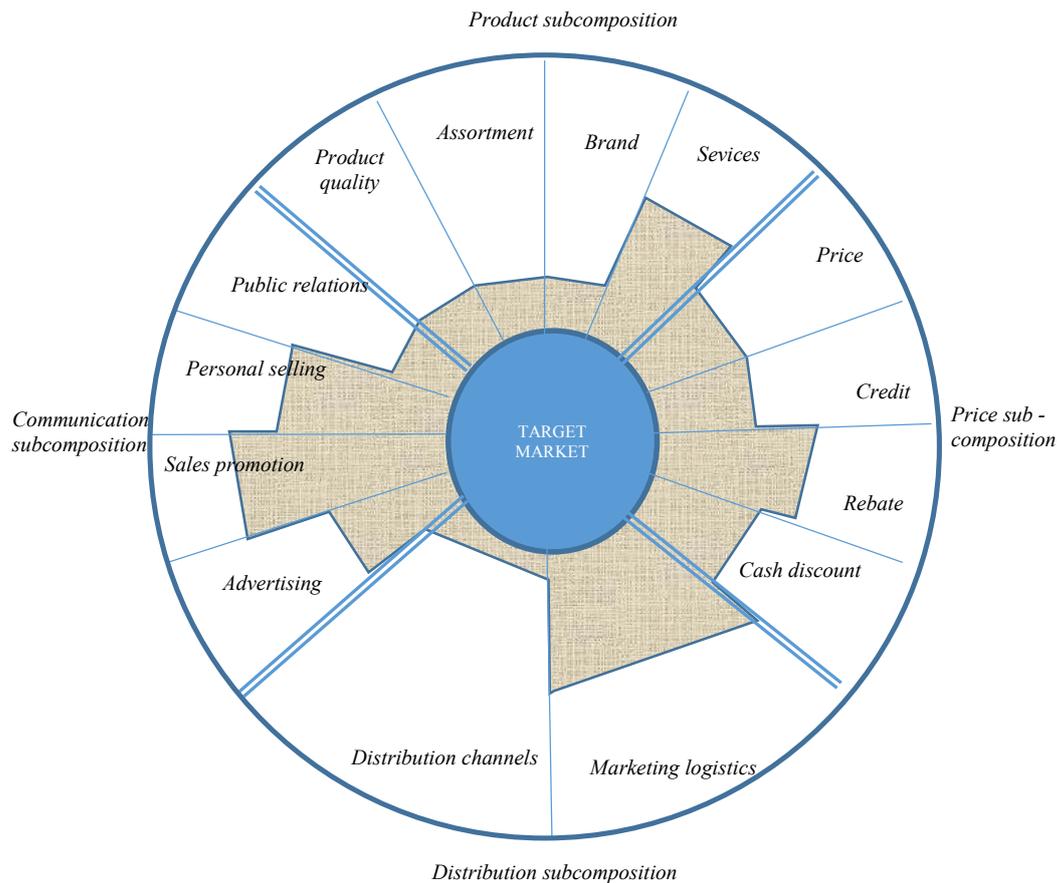
2. *Promotion Mix*, which consists of:

- *product promotion mix* (e.g. economical product packaging),
- *price promotion mix* (e.g. goods overpayments, extended payment terms),
- *distribution promotion mix* (e.g. occasional points of sale),
- *mass communication promotion mix* (e.g. demonstrations, product presentations),
- *personal communication promotion mix* (e.g. contests for retailers),
- *publicity promotion mix* (any sales promotion project shaping a positive image of a company or product).

This model, therefore, eliminates the dilemmas associated with the placement of marketing sales promotion instruments. They form a separate group, which creates a second (lower) level of marketing composition. However, the modified concept of the marketing – mix structure provokes a further question: does the promotion function constitute the best (sufficient) criterion for recognising the second level of marketing-mix?

