

## Psychology, The Fifth “P” of Marketing

Many people know the four “P’s” of marketing for we learn that in marketing 101. When we think of marketing as a behavioral science, and it really is, for we are trying to influence the buying habits of people. We need to think about how psychology interacts with the other four “P’s”. This interaction is why psychology is the fifth “P” of marketing and understanding how it interacts with the other four “P’s” is important in having an effecting marketing program. I do not remember who the first person was to talk about psychology in regards to marketing, but I have never forgotten it and thought about it a lot over the years. With this said, let’s look at this interaction with marketing examples.

Product is the first “P” we will discuss in this interaction. Peter Drucker, in his book, *Innovation and Entrepreneurship*, pointed out that people simply buy what we sell to satisfy and need or want. Understanding this need or want is very important. He used the story of the Gillett Razor Company to illustrate this point. In the late 1800’s Mr. Gillett realize a growing population of men wanted to shave. At that time, their options were to go to a barber and pay \$1 for a shave at a time where \$1 per day was the average wage, or buy a safety razor for \$4.50, worth about one week wages. Safety razors cost about \$4.50 to produce and every manufacturer sold them at cost. Mr. Gillett realized men were simply purchasing razors and razor blades to be able to shave, so he sold his safety razors for 50 cents or a \$4 loss, but they were designed to use only his blades which cost 1 cent to produce and he sold them for 10 cents each. By realizing that men were buying razors and blades to satisfy the want to shave, he made the razors affordable and made his money on the blades. By the time the rest of his industry realized what he was doing. Mr. Gillett had about 80 percent of the market.

Another story that can help illustrate this is a *Dennis the Menace* comic strip. Dennis was playing a toy drum at Mr. Wilson’s house. Mr. Wilson being Mr. Wilson was not happy and he said, “Dennis I will buy that toy drum for \$10”. Mrs. Wilson said, “George, \$10 is a lot to pay for a toy drum”. Mr. Wilson replied, “I’m not buying a toy drum, I’m buying peace and quiet”. Dennis being the smart little entrepreneur ran home and started going through his toy box, his mother asked, “Dennis what are you looking for”? Dennis replied, “I am looking for my toy bugle to play for Mr. Wilson”. His mother asked, “Mr. Wilson likes your playing”? “No”, said Dennis, “but he pays well for the toys.” Dennis knew Mr. Wilson had a want or demand for peace and quiet and he was going to supply that want.

When we understand what need or want our customers are trying to satisfy, we will have and better understanding of how to promote, price, and physically deliver our products to our customers. Understanding this need or want is the first step in understanding the psychology of why our customers are buying what we sell.

Let’s take a look at pricing from the Gillette Razor example. Because Mr. Gillette understood the psychology of men wanting to shave, he made his razors affordable by selling them at a loss, but made enough money on the blades to earn a good profit. Another example of how the psychology of pricing plays into marketing came from a case study about Van Hussen shirts in one of my marketing classes in college or graduate school. Van Hussen is known for top quality shirts. In this case Van Hussen had a

discounted sale price on an inventory over-run and sales actually declined. The reason for this decline was that people thought there was something wrong with the shirts, so they did not want to buy them at the discounted price. When Van Hussen increased the price to the regular pricing, they sold. Here is another example of pricing matching psychology that will also lead us into the other two "P's" of marketing. While I was in college in Jackson Mississippi, there was a furniture wholesaler who advertised on TV that they would never be beat in price. They realized that part of the population just wanted functional furniture at the lowest price available, so they included a price guarantee in their advertising. They also advertised that they were at the worst location in Jackson and in the winter time they include, "Remember to wear your coat, there is no heat"! This example also helps to illustrate the interaction of promotion and physical distribution in their location, with the psychology of what their customers wanted in the product. Their TV advertisement promoted the fact they were not going to spend money on anything they did not have to, including heat and rent, in order to bring you the lowest price possible.

