

Good Business Run Wisely

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Quote of the Month

"The best vision is insight."

— Malcolm Forbes, motorcyclist and businessman

Developing the Marketing Mix: *Place*

Place is *where* customers find your offerings. This sometimes under-respected "P" is as important to the marketing mix as is **Product**, **Price**, and **Promotion**. Sometimes "**Place**" is called "Distribution." This is partially correct, in that selecting a distribution channel affects the size of the market you can access and has implications regarding how much control you have over sales to end users.

Generic distribution channels

- Dedicated retail store:
 - Pros: Owner has complete control
 - Cons: Expensive, limited market reach
- Wholesalers
 - Pros: Allows access to a large market
 - Cons: Wholesaler may handle competing products, have to share profits
- Internet
 - Pros: World-wide market, inexpensive
 - Cons: Virtual environment restricts marketing, limits impulse purchases

Specific distribution channels

- Wal-Mart, Best Buy, Kroger:
 - Mass market, significant restrictions imposed by Wal-Mart
- Starbuck's, Nordstrom's, Crate & Barrel:
 - High end market, potentially faddish customers
- Convenience stores:
 - Impulse buys, must share profits with store
- Mall kiosks, Street vendors, Flea markets:
 - Impulse buys, low fixed costs
- Vending machines:
 - Impulse buys, lowest fixed and labor costs
- eBay:
 - Huge market, high price pressure by bargain shoppers

Beyond just distribution, **Place** is important because it is the setting where you have a relationship with potential customers, and because you want to make sure your products are accessible when customers are ready to buy.

For example, if you are selling soft drinks, you want to be where people are thirsty, such as the beach or convenience store. If you are selling alcoholic drinks you want to be somewhere that people want to socialize. And if you are selling premium products, your **Place** must project a premium ambience.

Place

- Geographic location
- Physical look & feel
- Location within a store
- Distribution channel

Much of Starbucks' early allure was **Place**. They had well-decorated stores with couches to converse on, stylish music to listen to, and were some of the first to have public Wi-Fi. Significantly, Starbucks methodically placed their stores on street corners where their signage could be seen on two roads, and where groggy morning commuters could make right hand turns into—and out of—their stores on their way to work. This is smart use of **Place**.

In contrast, Rolex, the company that makes status watches, should never open an internet store. To do so would destroy the other “Ps.” While an online store might be convenient for shoppers, it would destroy the brand value—and thus kill their **Price** premium. In addition, an online store would eliminate much of their **Promotional** activities—namely, careful direct selling.

So again, although it is common to think about the more obvious “Ps”—**Product**, **Price**, and **Promotion**—make sure you carefully consider how you will get your goods to market and once there how you want them presented. Considering all of the “4Ps”—that’s **Good Business Run Wisely!** Δ

A Study in Place:

F&S Harley-Davidson – Dayton, Ohio

F&S Harley-Davidson is a motorcycle dealership in Dayton, Ohio. A few years ago the owners invested a lot of money to construct a new building. The building is great, with a large showroom, excellent lounge filled with leather couches and motorcycle magazines—they even have a large conference room where motorcycle clubs can meet. As far as the building itself goes, F&S has a great **Place**. Nevertheless, F&S does not experience the success they should, and the reason is **Place**. Not the building, but the location.



F&S Harley-Davidson

F&S Harley-Davidson is located in far Northwest Dayton. Most people live in Southeast Dayton—especially the people who have \$20k+ for a new motorcycle.

The West side, in contrast, is the rough side of town—the side many people avoid. Adding to this poor location is the fact that one must exit I-75 and go about a mile, turn onto another road, then travel another couple of miles to get to the dealership. If you hadn't been there before, you wouldn't know how to find the place.

To overcome this weak **Place**, F&S Harley-Davidson enlisted a local marketing (advertising) company with a reputation for creativity. This company created a new logo for F&S to use instead of the old Harley logo. They also came up with a bunch of cute advertising, much of it aimed towards the young white collar worker. Presumably the idea was to differentiate F&S from the other Harley-Davidson dealers with the new logo and to focus on a target market of young marketing professionals.

F&S's poor location—their poor **Place**—costs F&S a lot of money. Many riders head south of Dayton to a competitor: Aces & Eights HD near Cincinnati because it is located in a much nicer area.



Aces & Eights Harley-Davidson

Beyond location, Aces & Eights further uses **Place** to differentiate itself from other Harley dealers. Their dealership is built to look like an old West saloon, made with big exposed timbers, a covered deck, and a log façade.

So why did F&S pick this poor location you ask? Like many small businesses, they didn't know to think so much about **Place**—they merely built on the land they already owned. You see, the old F&S Harley-Davidson building—the one with the faded “For Sale” sign stands next door to the new one.

Moreover, what can F&S do to overcome their poor location? F&S needs to take their location to their customers. This means taking bikes to the mall, to community festivals, maybe even open a small satellite store downtown or in a southern suburb...

After all, F&S has a strong **Product** with a loyal customer base. Harley-Davidson does most of the necessary **Promotion**, and **Price** is largely set by the factory. Therefore, the most successful dealership in the Dayton area will be due to **Place**.