UNIT 2 MARKETING MIX

Structure

2.0 Objectives

2.1 Introduction

2.2 Elements of Marketing Mix

2.3 Product

2.4 Price

2.5 Promotion

2.6 Place

2.7 People, Process and Physical Evidence

2.8 The 8th P of Marketing Mix

2.9 Let Us Sum Up

2.10 Further Readings

2.11 Clues to Check your Progress Exercises

2.12 Activities

2.0 OBJECTIVES

This unit discusses about the concept of marketing mix and the various elements of marketing mix. After reading this unit you will be able to:

- discuss the concept of marketing mix,
- recognise the various elements of marketing mix,
- list and explain the 8P's of marketing mix; and
- interpret each element of marketing mix

2.1 INTRODUCTION

In the previous unit, we discussed about the core concept, need, and importance of tourism marketing. In order to achieve the marketing goals and objectives, a tourism marketer has to make decisions on the controllable factors. These factors have been popularly known as "marketing mix".

This term "marketing mix" was first coined by Prof Neil H Borden of Harvard Business School during his presidential address at American Marketing Association in 1953; and later in 1962, he published an article "The Concept of Marketing Mix". In the article, he argues that a marketer is an artist, a decider who is constantly engaged in creatively mixing the marketing procedures and policies for ensuring long term profitability of an

enterprise. He proposed *twelve elements* of marketing mix which included – product planning, pricing, branding, channels of distribution, personnel selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis.

In 1960, Edmund Jerome McCarthy in his book proposed 4P's conceptual framework for marketing decision making process which used four elements of marketing mix– product, price, place and promotion. These factors are controllable variables that a marketer can manages in order to satisfy the needs and wants of the consumers. With the growth of services, Booms and Bitner in 1981 proposed a model of 7P's which is also known as extended marketing mix which is relevant in context of services. They added three additional P's to the original 4P's which are– people, process, and physical evidence. Keeping in view the complexities of marketing, Kotler and Keller spoke about four additional P's to the traditional marketing mix exemplifying the holistic marketing perspective. These included– people, processes, programmes and performance. In this unit, we will discuss each of these P's in context of tourism marketing.

2.2 ELEMENTS OF MARKETING MIX

According to Philip Kotler, marketing mix is "set of marketing tools that the firm uses to pursue its marketing objectives in the target market". The classical framework of marketing mix includes 4P's of marketing which are:

- **Product –** It includes all the decisions and activities related to product or service which offers benefits to enable the total spectrum of the tourist experience.
- **Price –** It includes all the decisions and activities related to the price to be charged for the product or service.
- **Place** – It includes all the decisions and activities related to the distribution of the product or service.
- **Promotion** – It includes all the decisions and activities related to promotion of the product or service.

As mentioned in Section 2.1, in context of services (including tourism), three additional P's have been added, which are as follows:

- **People** – It includes all the decisions and activities related to human factors who participate in the service delivery process and the interactions between the customers and service providers.
- **Process** – It includes all the decisions and activities related to the procedures and mechanisms adopted by the service provider by which the service is delivered.

- **Physical Evidence** – It includes all the decisions and activities related to the environment and space where the service occurs.

In addition to these 7 P's, as discussed above, Kotler and Keller added the following P's which form part of the modern marketing realities:

- **Programmes** – It includes all the decisions related to consumer directed activities which are not encompassed into the traditional marketing mix. Keeping in view the digitalisation of the marketing processes, it includes all the online and offline activities which are directed towards consumers.

- **Performance** – This P captures the range of all the possible outcomes of marketing activities. This includes both financial and non-financial implications of marketing programmes and decisions.

In the subsequent sections, we will now discuss each of these elements i.e. P's of marketing mix with the related decisions.

