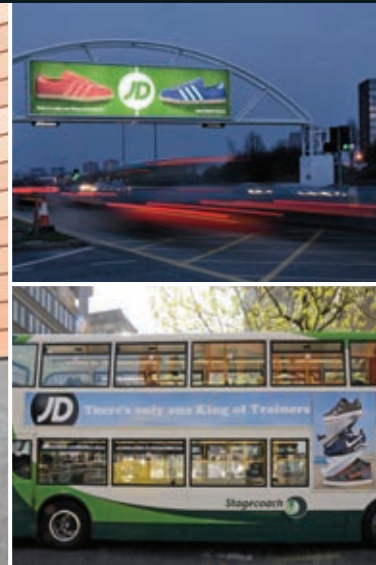




Creating a winning marketing mix



Curriculum Topics

- Product
- Price
- Place
- Promotion

Introduction

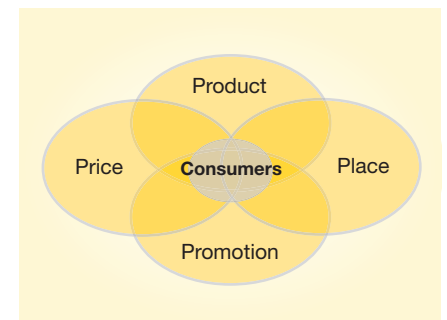
By focusing on the needs of consumers, an organisation creates a business that can outperform its competitors. Being closer to consumers and providing exactly what they want is known as market orientation. A market orientated business carries out research to find the needs and wants of consumers. It then uses the findings to design products and marketing strategies to satisfy these needs. This compares to product orientation which focuses first on developing a product and then seeks ways to persuade the consumer to buy it.

This case study describes how JD (part of the JD Sports Fashion PLC Group of companies), a large and well-known retailer, manages the balance of its marketing mix around its consumers' needs in order to achieve business growth. The marketing mix is often termed the 4Ps. It is a useful way of looking at how organisations reach their consumers. For example, businesses need to create a mix that involves:

- the right *products*
- sold in the right *place*
- at the right *price*
- using the most suitable forms of *promotion*.

Founded in 1981 in Mossley, in Manchester, with a single shop, JD today is a well recognised **brand**. With 335 stores JD is the UK's leading retailer of fashionable sports and casual wear. For 20 years JD expanded through **organic growth**.

It opened up stores in new locations to grow its customer base and increase revenues. It traded on the rising trend, particularly amongst young people, of wearing sportswear in everyday life.



In addition to organic growth, The JD Sports Fashion Group has also expanded in recent years by acquisition and now has a number of businesses in its portfolio. It has increased its JD store base through the acquisition of First Sport and All:sports as well as acquiring Scotts (premium branded menswear) and Bank (young male and female branded fashion) in the UK. The Group also made international acquisitions including the French sports fashion retailer Chausport and Champion Sports in Ireland. The JD Sports Fashion Group has also acquired brands such as The Duffer of St George, Nicholas Deakins, Canterbury of New Zealand, Kooga, Kukri and also the fashion brands Chilli Pepper, Nanny State and Sonneti. Brands such as McKenzie, Brookhaven, Carbrini and Pure are exclusive brands that are only available at JD stores. With over 500 stores in the UK, Ireland and France, the JD Sports Fashion Group has a reputation for stocking the most exclusive and stylish lifestyle products.

Brand: A name, design or symbol that gives a product, product range or company an identity that is distinct from competitors.

Organic growth: Growth in the size of a business through the expansion of its own sales (not through mergers or takeovers).

As a B2C (business to consumer) organisation, the performance of the JD **fascia** depends on how desirable its brands are to consumers. By providing exactly what the consumers want JD can outperform its competitors. It also helps it to remain buoyant in a challenging **business environment**. JD has continued to grow despite the fact that levels of unemployment are increasing and many consumers now have reduced **disposable income**. The demand for non-essential goods, such as branded clothing, would normally decrease as incomes fall.

Product

The 'product' is concerned with the function and features offered by a good or service. Product also encompasses factors such as quality, design, after-sales service and branding.

JD sells lifestyle products. These are sportswear ranges worn in everyday life. JD targets different groups of consumers who desire trainers and sports fashion as casual day wear. Many of the products that it sells are from the global 'power brands'. These are long-established, popular brands such as Nike and adidas. These brands appeal to large groups of consumers and are easily recognised by JD customers. They are backed by large marketing budgets which help to boost sales and sustain demand by consumers.

