

# A Study on Extended Marketing Mix

Maulik K Rathod

Rai University, Ahmedabad

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**Abstract**—*The concept of Marketing Mix helps marketers to review and define key issues such as Product, Price, Place, Promotion, People, Process & Physical evidence that affect the marketing of their tangible offering (Products) and intangible performances (Service). As a tool of marketing strategy to review competition in the market, the service marketing mix which also known as extended marketing mix is an significant part of a service plan which essential for optimum service delivery.*

*The primary aim of the research paper is to study the effects of service marketing mix elements on Indian customer for making the appropriate marketing mix strategy which reveals that in service marketing, some elements of marketing mix such as physical evidence, process, place & people have a positive and significant effect on customer rather than product / service, price / fees & promotion. The paper would help the marketers for formulating & implementing marketing strategies to retain existing customers and attract new ones as well.*

**Keywords:** *Service Marketing Mix, Extended Marketing Mix, Marketing Strategy, 7Ps*

## 1. INTRODUCTION

More than any other functions of business, marketing deals with customer and managing profitable customer relationship through *putting the right product in the right place, at the right price, at the right time.*

As marketers know that in a given market, they can't serve profitably all customers with different needs and satisfy all of them in the same way, they divides up the total market, choose the best segment and design strategies to attain the twofold goal of marketing i.e. to attract potential customers through promising superior value and to keep & grow prevailing customers through delivering satisfaction (Kotler & Armstrong, 2006)

With the logical guidelines of marketing strategy, marketers design a Marketing Mix made up of factors under their control. The concept of marketing mix helps marketers to review and define key issues such as Product, Price, Place, Promotion, People, Process & Physical evidence that affect the marketing of their tangible offering (Products) and intangible performances (Service).

It is now obvious that like most economies the world over, Indian economy is progressively becoming service economy and so there is a need to manage services in the best possible way. Services are so varied & diverse that one need to be managed strategically.

Here in this paper we try to review the prominence of marketing mix concept in Service industry of India. The paper would help the service marketers for formulating & implementing marketing strategies to retain existing customers and attract new ones as well.

## 2. OBJECTIVES OF THE STUDY

The objective of this study is aimed to suggest the appropriate marketing mix strategy for the service segment through analyze the worthiness of additional 3 elements of extended marketing mix.

## 3. LITERATURE REVIEW

**Service:** Over the last three decades, various researches have defined a concept of service as quite a complicated phenomenon (Shanker, 2002). In 1960, American Marketing Association defined service with too limited view as some activities, benefits or satisfactions which are offered for sale or provided in connection with the sale of goods.

Services were considered as pure intangibles capable of providing satisfaction to the customer which could be marketed like tangible products (Regan, 1963). Service is any act or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything and its production may or may not be tied to a physical product (Kotler & Bloom, 1984).

Services can be summarized in terms of their key characteristics such as Intangibility, Inseparability, Heterogeneity (variability), and Perishability but now services can no longer be described according to these parameters (Wolak, Stavros & Harris, 1998).

Review of service industry shows that in both developing and developed economies, the component of services in the overall Gross Domestic Product is high and increasing. The largest chunk of employment also tends to be in services, rather than in manufacturing (Schneider & David, 2009) (Mukhopadhyay, Engineer, Katoti, & Dr. Aiyer, 2001). With increased competition and decreased regulation across world markets, products by themselves are usually not enough to attract and retain customers. All marketers are, to varying extents, beginning to realize that the service they provide to

their customers, even if bundled with a product, is a critical differentiating factor. (Anand, 2006; Gilmore, 2003)

### Marketing Mix

The concept of Marketing Mix helps marketers to review and define key issues that affect the marketing of their tangible offering (Products) and intangible performances (Service).