2.3 PRODUCT

In the first unit, while discussing the definition of marketing we laid emphasis on creation of value. Product decisions play an important role in value creation by making an offer to the customers for satisfying their needs and want. A product can be a tangible in form of goods (e.g. meal in a restaurant) or intangible in form of a service (e.g. hotel room) or a combination of both (e.g. airline travel). A marketer has to make a number of product related decisions which includes– product assortment or variety, quality, design, features, brand name, packaging, services, warranties and guarantees, returns, logo and trademark and all related decisions. A marketer of a tourism organisation may have to take the following product related decisions:

1) **Product assortment or variety** – The foremost query for an organisation is to decide on the type of product or service to offer. A tour operator, for example, has to decide whether to focus on inbound tourism, or outbound tourism, or both. Further in case a tour operator decides to focus on inbound tourism, whether they will focus on developing all types of tourism activity or will they focus on special interest tourism (e.g. adventure tourism, rural tourism, etc.). Similarly in case of a hotel, the marketing manager has to decide, whether they will focus on being an upscale hotels or budget hotels or alternate forms of accommodation. For example IHCL operates under four different brands Taj, Vivanta by Taj, Gateway and Ginger catering to luxury, upper upscale, upscale and economy segment respectively. Decisions related to product assortment or variety helps the firm to create appropriate value for the target market.

2) **Product Design and Quality** – Once a marketer decides the product assortment or variety to be offered, the next decision that is to be taken is about the features and quality of the product, as it is an important competitive issue. From a customer's point of view, a product or a process which is reliable, and performs its intended function is perceived to be a quality product. Marketer generally take consumer-based or product-based approach to understand quality. Higher quality of product means enhanced features, better performance, and other improvements that may lead to increased cost. While planning for quality a marketer should pay emphasis on the following eight dimensions– performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality. For example, AirBnB a leading accommodation service provider offers Airbnb Plus, which is a selection of highest quality homes where the hosts have a track record of paying attention to details while hosting the guests. Similarly, Indian Railways started semi high speed trains under the brand name– Vande Bharat which are designed to offer special comforts and features (e.g. free meal) to the passengers while reducing the travel time between the destinations. After the recent pandemic– COVID-19, many service providers added new features to assure the customers of safety standards. For example, Indigo airlines assured all the passengers that all the ground and in-flight staff will be wearing PPE Kits and all their aircrafts will be cleaned using the disinfectants that are approved by WHO.

3) **Brand Name –** Marketers create brands for product recognition by creating a unique name, symbol or design which is exclusive for the product. Strong brand identity helps in differentiating a product from other products and acts as a bridge between your product and the consumer. Linked to brand strategy is the concept of building brand equity which helps a company to build reputation and win customer trust and loyalty in the long run. Brand building has to take place with long term vision and plans. A strong brand positioning helps to create a distinct image in the minds of the consumer. For example, in 2002, Ministry of Tourism, Government of India officially branded India as "Incredible India". Since then, this promotional campaign has created a powerful impact about the changing perceptions of India among the inbound tourists. A number of states have also created their own positioning statement around the Incredible India campaign like– Kerala (God's Own Country), Madhya Pradesh (The Heart of Incredible India), and West Bengal (The Sweetest Part of India). Similarly at the international level, many countries have established their own unique identity like Malaysia (Truly Asia), Australia (There is Nothing like Australia).

While establishing brand positioning, the marketer should ensure that customer understand what the brand offers and why a customer should select their brand. Many new age companies have created strong travel and hospitality brands like Uber, AirBnb, OYO rooms, TripAdvisor, Expedia, Cleartrip, Yatra. Many travel bloggers have also created their own personal brands over social media and have started acting like travel influencers. Effective branding strategy can result in building a strong brand equity, which is defined as the added value endowed to the products and services. For example, many hotel properties go in for a franchise mode for running the hotels with an objective to leverage the brand equity. Inter Continental Hotels Group manages approximately 4500 hotels across the world, similarly Indian brand Treebo founded in 2015 created a chain of 250 plus hotels with over 6000 rooms. Some hotel chains create multiple brands catering to different target markets. For example Radisson Hotel group manages a portfolio of brands including Park Inn, Country Inn and Suites, Park Plaza, Radisson Blu, Radisson RED and Radisson Collection.