## **5. Strategic and operational level of marketing-mix**

Promotional instruments are a typical example of operating marketing tools, run ad hoc depending on the current marketing policy. In contrast, the basic mix consists mainly of tools constituting important determiners of the marketing strategy. This duality has already been exhibited by H. Meffert, wherein particular groups of instruments – in the framework of the classic model "4Ps" – varied the ranges of their strategic and operational impact (Fig. 1). This scheme indicates that the decisions on utilising each group of instruments are essentially different in terms of their importance (meaning). And so, for example, the author indicates the product sub composition (except services) as the subject of a strategic policy decision, and the promotion of sales and marketing logistics as belonging to the scope of the operational decisions. However, it is difficult to deduce from this scheme what constitutes a criterion for distinguishing the strategic and operational scope of marketing instruments. Meanwhile, this division is important for the organization of marketing management, in particular, the placement of competences and decision-making powers at the different levels of governance. In this case, in addition to the scale of the resources involved, the significance and sustainability of the impact of the decisions is decisive. Decisions on the use of instruments involving even relatively small investments, but resulting in a long period of time, will be counted as strategic decisions. Others, regardless of costs - if they are within the framework of a fixed marketing budget – may be counted as operational decisions.



**Figure 1.** Strategic and operational scope of the composition of marketing instruments. Adapted from: Meffert (1986) p. 115.

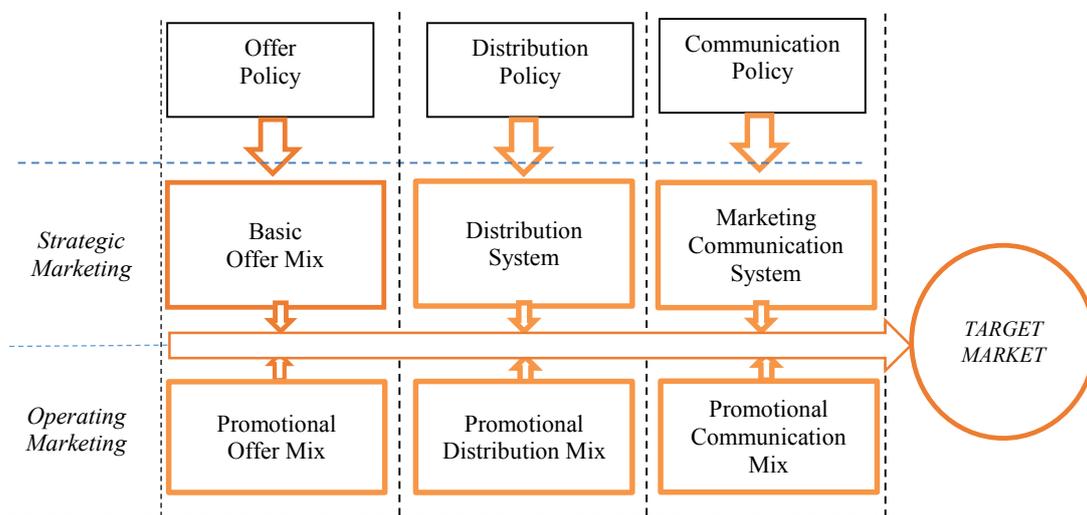
The examples cited indicate that, in addition to functional differentiation, the important premise of classifying marketing instruments is their differentiation from the point of view of susceptible ad hoc modifications and the durability of caused Impact. On this basis, two types of instruments can be distinguished (Meffert, 1986):

- flexible instruments that can be changed at relatively short intervals (e.g. sales promotion measures, rebates, sales accompanying services, transport routes, etc.), and
- inflexible instruments whose changes require long-term preparation and considerable effort (e.g. distribution channels, products).

Some instruments may seem flexible due to the technical ease of modifying them, but in fact they are not due to the slowness of the buyer's response. A typical example in this regard is the company's brand (company). It is relatively easy to come up with a new name and logo, but relatively rarely and with great caution are these possibilities used. This situation comes about by the long-lasting impact of a brand positioning process in the buyer's consciousness. Moreover, a key element of marketing-mix is a product (model), if it is an important source of revenue, and at the same is characterised by a relatively long-life cycle, the decision to replace it with a new product has a strategic dimension. Another example of this type of decision is a change in the layout of distribution and procurement channels. Long-term, mutual trust, partner relationships with co-operatives are an important component of marketing

assets, a kind of strategic resource of the company to significantly influence its performance and market value. Thus, the flexibility and durability of the impact of certain instruments make the related decisions a strategic decision. However, decisions on flexible instruments with short-term impact are an operational marketing domain.