Marketing mix is originating from the single P (Price) of microeconomic theory (Chong, 2003). The concept of marketing mix originally coined by Neil Borden in 1953 in his article 'The concept of the Marketing mix (Borden, 1964) such as Product planning, Pricing, Branding, Channel of distribution, Personal selling, Advertising, Promotion, Packaging, Display, Servicing, Physical handling and Fact finding & analysis (Rafiq & Ahmed, 1995). These 12 elements of Borden's marketing mix summed up in to 4Ps - Product, Price, Place and Promotion (McCarthy, 1960; Goi, 2009).

However something was not right with 4Ps as it was meant for product marketing and ignores the marketing of services. It was observed that the traditional marketing mix was inadequate for service industry (Gitlow, 1987; Shamah, 2013). It also does not address the needs of service marketers (Helm & Gritsch, 2014) and the services have certain basic characteristics which in turn, have marketing implications (Rathmell, 1974).

### Service and Marketing Mix

Some crisis in service industry like financial institutions and telecommunication have shown the requirement for sustainable and effective service marketing mix strategies. Krasnikov, Jayachandran (2009) suggested that a successful marketing mix approach can help service marketers to achieve better customer service and support, greater efficiency and cost reduction.

Recently there has been a growing interest in the service marketing mix which aims to attain the maximum outcomes in terms of satisfaction and retention of customers that allow service firms to be competitive in market. As service is ultimately diverse in comparison to physical product and it cannot be inventoried, patented or transferred (Gitlow, 1987; Fukeya, Issaca, Balasubramanianb, & Jaykumara, 2014), such marketing models & concepts have to be developed to achieve the twofold goal of service marketing (Gronroos, 1987; Surprenant, 1987). Then, the marketing mix has extended beyond the 4Ps for marketing of services (Cronroos, 1983). During the past decade, marketers and researchers have identified the importance of 7Ps of services marketing and customer orientation for sustainable competitive advantage (Gronroos, 2004).

As a tool of marketing strategy to review competition in the market, the service marketing mix which also known as extended marketing mix is an significant part of a service plan which essential for optimum service delivery. The key

dissimilarity between traditional marketing mix and services marketing mix is that instead of the traditional 4Ps (Product, Price, Place & Promotion), there are added 3Ps consisting of People, Physical evidence & Process. It means that service marketing mix involves the 7Ps of marketing which also makes managing a service far more complicated to standardize than managing products (Gronroos, 1997). To manage 4Ps of traditional marketing mix is of less importance than managing interactive marketing dimensions i.e. additional 3Ps (Gummesson, 1987,1999). As the scope of 7Ps is wide and it includes all the dimensions, marketing becomes part of various functions of the firm (Gronroos, 2007).

The three additional Ps are added to meet the marketing challenges posed by the characteristics of services such as people, physical evidence, and process. A number of marketing research studies supplements the relevance of each of the '7Ps' of services marketing mix (Berry & Parshuraman, 1991; Gronroos & Helle, 2012). On the other hand, Indian service sector has been sluggish in application of the conceptual knowledge of modern marketing to its advantage (Kannabiran & Narayan, 2005; Taherdoost, Sahibuddin, & Jalaliyoon, 2014). For example, no much awareness is prevail about 7Ps of services marketing can be of use to Indian service sector such as banking, telecommunication, logistics, public administration, civic and others. They are not even clear about the scope of marketing, as applicable to own service industry (Shanker, 2002). But the present scenario is totally changed because of fast-changing customer needs, more diversified & dynamic customer base and intense competition in the service sector of India (Barnes, Fox, & Morris, 2004). Consumers with more option to opt what & from where, they can easily switch over from one service provider to other who promises to offer better service at lower cost (Bhardwaj, 2007).