4) **Warranty and Guarantee** – Since most of the travel and hospitality products are under the service category, customers look for assurance of the service quality from the service provider. This is known as service guarantee and the benefits of offering this is higher customer satisfaction by establishing strong service standards and reducing the perceived customer risk. For example, Domino's a leading Pizza chain promises that the pizza shall be deliver within 30 minutes of placing the order or else 'no money' will be charged from the customer. Alaska Airlines offer a 20 minute baggage guarantee which states that the bags shall reach the baggage claim area within 20 minutes of arrival of the flight or else customers will get a $25 discount code for their future flights.

Check Your Progress - 1

1) What are the various elements of marketing mix?

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2) What do you understand by extended marketing mix?

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3) What are the various product decisions related to Marketing Mix?

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2.4 PRICE

Price is considered as one of the most important elements of marketing mix as decisions related to pricing can directly affect the revenues of the organisation. Pricing has many components and it is not just a tag on the product or service. Foremost, while calculating a tour cost, the tour operator must take into account the direct and indirect cost, fixed and variable cost, mark up, profit margins, competitive pricing, special offers and discounting strategies. In case of international tourists, a travel agent has to consider the fluctuations due to foreign exchange. Increased competition and easy access of information among consumers, have made pricing decisions challenging. For example, a person who wishes to travel from New Delhi to Mumbai can easily compare the prices of various flights across various platforms and then make a decision. Many websites facilitates price comparison of hotels across various platforms, thereby empowering the consumers. The pricing environment has become challenging because the service providers are ready to offer the product or the service at the desired price level. For example Priceline.com offers an option to the customers to buy products at their desired price point.

A marketer has to take a number of pricing decisions including– price of the product or service, discounts or allowances, credit terms, payment period and related decision. For example, many hotels are willing to offer special discounts during the off-season just to ensure survival during that period. Making effective decisions on pricing can significantly impact the perceived value of the offering. While making pricing decisions, a marketer should account for multiple factors including the company, competitors, customers and the overall marketing environment. While establishing the price of the product the firm should first select the pricing objective like maximise profit, maximise market share or other. In case a company intends to maximise the profits, it will establish the price in accordance with the cost structure and the minimum margin they expect. In case the objective is to establish the product with quality leadership, a firm will establish price accordingly. For example, Burj Al Arab offers the most expensive hotel rooms in the world which has an average price tag of $25,000 and above.

Further in tourism, the marketer should have an understanding of demand patterns for their offering, since many tourist destinations and travel products are seasonal in nature. A marketer should understand the price elasticity of demand. In other words, a marketer should answer the question – will the demand for the product change with the change in prices. For example, a hotel room will always be priced higher during the weekends as compared to the weekdays. In case a hotel is dealing with business customers, this pricing strategy could be reverse.

Another important dimension which is linked to the pricing decision is determining the level of discounts and allowances which are to be offered to the trade partners and customers. The travel and hospitality companies use promotional pricing and differentiated pricing strategy to stimulate demand. For example, travel portals like Goibibo offers many discount coupons enabling customers to book their flights and hotels at discounted prices. Yatra.com offers cash back for booking round trip flights. Make My Trip (MMT) even offers low interest financing and longer payment terms through their MMT Pay Later scheme.

In Unit 9, we shall be discussing in detail about these cost components as well as various pricing strategies which are available to a marketer.

2.5 PROMOTION

As a marketing strategy, in addition to creating value by developing products and services, communicating value to the potential customers is equally important. To effectively reach and influence the target markets, a tourism marketer has to creatively develop integrated marketing communication strategy. A marketer has to decide on what to communicate, how and when to communicate so that there is synergistic effect of their communication.

