A customer-focused approach can bring the current marketing mix into the 21st century.

In the January/February 2002 issue of *Marketing Management*, Frederick Webster of Dartmouth University wrote:

“An inherent tension exists between the old and new views of marketing. The new view of marketing focuses on customers (not products) . . . customer value (not the four Ps). . . . It’s patently clear that marketing management needs a new paradigm.”

In the same issue, Gordon Wyner, chairman of the executive committee of the Marketing Science Institute, wrote:

“Suppose you defined the structure of industry (marketing) from the customer’s point of view, rather than the traditional provider point of view. . . . Would it change the way we think about customer relationships and strategies for acquiring, developing, and retaining them?”

In echoing the call of leading marketing thinkers, we believe there exists today an opportunity for both marketing and senior management to redefine what marketers can do to make the field more relevant and better adapted to today’s market realities. Suppose we redefined the marketing process to reflect the customer’s point of view rather than that of the supplier or producer. Instead of defining marketing in
EXECUTIVE briefing

The four Ps are no longer a relevant marketing mix because they don’t reflect 21st century market realities. This article focuses on a new customer-centric marketing mix that includes solutions, information, value, and access. Using this model to respond to customer questions, marketers can respond better to current market dynamics. They also will be better able to offer new opportunities that lead to different conclusions—changing the way we relate to customers.

terms of what it does (develop new products or sell the products the firm has made), could we define it in terms of what customers expect (solutions to problems)? Would this new and different approach suggest new opportunities, lead to different conclusions, and change the way we relate to customers? We believe it will. Our purpose here is to explain why and how.

Rethinking the Four Ps

The four Ps framework has been the de facto methodological approach for the management of marketing activities since the middle of the 20th century. Indeed, today, it’s almost impossible to find a marketing text, course, lecture, or research piece that doesn’t reference, find its base in, or rely on the four Ps concept.

Interestingly, while the marketing concept presumes that customers are paramount in any marketing plan, the four Ps approach ignores the primacy of customers, prospects, or even markets. Taking a four Ps viewpoint, the manager makes an assumption that commonly seems to follow this logic: If a manager successfully organizes and implements the proper “mix” of the four Ps, customers and profits will magically appear and the organization will move successfully ahead. Moreover, there are now generations of marketing academicians and practitioners who seem to place unquestioning faith in this premise even though it is antithetical to the ideal marketing concept of finding and filling customers’ wants and needs.

We argue that the four Ps and the methodologies that go with it are likely to be more harmful than helpful to marketing and the marketing concept in the 21st century marketplace. A primary reason to rethink the four Ps is that changing marketplace dynamics simply make the concept obsolete.

Driven by Demand

Beginning in the late 1970s, the marketer’s ability to produce products began to outstrip the consumer’s ability to buy and use them. Thus, marketers hit the wall of over-supply and felt the impact that it has on traditional marketing theory.

At the same time, distribution channels began to consolidate. Retail “category killers” emerged and began driving down the power of manufacturers in the marketplace. At about the same time, technology reared its market-disrupting head. This was reflected in the ability of a competitor to almost instantly replicate any product, product improvement, or differentiation factor. Thus, all products became pretty much the same: There were lots of them and retailers and channels could drive prices down. That’s how Wal-Mart grew into the biggest retailer in the world in only a few years of operation. The market changed from the historic “marketer in control” to “retailer in control.” Today, we argue it is now “customer in control.” Customers now have a wide variety of choices from a wide variety of suppliers with a multitude of retail choices among a broad set of products and services that are pretty much alike. Most products and services today are being sold at continuously declining prices or at least at continuously declining margins to the marketing organizations.

The problem, of course, is that most marketing organizations persist in trying to manage the “supply side” of the firm. That’s what traditional four Ps marketing is all about: manipulating price, product, place, and promotion to make better use of the tools and resources available to the primary reason to rethink the four Ps is that changing marketplace dynamics simply make the concept obsolete.
marketing competitors in the supply chain. The supply chain or value chain approach, which was popularized by Michael Porter at Harvard University in the 1980s, was a natural outgrowth of the use of the internally driven four Ps.