For example, there has been utterly shift in Indian banking services from a transactional marketing approach to a customer oriented approach. Banks becoming increasingly engaged in marketing & planning activities with aim to attract and retain valuable customers through providing a superior service. These changes in the marketing activity have impact on service marketing mix decision making and implementation of the same, which required a greater attention needs to be directed towards product, price, place, promotion, people, physical evidence, and process (Lovelock, Patterson, & Walker, 2001). Because formulating a comprehensive marketing mix is vital for any manufacturing or tertiary business sector. Without it, all efforts to achieve organizational goal are likely to be chaotic and inefficient. So, in today's business environment, services marketing mix can be a critical component in running a successful business (Zeithamal, Gremler, Bitner, & Pandit, 2008). The 7Ps model – Extended Marketing Mix has endured and more than adequately incorporates today's customer-first marketing world (Marketing & the 7Ps: A Brief Summary of Marketing & How It Work, 2015).

**I. Product:** A tangible component which is offered to the market for exchange / consumption and some intangible performances are integrated to it (Kotler, 2000; Gronroos, 1987; Surprenant, 1987). A product does not have to be tangible (Levitt, 1981) e.g. Insurance, Speed post, Google etc. which called a service. While developing a service product it is imperative that the package of benefits in the service offer must have a customer's perspective (Skowron & Kristensen, 2012) such as restaurant, hotel, repair etc. So, product embrace all aspects of service performance that create value which responds to customer's primary need (Lovelock, Wirtz, & Chatterjee, 2007). Planning marketing mix begins with creating a service concept that will offer value to target customers and satisfy their needs better than competing alternatives (Lovelock, Wirtz, & Chew, 2012). Service marketers has to customize their products in innovative way which are responsive to needs of customers with value added aspect includes features which are embedded in service itself as its characteristics.

**II. Price:** Pricing is a strong (Shanker, 2002) and the only element of the marketing mix that generates revenue (Fredy & Valenzuela, 2014). Customers see price as a key part of the costs they must incur to obtain wanted benefits (Zeithaml, 1988). Existing customers are generally less sensitive about price than new customers (Wreden, 2005; Harris & Botten, 2008). Unfair prices triggers customer switching immediately in service sector (Colgate & Hedge, 2001). The price perception has a direct impact on satisfaction and loyalty of customer (Martin Consuegra, Molina, & Esteban, 2007; Bang & Philipp, 2013). Customers are becoming more price-sensitive and less loyal (Day, 1999) and with more alternatives for selection of service provider, they can easily switch over to other who promises to offer better performance at lower prices (Bhardwaj, 2007; Valenzuela, 2010; Lees, Garland, & Wright, 2007) as they assess the worthiness of service not only on the base of monetary cost but time and efforts too (Zeithaml, Gremler, Bitner, & Pandit, 2008). The service pricing should be such as to provide value addition and quality indication to the customers (Ng, Parry, Smith, Maull, & Briscoe, 2012) and convey the message that they are getting more in using that particular product or service (Clemes, Gan, & Zhang, 2010) such as attraction, satisfaction, retention and loyalty (Lees, Garland, & Wright, 2007; Maria & Ioannou, 2008; Manrai & Manrai, 2007; Gupta & Dev, 2012).

**III. Place:** Traditional channel of distribution cannot be used in marketing of service (Gronroos, 1983) as service is differ from products in terms of its characteristics (Carson, Gilmore & Walsh, 2004; Taherdoost, Sahibuddin, & Jalaliyoon, 2014). Services cannot be separated from selling; it must be created and sold at the same time (Borden, 1964). Most of the Indian logistic companies have not consider consideration for effective distribution of services in respect of a site for new branch, location of warehouse etc. (Gronroos, 2011). Kivijarvi & Saarinen, 1995; Brodie, Juric, Ilic, & Hollebeek, 2013 argued that with the advanced information & communication

technologies, service sector has changed the way to serve its customers. Customer choose different service delivery channels in a complementary way such as physical location, working hours, distance to reach, parking facility, availability of personal assistance, automated process, approach of personnel too (Castleberry & Resurreccion, 1989; Oppewal & Vriens, 2000; Santos, 2003; Manrai & Manrai, 2007).