In the first unit, while discussing the holistic marketing concept, we laid emphasis on integrated marketing communication through which the firms can attempt to inform, persuade, and remind consumers – directly or indirectly – about their products and services. With the advent of technology, internet and social media, the way firms and consumers communicate has profoundly changed. In the changing and challenging communication environment, a marketer has to creatively design the marketing communication channel. A marketer has multiple options of reaching out to consumers by developing an appropriate marketing communication mix. The marketing communication mix consists of the following modes of communication:

1) **Advertising** – This is a paid form of non-personal communication. There are various ways through which advertising can be done– print media (newspapers, magazines), broadcast media (radio and television), social

media (YouTube, Facebook, Instagram), electronic media (CD-ROM, videotape), and display media (boards placed at airports, hotels and other areas).

2) **Sales Promotion** – This is paid form of communication activity wherein short-term incentives are made to encourage the trial or purchase of the product. For example, travel apps usually have a scheme of Refer and Earn option. Even the potential customers who are new to the platform are given incentives to try their service.

   In addition to the consumer promotions, another way to induce purchase is through the trade promotions. For example, many destinations across the world organise FamTours for tour operators and other intermediaries which are free of cost. The objective is to invite these people to the destination and make them familiar with the surroundings at the destination. They can subsequently motivate their clients to visit the destination.

3) **Events and Experiences** – The role of events in tourism is well researched and documented. A number of popular events like ITB Berlin, International Tourism and Travel Show (Canada), SATTE (New Delhi), World Travel Market (London) are great places for the travel, tourism and hospitality companies to create special firm and brand related interactions with the customers and intermediaries.

4) **Public Relations and Publicity** – The objective of public relations and publicity is to promote or protect the company's image among the various stakeholders. For example, many hotels encourage their employees by rewarding them with the best performing employees' award. In order to reach to the target audience, many travel and tourism companies hire *social media influencers* to visit a particular destination / restaurant or any other attraction and share it on their social media channels. With the increase in electronic word of mouth (eWOM) and tourists having an option to share reviews on various platforms like Trip Advisor, there is always a risk that negative reviews might affect the reputation and credibility of the brand. Therefore, it is important for the tourism marketers to be proactive, engage with the dissatisfied customers, and ensure that the negative reviews are addressed immediately.

5) **Direct Marketing** – This is the way through which a marketer can reach out to the consumers directly via emails, telephone and similar channels; wherein a direct communication with the potential customer is established. For example, a business hotel can contact the corporate houses with special room rates for their employees.

6) **Interactive Marketing** – With the proliferation of social media, firms can organise various online activities to engage the potential customers.

For example, British Airways organised Safety Video campaign in 2017 and 2018. Intercontinental Hotels launched the stories of the Intercontinental Life podcast to engage with the customers.

7) **Word of Mouth Marketing** – Satisfied customers can act as brand ambassadors by sharing their positive experiences within their network. This can be oral, written or electronic way of reaching out to other customers.

While developing the effective communication strategy, the marketer should identify the target audience, determine the communication objective, design the communication in consultation with the experts, select the communication channel and establish the budget. We shall be discussing promotion as well as direct and diital marketing in detail in Units 11, 12, and 13.

Check Your Progress - 2

1) What are the various pricing decisions taken by a marketer?

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2) What is the relevance of promotion in marketing mix?

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3) What do you understand by marketing communication mix?

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2.6 PLACE

As product decisions correspond to creating value, promotion decisions correspond to communicating value; successful value creation needs successful value delivery. Since travel experiences are highly dependent upon a network of suppliers, orgnisations in this industry need to manage this complex marketing/distribution channel system and value network. Place

decisions are related to distribution channels where a set of interdependent organisations (e.g. airlines, hotel, taxi, travel agents, guides etc) come together to make a product or service available to the tourists for consumption. A marketer plans the overall marketing strategy, yet the distribution channel or supply chain management decisions can significantly influence the marketing effectiveness. The primary objective of the distribution channels is not only to serve the market, but they also have to play a significant role in developing the market.

Today most of the companies engaged in multichannel marketing, employ the hybrid channel strategy wherein two or more channels are used to reach to the target customers. For example, an airline can sell the tickets directly through their airport counters, through their websites, through travel agents, through third party vendors like Clear Trip and other portals. Similarly lots of hotels opt to sell their inventory through travel agents, hotel sales aggregators, directly through front office and through their own websites. The companies who prefer to adopt hybrid channel strategy, have to ensure that there is proper channel integration.