Porter argued that the major opportunity for the marketer was to “add value” in each of the steps involved in the development, promotion, delivery, and consumption of a product. Again, starting with the view that the marketer controlled the system, clearly a four P’s premise, Porter suggested that various steps in the process of making, distributing, and delivering a product or service provided an opportunity for the marketer or marketing system to add value. That concept is illustrated in Exhibit 1.

Using a product-manufacturing example, the supply chain located the four Ps in a more sophisticated environment. Marketers fell in love with the concept, the approach, and the idea. Why? Because it was a continuation of the four Ps approach in which the marketer controlled the system and the consumers or customers were simply pawns in the game. Most of all, it played to the marketer’s ego: He could now overwhelm the firm’s competitors with his marketing skill, expertise, and, most of all, marketing resources.

Clearly, marketing must respond to the marketplace of the 21st century, not just try to drive the sale of products and services. There has been a major power shift over the past decade. Today, the customer has the power and can vote with his or her purse, wallet, or pocketbook. Thus, the marketer must shift from a “supply” model that has been dictated by the four Ps to a “demand” model that will encourage customer “votes” in terms of sales and ongoing relationships. That change is illustrated in Exhibit 2.

This demand-based view of the marketplace provides a different way to look at the marketing function. It positions the consumer at the beginning of the marketing process, not at the end. To do this, marketing must change rather dramatically, if it is to provide any viable management value to firms in the 21st century. A simplified example of how this demand chain view might work is illustrated in Exhibit 3 on page 23.

**New Marketing Mix**

What we propose is replacing the old supply-driven concept of the four Ps with a new, modern, customer-focused approach to the marketplace. We do not, however, propose the destruction of all that we have learned from the four Ps. Instead, we propose re-creating the marketing mix as a more demand-driven set of corporate competencies that align and coordinate an organization’s various activities as a set of cross-functional systems or processes, driven by and for the customer.

In this new marketing mix, we re-conceptualize the marketing approach from the customers’ viewpoint. (See Exhibit 4 on page 23.) That view, we argue, opens up a whole host of possibilities for the marketer that the existing four Ps approach does not readily allow. Our “customer-centric” mix has four key elements based on four key questions customers ask when considering or buying a product: solutions, information, value, and access (SIVA) fit these new competencies in the order in which we recommend using them. (Incidentally, SIVA, an alternate spelling for Shiva, is the Hindu God of destruction and re-creation. He destroys, it is believed, to create something better.)

**Solutions. Customer question: How can I solve my problem?**

Customers are inundated with product offerings but starved for solutions to their problems. Witness the rate of new product failures in the United States despite half of a century of marketing “science” on new product development. The problem is, marketers are obsessed with developing products (the next new thing), rather than focusing on solving the problems customers have.

The demand chain approach begins with destroying the notion of the product or service as the first element of a marketing mix and re-creating that product or service as a solution. IBM, anticipating this change more than a decade ago,
refocused the company from “we sell computers” to “we sell solutions.” Today, if you look up computer consulting in the Yellow Pages, it’s not surprising to note that Microsoft-endorsed software supplier and support firms are listed as “solution” providers. Recently, one of our wives shopped for our young son’s birthday party supplies at www.birthdayexpress.com. The company provided themed plates, cups, streamers, posters, cake-top decorations, party favor boxes, and goodies—even ideas for games! As we have been discussing, we weren’t in the market for birthday party products but simply for a solution to the birthday “problem.” All the mothers in the wife’s playgroup are now considering shifting their business from the local party goods store to Birthday Express.

Similarly, McDonald’s’s foray into alternate cuisines is quickly repositioning it from quick-serve supplier of fast food to purveyor of “food away from home solutions.” The McKinsey Quarterly recently reported that solution providers pick up an extra 3%-7% return on sales. To quote Wyner again: “The next ‘killer app’ may well be a hybrid of today’s business designs that solves a customer problem.” Understanding consumer problems, instead of developing products and trying to fit them to customer needs, is the new marketing imperative for researchers and practitioners alike.

Having created the best solution to real consumer problems, the next step is to let our customers and prospects know about those solutions. We argue the marketing mix element of promotion should be destroyed in its present form and re-created as information.

Information. Customer question: Where can I learn more about it?

The current marketing and marketing communication spectrum inundates customers in a sea of messages, visuals, and sound bites. The average American sees an estimated 3,000 advertisements a day. Thus, simply having customers and prospects hear us so they can either (1) purchase or (2) learn more is today’s major communication challenge.

