HAVE PAYMENTS BECOME THE FIFTH P OF MARKETING?

Growing influence of payment method preferences support a case for it

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Marketers, and perhaps those of you who took Marketing 101 back in college, might remember the 4 Ps of marketing--product, place, price, and promotion. The concept (which I think was originated by a Northwestern marketing professor) describes four "levers" that marketers work with, adjust, or alter, in order to influence marketing results.

In the past few years, there have been numerous articles proclaiming the death of the 4 Ps. All of these assertions, however, have failed to disprove that product, place, price, and promotion are no longer relevant. For sure, service and service-related factors like information regarding product usage has become important, but these factors simply expand our definition of product. Place used to mean the store, but again, with the advent of the Web, and now mobile channels, the definition of place is simply expanded.

Is there now a fifth P?

In addition, there have been numerous attempts (usually from bloggers and social media gurus) to add a 5th P to the mix. I've seen articles claiming that people, personality, personalization, and productivity are all the new 5th P. One article said that the new 5th P of marketing was "Peter." (Can you guess the name of the author?)

None of these articles deserve a link here because they're either really an element of the existing 4Ps (e.g., packaging and personalization are really about the product) or they're simply not a lever (personality? really?) that can be managed by marketers to influence marketing results.

Let's consider Payments

I've been debating (with myself, but feel free to join in, in the comment section below) whether or not Payments (or more exactly, influencing consumers' use of payment methods) rises to the level of a 5th P.

On one hand, payments could be seen as simply an element of price. Incentivizing (not a real word, but go with me on this one) a customer to pay cash instead of credit because it's beneficial to the marketer could just be price manipulation.

But there's growing evidence that the choice of payment methods available for a particular product can influence a customer's choice of product--regardless of the price. And this would qualify Payments as a lever--or 5th P--that marketers can manage.

Detroit's been doing this for years

This is old news for the auto industry.

Auto manufacturers have made Payments (e.g., leasing vs. financing) a part of the marketing mix for a while now. In this case, I would argue that Payment is not an element of price.

In fact, I'd bet most car buyers don't even realize exactly what price they're really paying when they accept a lease or financing offer for $250 per month for 24 or 48 months.

Will others make Payments #5?

For other industries, however, the choice of payment methods is just beginning to influence choice of providers.

Having processed some 42 million (and counting) mobile payment transactions between Jan. 2011 and Q2 2012, there's a strong case to be made that Starbucks has engendered customer loyalty through its mobile payment capabilities. Offering prepaid debit cards has also helped to keep Starbucks' customers loyal to the company.

Both of these capabilities--mobile payments and prepaid cards--are examples of how Payments have influenced marketing results without changing the product, price, place, or promotion mix.

Fitting Payments into the original scheme

The original concept behind the 4Ps was that the elements were part of a marketing mix--and that marketers had to allocate resources between the elements of the mix to influence marketing results.

Payments meets this criteria, especially in a retail context. In an article title in Retail Info Systems News, a comment on the site makes a great point:

"Though the benefits of having a mobile POS is surely directed towards improving customer service, it also frees up store space occupied by cash registers, typically in the range of 30-40 % of the total numbers on weekdays. This space can be effectively used to display/sell merchandise."

Payment methods ubiquitous

Bottom line: When the 4Ps of marketing were conceived in the early 1960s, the choice of payment methods boiled down to cash, check, and credit card (and I'm not even sure how many people had a credit card back then).

But today, there are more payment methods available . . . and the list is growing.

And because of the importance of technology to many people (e.g., there is a segment of people who like to be seen as early technology adopters), the choice of payment methods available for a growing number of products makes Payment a legitimate element in the marketing mix.

In other words, there's a new 5th P to marketing.

About Ron Shevlin

Ron Shevlin specializes in retail banking issues including sales and marketing technologies, customer and marketing analytics, loyalty management, P2P lending, personal financial management, social computing, online banking, customer

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