Still another example from the furniture industry comes from Carol House furniture in St. Louis. They sell quality long lasting furniture that will be handed down in the family from one generation to the next. Where the furniture from Furniture Wholesaler will be sold at a yard sale or taken to the city dump, by passing the middleman from the yard sale on the way to the dump. Both are functional, but sell at very different price levels. Carol House advertises that you buy their furniture, "because you like nice things", and they are located in up-sale areas of the city. Both companies sell furniture, but their customers are buying something very different to satisfy their need or want.

Understanding the psychology of the want or need of what your customers are buying can make or break you when it comes to promotion. Here is another story from a marketing case study while I was in college. This is from the Falstaff beer company. In the 1950's and early 1960's, they were the largest beer brewery in the country. Falstaff, in their TV advertisement promoted that their customers were so loyal that if you tried to take their beer away from them, that you were in great danger of being severely hurt or even killed. For example, in one commercial they had a roughed westerner saying that if you tried to take his beer, he would let his pet mount lion attack you. This was too much for many of their customer to accept. It was thought they were trying to one up the Lucky Stipe commercials of "I would rather fight then switch". Fighting is one thing, but implying you are will to severely hurt or kill someone is another story. Falstaff's customer's felt this was too much and they did not want to be associated that type of thinking and Falstaff's sales fell through the floor, they eventually filed for bankruptcy.

A more positive example comes from Dr. Pepper, where they tried promoting, "I'm a Pepper, they're Pepper, don't you want to be a Pepper too"? When they surveyed their customers as to why they like Dr. Pepper, they found they liked the unique taste of the soda. Their customers considered themselves unique and they wanted a unique tasting soda. With this information Dr. Pepper change the promotion of their soda to promote its unique taste, and sales improved.

The example of the furniture wholesaler in Jackson Mississippi helped to illustrate the relationship between psychology and physical distribution. In this case physical location is only part of physical distribution. In a retail environment, location, location, location is very important. Take McDonalds restaurants for example. They know convenience is a very large part of what their customers are buying. In any city you are in, you will notice McDonald's restaurants are almost always located at a corner with a traffic light so you can leave and turn left or right without any trouble. In the St. Louis area



where I live, there was a McDonald and Steak N shake restaurants located on the corners of Lindbergh Avenue and Old St. Charles Road at a traffic light. In that area of town, Lindbergh Avenue has a cement median so you cannot get on to Lindbergh Avenue going left just anywhere. Since I worked in the restaurant industry at that time I knew that those two restaurants had very high sales volume for their franchisors. Next to McDonalds on Lindbergh Avenue, (where you could not turn left out of their parking lot), there was a Pizza Hut restaurant. That Pizza Hut had a very low sales volume. It was not always convenient for their customers to eat there when it can time to leave.

In both retail and a non-retail environment, location is only a part of physical distribution. Many national retailers have both a physical and an internet presence. Some customers like to touch and feel the merchandise and others just want the convenience of shopping online and then having their purchases shipped to them. Either way, the seller is trying to meet the psychological wants of their customers. The Wal-Mart story as told by Mr. Walton in his autobiography, we learn one of the keys to the success of Wal-Mart was building a distribution center in a new market region by major highways, followed by retail outlets with the distribution center in the middle to supply the retail outlets that sold to the public in a cost effective way. In manufacturing, if you want to be a major player in the market place you must have a physical presence in the country of the market where you are selling. The reason for this is; no matter the country you live in, we all want to buy from someone who is employing people in our country. Psychologically we all feel better when buying from a manufacturer in our country employing our neighbors. Having manufacturing facilities in country also reduces the shipping cost so the manufacturer can be more competitive. This is why we have Ford and Chevy manufacturing plants in Europe and China, while Toyoda and Honda for example have manufacturing plants here.

It takes a little effort to find the psychology in the four “P”s of marketing, but we need to try because marketing really is a behavioral science. The better job we can do in seeing this psychology of what our customer’s wants or need s are, the more effective our marketing will be.

Jim Fulkrod

Owner of Minuteman Press in St Ann, Mo

BA degree in Economics from Millsaps College

MBA in Finance from UW Whitewater