Our current marketing and communication planning and delivery methods simply aren’t relevant in the marketplace that most of our customers and consumers operate in today. For example, most consumers are networked, interactive, and accustomed to multi-tasking. Yet, most marketing approaches assume “single point in time messaging” or marketing activities designed primarily to deliver outbound monologues in an attempt to convince customers or prospects to buy or try the products or services we have already developed. That’s simply not how the multi-tasking consumer works anymore.

For example, in the fall of 2002, we conducted research that showed that, for consumer products, there was as much as 70% simultaneous media exposure across the Internet, television, and magazines. In other words, 70% of the people responding said they were doing two or all three at the same time. This multi-tasking user of simultaneous media is a far cry from the Leave It to Beaver hooked-on-TV household of the 1960s (when most of our media advertising concepts were developed). Thus, we must rethink how we deliver information and persuasive messages to customers in the new marketplace.

Likewise, customers are drowning in promotions, coupons, and price-offs, but starved for information on solutions to their problems. Witness the abysmally low response rate to direct marketing despite decades of study and millions invested in research. The click-through rate for Web banners has dropped to 0.3%, while responses to e-mail solicitations range between 1.5% and 4.5%. Obviously, our “inside-out”-based promotion model is broken, if not irrelevant.

Permission marketing is all about moving from an outbound, promotional delivery model to one based on supplying useful information to customers and prospects when they want and need it. Developing the means to give customers the right information on the right subject at the right time on their terms becomes another key marketing function. It is therefore not surprising to witness the increased interest in word-of-mouth marketing, the primary source of information for most customers today. Interestingly, new research from the United Kingdom shows that word-of-mouth support for a product or service occurs more among new users than among established customers. Thus, the people most likely to advocate for a new product or service are those who have just adopted or purchased it. Yet that’s not the model we use in our marketing and communication programs, particularly when we begin to develop brand value or brand equity models. The assumption is that the longer customers are retained, the more value they have as advocates. While intuitively appealing, the evidence is beginning to show that it simply isn’t true.

In an emerging trend, marketers now devote resources to maintaining and monitoring chat rooms. Understanding how customers search, sort, digest, and use information thus becomes a research priority. Again, the goal is to provide the obviously, our “inside-out”-based promotion model is broken, if not irrelevant.
information customers want and need when they want and need it. Such an approach would represent a radical advance over current systems. As Wyner succinctly put it:

“One of the most important trends is the convergence of companies toward information-based marketing. Advertising, direct mail, and campaign management businesses are moving beyond pure delivery of messages (a commodity service) to incorporate customer information to differentiate their offerings and effectiveness.”

Once the information is obtained by the customer or prospect, (notice that we don’t say “disseminated by the marketer”), we need to value the solution to consummate the transaction. Here we propose replacing the “price” (the third P) with “value” as the next key element of the SIVA model.

**Value. Customer question: What is my total sacrifice to get this solution?**

Today, the customer buys a solution bundle or even a solution experience, not a product or service. Thus, we need to think in terms of customer sacrifice, not just financial costs. The V in the SIVA model becomes the value received by the customer for the investment made.

More than 100 years ago, economists were telling us that value is best defined as pleasure minus pain, or satisfaction minus sacrifice. We seem to have forgotten this and continue to focus obsessively on price. While many organizations believe that price and promotion are the primary tools for increasing sales or gaining market share, price-and-price-alone customers generally account for only 15%-20% of all shoppers at most organizations. *The New York Times* recently reported that, with Burger King’s Whopper often selling at 99c, prices of most products have gone down in the past 12 months.

“While McDonald’s and Burger King engage in a dollar menu death-spiral price war, Starbucks has customers paying nearly $5 for a cup of coffee and $49.99 for a wireless access connection.” Smart marketers like Starbucks have realized that taking the customer’s mind off the price and focusing on value with an emphasis on style, time, and delivery can change the value equation and motivate customers to pay more, not less.