See Annexure – I

**IV. Promotion:** It means the communication that marketers use to inform consumers through advertising, public relations, personal selling and sales promotion ( McCarthy, 1960; Gronroos, 1994). For some services operators, due to their small size of the operations (Borden, 1964; Aaker & Jacobson, 1994) it is not possible to use the conventional promotion tools with success (Rathmell, 1974; Santouridis & Kyritsi, 2014). This leads to think about other promotional tools like public relations and publicity (Duncan, 1985; Lacey, 2012). Therefore, community relations, event sponsorship, media blitz, market campaign, corporate promotional activities should be used innovatively and effectively (Kotler, 1986; Trainor, 2012). Lovelock (1996) identified the impact of marketing communication on customer behavioral intentions such as, satisfaction, loyalty, retention (Hoffmann & Birnbrich, 2012). Promotion should communicate the benefits that a customer receives from a product, not just its features. Good promotion is not one-way communication — it paves the way for a dialogue with customers, whether in person or online (Marketing & the 7Ps: A Brief Summary of Marketing & How It Work, 2015).

**V. People:** Judd (1987) came out with another 'P', People and recommended that people power should be formalised, institutionalised and managed like the other 4Ps as a distinctive component of the market mix as it is the employees who represent the organisation to the customers. All the efforts of marketing may not prove to be effective, if employees are not trained in face to face interaction with customers (Anca & Daniel, 2012; Salloum & Ajaka, 2013). A service firm can be only as good as its people (Berry & Parshuraman, 1991) as service is a performance which cannot be separated from people (Shanker, 2002). The way of service delivery by people is an important dimension of differentiation and competitive advantage as well (Lovelock, Wirtz, & Chatterjee, 2007; Rajesh Raj, Sen, & Kathuria, 2014). People is an important part of the 7Ps - extended marketing mix of service management (Zeithaml, Gremler, Bitner, & Pandit, 2008). In most of services, the employee is often the primary contact point for the customers such as hospitality, banking, health etc. The perception of customer about the performance of service employee play an important role when service quality will be evaluated by customer. Therefore, the service provider must focused on qualitative performance of service employee through motivation, direction, feedback, skill training & development etc. Skills like responsiveness, assurance, and empathy will play vital role in performance. It

includes attitude, behaviour, expertise, confidence, courtesy, and willingness to help to customers. Service personnel have to focus on CRM through personal attention, inter personal care, willing to help, politeness, and attentive behavior.

**VI. Physical Evidence:** Customers cannot assess the quality of service as it is an intangible performance. However, the service environment (service scape) will be used by them as a key alternative for quality (Shanker, 2002). Physical evidence is relate to the style and exterior of the physical surroundings and experience faced by customers at service delivery sites (Lovelock, Wirtz, & Chatterjee, 2007; Klaus & Maklan, 2012). Therefore, physical evidence must be managed by service firms, as it can have a reflective influence on customers' impressions (Zeithaml, Gremler, Bitner, & Pandit, 2008; Kranias & Bourlessa, 2013) and it conveys external image of the service package (Miles, Miles, & Cannon, 2012). Physical evidence as a tangible evidence of a firm's service quality influence customer's perception about service provider and customers' behavioural intentions (Sohn & Tadisina, 2008; Agrawal, Tripathi, & Seth, 2014) also includes appearance of building, landscape, interior furnishing, IT based infrastructure, equipment, staff members' uniforms, communication materials, and other visible prompts (Zeithaml V. , 1996; Fukeya, Issaca, Balasubramanianb, & Jaykumara, 2014). To achive the twofold objective of marketing technological & structural changes are advisable to Indian service sector (Angur, Natraajan, & JahereaJr, 1999) .