Usually it is manufacturers who decide what products to produce and retailers have no say in this. However, JD is different. The company has so much buying power and knowledge of the market that manufacturers are happy to take its ideas. These are then used to produce exclusive products for JD. For example, the adidas Forest Hills and adidas Training PT footwear ranges were developed exclusively for the JD Group and cannot be found in any other retailer.



*UK Hip Hop artist Devlin
wearing JD's brand
The Duffer of St George*

JD works with suppliers across the world to develop and deliver own-brand products. Prior to any orders being placed, all new suppliers must complete the Group's risk assessment form to ensure that their activities are in line with the Ethical Trade Initiative Base Code. This code covers areas such as health and safety, working hours, wages, fire procedures and maternity pay provisions. This ensures that the people employed to make JD's own brand products have good working conditions and that products are sourced ethically. Other social and environmental factors are also taken into account. For example, last year 423.3 tonnes of cardboard, used in packaging, was returned to the Group's distribution centre for recycling.

Price

The price charged for a product will depend on a number of factors: the cost to make it, the level of profit required, competitor prices and the price consumers are willing to pay. The demand for necessities, such as bread and fuel, is unlikely to change much as prices fluctuate. The demand for sportswear and casual clothing, however, is more likely to be price sensitive. Getting the price right is a key part of an organisation's marketing strategy. This is because it is the price that directly generates income, allows debts to be paid, re-investment to occur in the business infrastructure and profits to be made. Businesses need to ensure that the price charged is perceived by consumers as value for money in relation to the quality of goods and services.

There are different pricing strategies which can be adopted to generate demand:

- Market penetration – introducing a new product at a lower price to help gain market share.
- Competitive pricing – often used for well-known products or brands that are in high demand. Prices are similar to competitors. To be competitive, JD must ensure it doesn't charge higher prices for the same goods (or similar) than other sports and fashion retailers.
- Strategic pricing – This might be used to position an exclusive product or brand to make it more desirable for consumers and generate demand or demonstrate value.

By buying in large volumes, the company's unit costs are lower. For example, discounts achieved by bulk purchases of trainers means the cost for each pair is lower than that paid by smaller retailers. This ensures JD remains competitive.

Place

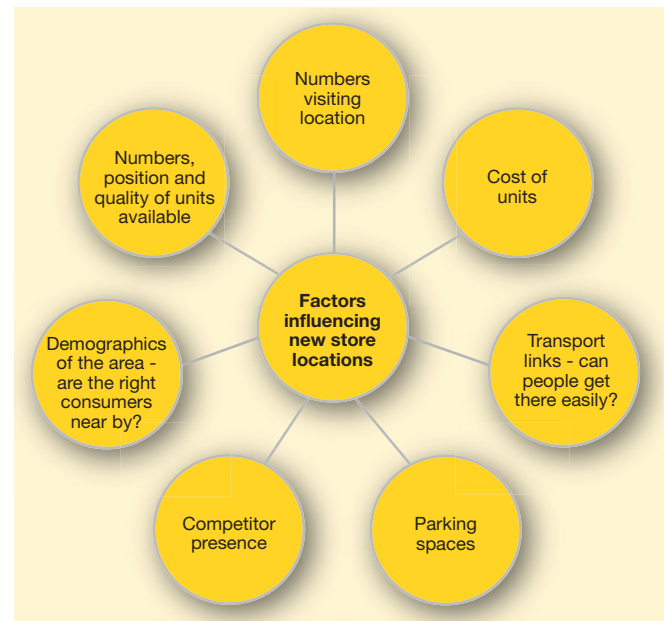
The place element of the marketing mix involves making products available to the customer in the most convenient way. JD operates in:

- the high street
- out of town locations
- shopping centres
- e-commerce.

JD wants to make the shopping experience distinctive from that of its rivals. It does this by innovative displays and creative imagery to make the store experience fun and exciting. For example, the JD store in Cardiff won a UK Retail Interior Of The Year award for its design and ambience. This included a giant table-football fixture and light-boxes to display trainers.

The JD Property Committee meets regularly to look at the performance of all stores and consider new locations. This includes analysing sales performance and forecasting sales. This type of data helps JD to assess where its outlets are giving the best return on investment. The right location can maximise sales, limit costs and therefore maximise profits. There are a range of factors that influence the choice of new store locations.