As long as we think of price alone, we’ll miss the non-price elements of value that are becoming so, well, valuable. Value then, is what customers want. Price is only one element in the mix. With the right value package, customers are sometimes willing to pay more in order to save time, simplify procedures, or satisfy a style preference. Examples include theme park customers who are willing to pay a higher price for shorter lines at theme parks (FastPass, a product of Disney), rental car companies that deliver vehicles to customers’ homes or places of work (e.g., Enterprise Rent-A-Car Co.), and boutique hotels charging more for smaller rooms with enhanced amenities (e.g., Ian Schrager’s hotels). Thus, identifying significant consumer purchase drivers and assigning values to each of them becomes a critical element in the overall program.

With the growing popularity of customer lifetime value as the key manageable marketing metric, marketing’s role then becomes one of facilitating the value exchange. The general marketing message becomes: “We will give you what you want if you take yourselves out of the market by professing lifetime loyalty to our products and services.” Some say this is an unrealistic objective given the protean nature of today’s consumer. Not always.

One of our wives found a winter vacation destination seven years ago to which we have returned every year. Despite being self-professed “variety-seekers,” we have taken ourselves out of the market because of the incredible value proposition we were offered. Incidentally, it was the most expensive of all the options we considered. We pay an undiscounted rack rate every time we visit the resort. So much for us as bargain hunters.
Once you have developed the best solution, offered the most useful information in a timely manner, and determined the correct level of sacrifice the customer would need to make, the marketer now has to provide the solution. In replacing the fourth and final P (place), we propose “access”—giving customers solutions on their terms: what they want, when they want it, where they want it, and how they want it.

Access. Customer question: Where can I find it?

Instead of thinking in typical manufacturing terms of getting the product to the customer, marketers should think in terms of service businesses that are obsessed with bringing the customer to the solution. Even McDonald’s, heralded in Ted Levitt’s classic *Harvard Business Review* article as the paragon of bringing a manufacturing approach to service, is experimenting with letting customers phone their orders in for more convenient pickup. Domino’s Pizza’s success with delivery was an object lesson for most restaurant businesses that have begun to offer easier takeaway and delivery options. With the needs of today’s multi-tasking and time-starved customers, traditional place or distribution activity may no longer be an option.

Today, the question is less about what type of logistical system the marketer can build and more about what type of distribution system the consumer wants to access. Thus, the issue is no longer about place, but about how the marketer can provide the fastest, easiest, least expensive access to the product or service—alone or in combination with others—even including erstwhile competitors. Access has at least two components: closing the loop with customers by getting the customers to the products on their terms and making the contact work.

In a study of Internet shoppers, Jupiter Media Metrix found that more than 65% of e-customers had abandoned their shopping carts at checkout. We forget that it’s not just about opening and closing channels, but about making sure the solution gets in customers’ hands, wherever they happen to be. It’s about getting the solution there when the customer is ready to buy, not just when the seller is ready to sell.

This then helps us think of non-traditional ways to provide customers with greater access to our products or services. Procter & Gamble’s (P&G) alliance with Coca-Cola was more about access than about distribution (i.e., giving people access to P&G brands by putting them within arms’ reach using Coke’s awesome distribution system). Tesco’s development of banking, insurance, telecommunication, and other services is about giving customers access. Wal-Mart’s recent entry into selling travel is leveraging the company’s customer base by giving the customers access to commonly sought solutions.

**The Bottom Line**

In the SIVA marketing mix, the marketer acts as a server (not as a supplier) of the ideal combination of solution, information, value, and access for each market segment. Defining, designing, and delivering these combinations are the marketer’s key challenges. Doing it from the customer’s point of view, as we have shown in our examples, can only improve the odds of success.

Over the years, Pogo, Walt Kelly’s most famous cartoon character, provided many business truths. One was: “We have met the enemy, and he is us.” Parloining Pogo’s line, we suggest that this wisdom applies to the traditional approach to marketing. Marketers today have an opportunity to re-establish their claim to adding shareholder value. One impediment, we think, is related to our reluctance to re-examine the fundamental approach enshrined in the four Ps, arguably the fundamental marketing orthodoxy.

What we’re proposing here is to redefine the marketing mix as customer driven rather than manager driven. Clearly, the four Ps have provided businesses with a valuable framework for managing the marketing effort and have served us well for the past half-century. The time has come to build on that foundation with a next-generation marketing mix that will help businesses create and capture value within the realities of the 21st Century marketplace.

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