

MODULE 6 OF 11 · FOUNDATIONS OF MARKETING

The Marketing Mix I – Product, Price

LEARNING OBJECTIVE

Explain the marketing mix concept, describe the three levels of a product, and compare pricing strategies.

KEY VOCABULARY

Marketing mix

Core / actual / augmented product

Pricing strategy

Penetration pricing

Skimming

Competitive pricing

Cost-plus pricing

WHY THIS MATTERS

This is where strategy (STP) turns into something a customer can actually buy. Product and Price are the first two of the controllable tools a business combines to deliver that strategy.

WARM-UP QUESTION

“Beyond the physical item itself, what else are you paying for when you buy a \$5 coffee from a nice café?”

DISCUSSION QUESTION

When would skimming make more sense than penetration pricing for a new product launch?

DISCUSSION QUESTION

What's an "augmented product" feature that has made you choose one brand over an otherwise identical rival?

Core Concepts

A product has three levels

The core product is the basic benefit; the actual product is the real item (features, branding, quality); the augmented product is everything extra wrapped around it (warranty, delivery, support).

Example: Buying a mattress: the core is a good night's sleep, the actual is the physical mattress, the augmented is free delivery and a 10-year guarantee.

Pricing strategy signals position, not just cost

Penetration pricing enters low to build volume fast; skimming enters high to capture early adopters; competitive pricing tracks rivals; cost-plus adds a fixed margin to production cost.

Example: A new streaming service launching at a low introductory price is using penetration pricing to build subscribers quickly.

Price must support the rest of the mix

A price that doesn't match the product's positioning (e.g. a "premium" product priced like a budget one) undermines the whole strategy.

Example: A luxury watch brand pricing too low can make customers question whether it's really luxury at all.

COMMON MISTAKE TO AVOID

Picking a pricing strategy based only on covering costs, without checking it still matches the brand's intended position.

Running the Lesson

TEACHING OUTLINE

1. Introduce the marketing mix as a business's controllable toolkit.
2. Unpack the three levels of a product using a relatable example.
3. Compare pricing strategies and when each one makes sense.

CLASSROOM ACTIVITY

Students choose a product and identify its core, actual and augmented layers.

MINI CASE STUDY

A new board-game publisher priced its first game low (penetration) to build a fanbase and reviews quickly, then priced its second, more elaborate game higher (closer to skimming) once it had a loyal following willing to pay more for a premium edition.

RECAP

- The marketing mix is the set of controllable tools used to reach a target market.
- A product exists on three levels: core, actual and augmented.
- Pricing strategy should support the product's intended market position, not just cover cost.

HOMEWORK / EXTENSION

Pick a product and describe its core, actual and augmented layers in one sentence each.

Full lesson & free auto-marked quiz: marketingteacher.com/courses/foundations-of-marketing/lessons/pricing-strategies-how-businesses-decide-what-to-charge/