

Basic Marketing Principles

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Learning Objectives

- Define “marketing” in official and “real world” terms
- List at least five viable market segments
- Differentiate by example between services and physical products
- Describe the interaction among and between the four elements of the “marketing mix”
- Enumerate the ways “positioning” combines the other elements of the marketing mix
- Identify possible competition for your own pharmacy

Definitions

- The process of planning and executing the conception, pricing, and services to create exchanges that satisfy the individual and organizational (pharmacy objectives)
- Creation and delivery of a standard of living
- Fundamental social process which...evolves within a society to facilitate the effective and efficient resolution of society's needs for exchange of "consumption values"

Requisites of Success

- Get and keep patients
- In a way that is cost consistent with patient evaluation
- Survive and profit regularly
- Define purpose, plan and communicate
- Develop a system of rewards and sanctions

The Marketing Mix

- Product
- Price
- Place
- Promotion

Target Market Variables

- Age
- Education
- Gender
- National origin
- Life style
- Income
- Race
- Religion
- Place of residence

Differences Between Services and Products

- Services are often intangible - acts, deeds and cannot be physically processed. Value lies in experience and no transfer of title
 - Usually perishable, unused portions cannot be stored
 - Quality cannot be separated from the service provider
 - Vary in quality over time and are difficult to standardize over time
- Products are often tangible objects or things. Value lies in ownership and use and transfer of title takes place
 - Can be stored, and unused portions can be used later
 - Quality can be differentiated from the channel member's quality
 - Products can be standardized and mass production and quality control are possible

Product Mix

The assortment of goods and services that must be maintained in order to meet patient needs

Service as a Product

- A service is a product at the instant of delivery; it can be created in advance or held in readiness
- A service cannot be centrally produced, inspected, stockpiled, or warehoused. Usually delivered to the customer, by people beyond the immediate influence of management
- The “product” cannot be demonstrated, nor can a sample be sent for approval

Service as a Product

- The person receiving the service has nothing tangible, value depends on personal experience
- The experience cannot be sold or passed on to a third party
- A service cannot be recalled or repeated
- Quality assurance must happen before production rather than after production, as in the case of products

Service as a Product

- Delivery of the service requires human interaction; buyer and seller must come in contact in some relatively personal way to create service
- Receivers' expectations are integral to his/her satisfaction, and are largely subjective
- The more people the customer must encounter during the delivery of the service, the less likely it is that he/she will be satisfied with the service

Results

The final product class is the anticipated results of the goods and services

Product

The benefits or positive results (outcomes) that your patients derive out of dealing with you and using the services you offer them

Customers' Perceptions of Products

- Revlon: Cosmetics sell “hope”
- Black and Decker: Drills sell “holes”

New Paradigm

- Pharmacist as a therapeutic “agent”

Customers' Perception of Pharmacists

Your pharmacist: helping you take care of yourself

Pricing Considerations

- Nature of the target market (aforementioned)
- Nature of the competition
- Cost of merchandise (IE, successful buying practices by the pharmacy manager)
- Familiarity of the customer with price ranges

Price

The costs or negative effects that patients must bear in order to do business with you, using your services in the way that you offer them

What Is a “Discount” Really?

Pricing

- One respects older people and believes they should get special consideration because of their age alone. That may not be very good business, but it's a fine human gesture

Pricing

- Older people have lower incomes and can't afford health care. Another fine gesture, even though imprecise. Many older people can well afford their health care. If one offers differential prices based on ability to pay, age may not be the best criterion.

Pricing

- One wants the good will of these customers and discounting for senior citizens is price willing to be paid for that. Now that is serious business reason for setting prices.

Pricing

- It isn't really a discount. It's just advertising. While many may engage in this practice, the risk of being found out is rather great. More and more people know their medicines and compare prices.

Pricing

- Older people use more prescriptions and other health products than do younger customers; their business is valuable. Again, a sound business decision. Consciously or not this discount is based on expected business volume. It's not really an age-related discount.

Pricing

- One must do it to meet the competition (all of whom are doing it). Another valid basis for pricing. Of course if everybody does the same thing the competition does on every competitive decision, some non-price differential advantages may be overlooked.