In travel and tourism industry, a firm should understand the needs and wants of the customers and then try to create value of their offering by designing their supply chain backwards. The value is offered by creating a system of partnerships and alliances with all the potential suppliers, for creating value for the customers. For example, while booking a tour package for a family, tour operator should ensure proper tie-ups with airlines, local transportation companies, hotels and alternate accommodation companies, tourist guides, souvenir shops and other local suppliers to ensure that the overall experience of the tourist is as per the expectations.

A firm should – i) analyse the customer needs and wants, ii) establish channel, iii) state their service output levels; iv) and associated costs objectives, while making channel design decisions. Marketers should identify major channel alternatives ranging from sales force, agents and other intermediaries, direct mail, telemarketing and internet; and must adapt their channel objectives keeping in view the larger market environment. A marketer has to take decisions related to types of intermediaries, number of intermediaries and the responsibility of the channel members. It is important to understand that an organisation relying on intermediaries has to build partnerships and relationships with the dealers and distributors. A firm should view its intermediaries as end customers and should constantly invest in their training and motivation.

In light of e-commerce, and usage of websites and mobile apps for transaction, companies need to understand the complexities and challenges of this new medium for enhancing customer experience. The non-store retailing has been growing, and innovative channels like e-commerce, internet

retailing, automatic vending, has gained prominence. Companies are also relying more on technology based platforms to reach out to consumers. In such cases a firm should keep the following points under consideration while designing their channel –

i) ease of interaction on online platform,

ii) delivery of service, and

iii) ability to address the problem when they occur.

For example, in case of a failed transaction on the online platform, the firm should resolve the problem in a pre-specified time and refund the money to the customer. Also the online platforms should ensure that the commitment and bookings made through the online platforms are respected and honored at the time of delivery of the services. A detailed discussion on distribution the channel related decision will be discussed in Unit 15.

2.7 PEOPLE, PROCESS, AND PHYSICAL EVIDENCE

As discussed in Section 2.2 in case of service, the extended marketing mix has three additional P's which includes **People, Process** and **Physical Evidence**.

Employees (**People**) of any organisation play an important role in the delivery of services. The interactions between employees and customers; as well as employees and employees, play a vital role in the perceived service quality. The concept of "Service Profit Chain" by Professor Heskett and his team propagates the idea that there is relationship between customer loyalty and employee loyalty. Similarly there is a link between customer satisfaction and employee satisfaction. It is often said that the value of a service provided is created by satisfied, loyal and productive employees. In this context, a marketer has to ensure that the *people* working for the company understand the marketing objective.

The service marketing triangle establishes the link between organisation, employees and customers. While the communication between organisation and customers (promotion as discussed above) is referred to 'external marketing'; the communication between organisation and employees is referred to as 'internal marketing'. Internal marketing is about enabling all the employees of the organisation with the marketing processes. This builds marketing orientation among all the employees so that they are able to deliver the services as per expectations of the customers. The communication between the employees and customers is referred to as 'interactive marketing'.

Fig. 2.1: Service Marketing Triangle

Properly trained staff and employees, with an understanding of the organisation's marketing objectives result in satisfied consumers. For example, a hotel cannot build its strong image without good staff in front office, housekeeping and restaurants. The marketer should work in close coordination with the HR team to ensure that the staff recruited by the company matches the brand expectations. Further, the marketing team in collaboration with the HR department should organise training programmes on regular intervals.

