

## Three Pillars of Marketing And The Basic Profit Equation

Ted Mitchell

## The Basic Profit Equation

- $PQ - VQ - F = Z$

Where P = Price, Q = Quantity sold, V = Variable cost per unit, F = Fixed costs, Z = Profit (operating income)

## The Basic Profit Equation

- $PQ - VQ - F = Z$

Where P = Price, Q = Quantity sold, V = Variable cost per unit, F = Fixed costs, Z = Profit (operating income)

Or

- $(P - V)Q - A - S - L - O = Z$

Where A = Advertising Budget or Expenses, S = Sales Force Budget, L = Logistics Budget, O = Other Non-Marketing Expenses

## Three Pillars of Modern Marketing Management Are in The Profit Equation

- 1 Customer Needs
- 2 Integrated Marketing Effort (4P's)
- 3 Profit

---

- $PQ - VQ - F = Z$

## Three Pillars of Modern Marketing Management

- 1 Customer Needs
- 2 Integrated Marketing Effort (4P's)
- 3 Profit

- $PQ - VQ - F = Z$

- $(Price)Q - (Product Cost)Q - Promotion Costs - Place Costs - Operating Costs = Profit$

## Three Pillars of Modern Marketing Management

- Customer Needs
- Integrated Marketing Effort (4P's)
- Profit

- $PQ - VQ - F = Z$

- $(Price)Q - (Product Cost)Q - Promotion Costs - Place Costs - Operating Costs = Profit$



### Three Pillars of Modern Marketing Management

- Customer Needs
  - Integrated Marketing Effort
  - Profit
- $PQ - VQ - F = Z$
- (Price)Q - (Product Cost)Q - Promotion Costs - Place Costs - Operating Costs = Profit



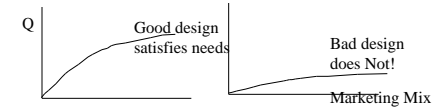
### Three Pillars of Modern Marketing Management

- Customer Needs
  - Integrated Marketing Effort (4P's)
  - Profit
- $PQ - VQ - F = Z$
- Where Q is a customer response function for product design, advertising, channels, ...

### The Response Function

$Q = f(\text{Mix-Needs Match})$

The customer response function reflects how well marketers designed the product and the rest of the mix to serve customer needs.



### Three Pillars of Modern Marketing Management

- Customer Needs are in  $Q = f(\text{mix-needs})$
  - Integrated Marketing Effort is  $Q = f(\text{mix-needs})$
  - Profit
- $PQ - VQ - F = Z$
- $P f(\text{mix-needs}) - V f(\text{mix-needs}) - F = Z$