The Pricing Process

- The pricing process involves 5 steps:
 - Setting price objectives
 - Setting a broad price policy
 - Developing a price strategy
 - Implementing the strategy
 - Making necessary adjustments (fine tuning)

Competitive Objectives

- Meet the competition
- Be the price leader
- Offer the lowest price
- Increase sales volumes
- Prevent competition
- Neutralize price through non-price means

Financial Objectives

- Maximize short-run profits
- Maximize long-run sales
- Stabilize income
- Move high-margin items
- Move slow turnover items
- Sustain a certain gross profit level

Market Objectives

- Build market share
- Build traffic
- Emphasize low price image
- Desensitize customers to price
- Create attention and interest
- Achieve future growth
- Maintain current market share

Price Policy Options

- “One-price” policy
- Variable price policy

Reasons to Vary Prices for Identical Goods

- Different acquisition cost
- Increased record keeping cost
- Cost of credit to the customer or a third party
- Delivery costs
- Pilferage risks
- Frequency of customer buying

Pricing Strategies

- Cost-based
- Demand-based
- Competitive-based

Cost Considerations in Determining Prices

- Advertising and other forms of promotion
- All kinds of customer discounts
- Returns
- Delivery
- Credit and other costs of money
- Administrative costs
- Selling expenses
- Pilferage and shoplifting
- Security costs

Pricing Strategies

Demand-based pricing is related to the patient's willingness to pay

Price Elasticity and Inelasticity

- “Elastic” price

Price = \$1.00, 100 units sold = \$100.00

Price = \$0.50, 300 units sold = \$150.00

Price = \$1.50, 50 units sold = \$ 75.00

- “Inelastic” price

Price = \$1.00, 100 units sold = \$100.00

Price = \$0.50, 125 units sold = \$62.50

Price = \$1.50, 75 units sold = \$112.50

Place

The hours location and physical characteristics that make it possible, easy or difficult for patients to use your products and services

Ways to Manipulate Place

- Delivery
- Parking
- Drive-in windows
- Interior design and atmospherics
- Exterior appearance
- Telephone

The Telephone as an Asset

- Calls to increase patient compliance
- Calls to patients to assess patient progress and satisfaction
- Calls to newcomers to the community to alert them to your services
- Calls to old customers whose accounts have become inactive to determine the reasons

Promotion

The most important of the “P”s

Advertising

According to the American Marketing Association:

“Mass, paid communication, the purpose of which is to impart information, develop attitudes, and induce favorable action for the advertiser.”

Why Advertise?

- Atract attention
- Induce interest
- Develop the desire to buy and
- Activate the sale

Advertising Appropriation and Budget

- Establish the objectives for advertising
- Determine the type and amounts of advertising necessary to accomplish these objectives
- Determine the overall cost of the advertisement
- Schedule the advertisement day by day

Types of Ads

- Institutional - focus on the pharmacy's services
- Merchandising - emphasize products and services

Selecting the Appropriate Advertising Media

- Newspapers
- Radio
- Television

Newspapers

- Local newspapers - widely read
- Account for 30 percent of all advertising dollars
- Disadvantage - circulation sometimes much larger than pharmacy trade area

Radio

- Can be more persuasive than print
- High degree of geographic and audience selectivity
- Local radio-need repetition, brevity
- Lacks visual reinforcement

Television

- Most conspicuous advertising medium
- Products or services must have mass appeal

Advertising Considerations

- Consider clearly defined marketing goals
- Is advertising best medium to accomplish your purpose? Or, would publicity be a better option?
- Do you deliver what you promise?

Positioning

- Position - sum total of its product, price, place, and promotional activities

Positioning

- Do you match your position (assuming you have found one)?
- Perception becomes reality

Service Strategy

- Distinctive formula for delivering service
- Vision plays an important role
- Judgment, creativity and the ability to think on a global level - necessary to “see the forest for the trees”

Service Strategy

- Organizing principle allowing people in service enterprises to channel their efforts toward benefit oriented services that make a difference in the eyes of the customer
- Concept that describes the value to be offered

Service Strategy

- Being called back when promised
- Receiving an explanation of how a problem happened
- Providing me with information so I know what number(s) to call
- Being contacted promptly when a problem is resolved
- Being allowed to talk to someone in authority

Service Strategy

- Being told how long it will take to solve a problem
- Being given useful alternatives if it can't
- Being treated like a person, not a number
- Being told how to prevent future a problem
- Being given progress reports if a problem can't be solved immediately

Service Reliability – Recovery Link

- The problem reinforces a recurring pattern of previous shortcomings
- The recovery effort fails to satisfy the customer

Influencers of Quality Assessment

- Reliability
- Tangibles
- Responsiveness
- Assurance
- Empathy

Complaints

Customer complaints:

The least expensive consulting you can
get

Complaints

- The average business never hears from 96 percent of its unhappy customers
- Complainers are more likely than non-complainers to do business again with the company that upset them

Complaints

- Of the customers who register a complaint, between 54 and 70 % will do business again with the organization if their complaint is resolved
- The average customer who has had a problem with an organization tells 9-10 people about it

Market Audit

- A methodical analysis of the operations, tactics, and strategies used in marketing
- A self-examination

Market Research

The most effective way to for pharmacists to find out the needs and attitudes of patients and thus effectively market their services

- Self test (Figure 2): What you know and don't know about marketing
- Patient Survey Form (Figure 3): Vital information for the people you serve or want to serve

Conclusion

Marketing pharmacy services and products - achieving patient satisfaction and *your* satisfaction!