The next P of the extended marketing mix corresponds to **Process** which pertains to the procedures, mechanisms and flow of activities by which the service is delivered. The processes are directly concerned with consistent creation and delivery of customer value. In context of services, the quality of experience is directly linked with the interaction points in the Service Delivery Process. Various process related decisions pertain to- enquiry or booking related information, interactions at point of purchase, delivery and after sales service. A marketer should try to simplify the process of acquisition, consumption and delivery of the services. Managers should explicitly define the service mechanisms and process flow in such a manner that it enhances the overall customer experience. For example, many hotels across the world are using digital solutions such as mobile check-ins or keyless entry so that the customer does not have to spend much time at the front desk. Airlines have also introduced the concept of web check-in or self check-in at the airports with an objective to minimise the waiting time at the airport. Indian Railways through its IRCTC app have made travel bookings easier where the customer need not visit the railway station for booking their train tickets. Further, the passenger need not carry the physical copy of the ticket while travelling and the digital format is accepted by the service provider. The processes should be aligned with the best practices, and the service design should diagnose all the service failure points. The marketer has to make a decision between standardisation and customisation. In travel and tourism sector, many a time tourists expect customised experiences which may force the service provider to align the processes as per the expectations of the customer without compromising on the service quality.

The last P of the extended marketing mix corresponds to **Physical Evidence**. All the tangible commodities and artifacts that facilitate the service performance are considered as part of physical evidence. Decisions related to facilities, spatial layout, signage, interior design, ambient condition and artifacts are to be set up by the service provider. In other words, all the non-human elements of the service encounter are classified as physical evidence. For example, tangibles like business stationary, billing statements, photographs, souvenirs, and brochures, etc that add the tangible elements to the intangible service products while communicating with the customers are considered as physical evidence. This is discussed in details in Unit 14.

2.8 THE 8th P OF MARKETING MIX

Thought there is a universal consensus on the 7P's of marketing, while there is generally a debate about the 8th P of marketing mix. In Section 2.2 we have discussed about programmes and performance that can be considered as additional P to marketing mix. Some experts believe that partnerships should be considered as the 8th P of service marketing mix, while others consider productivity and quality as the additional P. Though all of them are important, we will consider **Performance** as the 8th P of marketing.

Performance marketing also corresponds to productivity as it is the easiest way to tie marketing costs with the results. This is more relevant in present times when online or digital marketing is viewed as the future. It is all about improving the processes and systems for reducing the cost to serve the customer as well as quicker cycle or service time. The staff has to be enabled by refocusing on the human resources while optimising the marketing communication. It helps in continual improvement and is a result driven approach for building brand equity in the long run.

Check Your Progress - 3

1) What is a marketing channel?

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2) What is internal marketing?

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3) What is the relevance of physical evidence in marketing mix?

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4) What is the 8th P of marketing mix?

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2.9 LET US SUM UP

Marketing mix is the set of marketing tools and activities that any firm or organisation uses to pursue its marketing objectives. The classical framework of marketing mix includes 4P's of marketing which are Product, Price, Promotion and Place. In context of services marketing, the traditional marketing mix was extended with three additional P's. These are People, Process and Physical Evidence. In the modern marketing where technology has changed the entire marketing scenario, the 8th P of marketing mix is also discussed among practitioners. The 8th P that we discuss here is Performance Marketing. Collectively a marketer has to take marketing decisions on all these elements of marketing mix in order to achieve the marketing objectives of the organisation.

2.10 FURTHER READINGS

- Chaudhary, M (2012). Tourism Marketing. Oxford Higher Education.
- Kotler, Bowen, Makens & Baloglu (2016). Marketing for Hospitality and Tourism, 7th Edition, Pearson
- Kotler, Keller, Koshy & Jha (2015). Marketing Management – A South Asian Perspective, 14th Edition, Pearson

Websites

- https://www.ama.org/the-definition-of-marketing-what-is-marketing/

2.11 CLUES TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress - 1

1) See Section 2.2 and frame your answer
2) See Section 2.2 and frame your answer
3) See Section 2.3 and frame your answer

Check Your Progress - 2

1) See Section 2.4
2) See Section 2.5
3) See Section 2.5

Check Your Progress - 3

1) See Section 2.6
2) See section 2.7
3) See Section 2.10

2.12 ACTIVITIES

Activity 1

Visit the website of any two hotel chains or a travel agency (one national and one international) and compare their marketing mix elements.

Activity 2

Identify a local travel and tourism business. Visit them and interact with the marketing manager to understand their marketing mix elements.