In addition to traditional forms of shopping, JD has also invested in **e-commerce**. JD recognises that with the increasing use of online shopping, consumers now expect very high standards of service and functionality from a web ordering site. In order to reach



consumers in the best possible way, the company's web designers constantly aim to improve the functionality of the site. It is now possible for consumers to buy products directly from the website.

In a mystery shopper survey of 49 major UK e-commerce sites in 2010, JD was the top all-round performer. It scored well for:

- quality of its customer service - particularly its clear delivery and returns information
- its checkout process - which is simple and easy to use
- its product pages - with photography that provides consumers with the most helpful views of products before they buy.

Promotion

The purpose of promotion is to create awareness in consumers or generate interest and desire to buy products.

Promotion can also be used to create or change a brand image and maintain market share. JD wants to position itself away from competitors to give it **competitive advantage**. This means that high profile manufacturers and brands will prefer to release their products to JD rather than its competitors as they are likely to sell more products and protect the brand's positioning.



E-commerce: Using the internet and associated technologies for trading purposes (buying and selling).

Competitive advantage: An ability to earn superior profits through lower costs or distinctive product quality that competitors cannot readily copy.

JD promotional activity uses a mix of **above-the-line** and **below-the-line** promotions. Its above-the-line activities include:

- paid-for advertising in newspapers and magazines. JD advertises in high circulation titles, such as the men's lifestyle magazine FHM and the music magazine NME
- **product placements** in a range of publications are used to promote the different brands
- TV and radio advertising. Radio advertising in particular allows JD to target its key 13-20 year old audience quickly and in a way that young people find relevant.

Although these types of media reach a wide audience, they can be costly. It is also difficult to measure response rates. JD also makes significant use of other forms of paid-for advertising. Described by JD as 'ambient marketing', this uses outdoor advertising such as poster sites and t-sides on public transport and around key stores in areas of high footfall. JD positions itself alongside professional football clubs such as Blackpool FC and has made kit deals under the Carbrini brand, supplying kits for the field of play and training wear. The company also advertises on television backdrops, in club shops and around the grounds. This approach helps to target the young, largely male audience which is typical of its customer profile. It also establishes the brand within local communities.

Below-the-line promotions offer opportunities to communicate directly with consumers. For example:

- E-mail helps JD to regularly contact its database of consumers with promotions and product information. Magazines and leaflets present product and lifestyle content.



N-Dubz's Dappy at the JD and adidas exclusive event

- Sales incentives, promotions and competitions with celebrities generate excitement and interest in the brand. This reinforces its youthful appeal. For example, JD partnered with adidas to provide VIP tickets for an exclusive N-Dubz event at the O₂ Arena for JD.
- **Sponsorship** and product endorsement by celebrities and music artists are used to highlight new ranges and products. For example, Tinchy Stryder promoted the Star in the Hood clothing range and The View promoted The Duffer of St George range in a press campaign.
- A JD partnership with the Manchester Evening News Arena not only puts the brand in the arena itself, but also enables the company to feature competitions and offer prizes to capture potential custom.
- JD also uses impactful photography and high quality **point-of-sale** materials in stores and window displays to attract consumers and increase **footfall**.

Growth of social media such as Facebook and Twitter also enables the company to use consumer recommendations as part of its promotional activities. It is estimated that every person viewing a page may pass on information to another 150 people.

Conclusion

JD's marketing mix has created a unique position for the brand within the mind of its consumers whilst remaining true to its corporate values. The company focuses on stocking the products its consumers want, as well as offering distinctive or exclusive ranges that can only be bought at JD. This, combined with its choice of strategies for placing and positioning the brand, has resulted in significant growth for the business. By uniquely understanding and valuing consumers, JD continues to grow within a difficult economic and competitive market. By constantly adapting and changing its marketing mix through a focus on consumers, it has effectively managed to stay ahead of the competition.

1. Using an example of a product known to you, describe the four main elements of its marketing mix.
2. Explain why an organisation would use 'ambient marketing'.
3. Analyse how an organisation manages the place element within the marketing mix.
4. Evaluate why organisations use the marketing mix to position their products within the minds of consumers of their products.

QUESTIONS

Above-the-line: Promotion through advertising: TV, radio, internet, press etc.
Below-the-line: Indirect sales promotion other than advertising, e.g. price promotions and point-of-sales displays.

Product placement: When products are 'placed' in films or TV shows or with celebrities, giving them strong and favourable exposure.

Sponsorship: Where an organisation funds a sporting, community or cultural event in return for exposure of their name or brand.

Footfall: A measure of the number of people who enter a particular store.