**VII. Process:** Service process is the sequential method which creates the value proposition that has been promised to customers (Lovelock, Patterson , & Walker, 2001; Salloum & Ajaka, 2013). In case of high-contact services such as spa, healthcare, psychiatric counselling, customers may be an integral part of the operation through which the process becomes an experience for them (Gronroos, 2011; Helm & Gritsch, 2014). Faulty designed process may annoy customers as it may result in frustration because of poor-quality in service delivery (Lahtenmaki & Natti, 2013) whereas the well-designed process assures service availability with speed, consistent quality, total ease and convenience to the customers (Zeithaml, Gremler, Bitner, & Pandit, 2008) and it can balance service demand with service supply in peak hours as well (Fukeya, Issaca, Balasubramanianb, & Jaykumara, 2014; Sheorey, Joshi, & Kulkarni, 2014).

#### 4. MANAGERIAL IMPLICATIONS

Service provider need to put lot of emphasis on service marketing mix to acquire and retain the customers as service is intangible performance (Hoehle, Scornavacca, & Huff, 2012). The literature review suggested that the place, people, physical evidence and process are the key elements of services marketing mix and implementation of proper combination of the same may create stronger customer-firm relationships, as shown in the present study (Gronroos & Helle, 2012; Karpen, Bove, & Lukas, 2012). People, Process and Physical evidence

helps customers to develop an image of the service (Vliet, 2013).

Elements of Marketing mix <i>Ps</i>	Managerial Implication for Service Industries  E.g. Banking Sector	
<b>Place</b>	Location and easy availability of outlet at convenience of customers  More approachable branches to the customers	Levesque & McDougall, 1996; Oppewal & Vriens, 2000; Patrick et al., 2013.  Kranias & Bourlessa, 2013.
<b>Process</b>	Easy & smooth process with convenience  Timely delivery of core service with quick response	Chen & Chen, 2004; Zeithaml, Gremler, Bitner, & Pandit, 2008. Amin, Yahya, Ismayatim, Nasharuddin, & Kassim, 2013.
<b>People</b>	Encourage employees to develop friendship & long-term relationship with customers  Personal attention in each transaction Attentive behavior & quick response  Employees training to make them courteous, caring & responsive	Bitner, Booms , & Stanfiel, 1990; Crosby, Evans , & Cowles, 1990; Gronroos & Helle, 2012; Salloum & Ajaka, 2013. Gupta & Dev, 2012. Amin, Yahya, Ismayatim, Nasharuddin, & Kassim, 2013; Winstanley, 1997; Helm & Gritsch, 2014. Tohidi & Jabbari, 2012; Fukeya, Issaca, Balasubramanianb, & Jaykumara, 2014.
<b>Physical Evidence</b>	Modern infrastructure Implementation of advanced technology  Interior design with a comfortable seating arrangement, pleasant lighting, temperature, cleanliness, computers with advanced technology, network connectivity, and convenient accessible counters	Zeithaml & Bitner, 1996. Sohn & Tadisina, 2008. Lenka, Suar, & Mohapatra, 2010;  Dabholkar, Thorpe, & Rentz, 1996; Miles, Miles, & Cannon, 2012.

Eventually, the conclusions of the study specified that the proper application of right services marketing mix elements may be supportive for service firm to appeal new customers and retain old customers which results in higher sales, market share, and profits.

## 5. LIMITATION & SCOPE

The study indicates the effect of '7Ps' of services marketing mix on Indian customer in the context of service marketing. The research, however, is subject to some limitations of generalization as it consider only banking services. Future research is suggested to measure the consequence of known services marketing mix elements on performance of other services. However, irrespective of limitations, this study has contributed toward the existing literature by indicating that identified services marketing mix such as physical evidence, process, place, and people have the positive and significant effect on Indian customer.

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### Annexure – I

**Advancement in Indian Banking Service Sector:** An electronically mediated multichannel strategy is pursued by Indian banking sector<sup>[1] [2]</sup> with the increased availability of self-service technologies such as ATMs<sup>[3] [4]</sup> which replace costly counter tellers in order to improve cost efficiency.<sup>[5] [6]</sup> Most of the domestic and foreign banks in India are establishing technology-driven delivery channels based branches nearer to existing customer<sup>[7]</sup> with enhanced services and attracts new customers to remain competitive in banking industry.

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