It follows from the foregoing, that the application model for the composition of marketing instruments should combine the earlier arrangements that eliminate limitations and inconsistencies arising within the general model "4P". These conditions are met by the two-dimensional model, based on the three-member classification of the elements of the mix (Fig. 2). It takes into account the division of marketing compositions into three functional sub-compositions: offers, distribution and communication, constructed on two levels: strategic and operational. As a result, we get five intersecting decision areas that require close coordination in both the horizontal arrangement: Offer Policy – Distribution Policy – Communication Policy; and the vertical layout: Strategic Marketing – Operational Marketing.



**Figure 2.** Two-dimensional model of composition of marketing instruments. Source: Own development.

The basic component of the market impact tool composition is a properly constructed offer. In the marketing sense, the offer includes a list of products presented for sale (or rental, leasing, etc.) to a specific target market or to a specific prospective purchaser. Apart from the cases of offering a single product, this list generally includes products defined as specific patterns (models) and contains their basic characteristics (name, trademarks, quantitative data, etc.), including price and possibly other conditions of sale and payment of debts.

Overall, the commercial trade is a reflection of the company's bid policy, consisting of three decision areas: product shaping policy, assortment policy, and price policy. At the operational level, the offer is temporarily modified by various sales promotion instruments, such as promotional product sets, discounts, rebates, payment terms, product samples, etc. The assessment of the attractiveness of the offer from the perspective of the purchaser is a determinant of the company's competitive position in confronting the assessments of the attractiveness of the tenders proposed by other tenderers.

The distribution policy covers the essential decisions on the shaping of distribution channels in their vertical (long-short) and horizontal (wide-narrow), marketing streams, the degree of integration of distribution channels and logistical solutions. They form a relatively permanent distribution system that is an important element of the company's marketing assets, affecting its competitive position on the market. At the operational level, the distribution system should be supplemented by ad hoc specific solutions that match the throughput and efficiency of the distribution system to changing market conditions, such as: intervention deliveries, periodic distribution channels, organising demand activation events, etc.

Communication policy includes decisions shaping relatively permanent elements of the marketing communication system, such as: trademarks (brands) and other elements of the Visual Identification System, creative and media advertising strategy, main channels of Internet communication and basic public relations instruments. At the operational level, these are various ad hoc promotional campaigns aimed at raising buyers' interest (e.g. bonus sales, contests, demonstrations, sampling, tasting, etc.) and mobilising co-operatives inside distribution channels (bonuses, competitions, trainings, conferences, etc.).

In the proposed model, a noticeable difference in comparison with the 4P model, in addition to incorporating price instruments into the offer policy, is the transfer of personal sales from the market communication area to the distribution. Indeed, personal sales carried out by retailers, acquisitions, consultants, etc. are more of a direct distribution channel than a communication instrument.

The upper level of marketing composition is occupied by relatively durable instruments, often with many years of interaction (basic mix). They are a strategic marketing domain, controlled by the company's management. The lower level of the composition consists of instruments complementing the basic mix, which is modified ad hoc, depending on the current market situation. They are the operational marketing domain of the marketing department.

## **6. Conclusion**

The model presented above is an attempt to organise the decision-making process related to the implementation of the principle of integrated market impact. In the flood of various new marketing concepts, it may seem that classic marketing rules belong to past. However, it is not so. Irrespective of the marketing concept being promoted, no reasonable marketer will miss the analyses and decisions on the identification of the target market, nor will he abandon the reconciliation of the marketing instruments used in terms of consistency impact on the market.

It seems that a two-dimensional model of the composition of marketing instruments can approximate the complexity of this issue, and thus help to find the best solution in a given situation. It highlights not only the differences between strategic and operational levels of

marketing management, but also better organises the set of marketing instruments in three functional areas.

At the outset of the publication it was stated that marketing is a dynamic category, as a result, the extent of the knowledge necessary to understand its essential practical advantages is constantly expanding. Each year new innovative marketing concepts are put forward. They represent the next floor of the Building of marketing knowledge that is founded on the basis of principles constituting the nucleus of the marketing concept.

Finally, in regard to this epistle, if this publication makes it easier for the Reader to understand the structure and mechanism of the development of this complex structure and to encourage it to join its builders, it will be considered that the main goal of this article has been achieved.

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