



Block

4

MARKETING MIX

UNIT 13

Product Designing 5

UNIT 14

Pricing Strategies 14

UNIT 15

Promotion Strategies 26

UNIT 16

Distribution Strategies 36

UNIT 17

The Fifth P : People, Process and Physical Evidence 44

Some Useful Books for this Block 54

Activities for this Block 54

UNIT 17 THE FIFTH P : PEOPLE, PROCESS AND PHYSICAL EVIDENCE

Structure

- 17.0 Objectives
- 17.1 Introduction
- 17.2 Why Do We Need a Fifth P ?
- 17.3 Tourism Industry and People
 - 17.3.1 People as an Element of Marketing Mix
 - 17.3.2 Roles People Play
- 17.4 Process in the Tourism Industry
 - 17.4.1 Characteristics of Processes
 - 17.4.2 Customer Satisfaction
- 17.5 Tourism Industry and Physical Evidence
 - 17.5.1 Tourism and Physical Evidence
 - 17.5.2 Types of Physical Evidence
- 17.6 Some C's
- 17.7 Use of Fifth P in Designing Marketing Strategies
 - 17.7.1 Relationship Marketing in Tourism
 - 17.7.2 Developing a Marketing Strategy
- 17.8 Let Us Sum Up
- 17.9 Answers to Check Your Progress Exercises

17.0 OBJECTIVES

After reading this Unit, you should be able to:

- understand why a fifth P is necessary in tourism marketing,
- appreciate the importance of People, Process and Physical evidence as sub elements of the Fifth P,
- understand and appreciate the relationship of this P with customer satisfaction, and
- design strategies to make the best use of the Fifth P in tourism and its marketing.

17.1 INTRODUCTION

The increased attention to the application of marketing in the services sector has brought into question what the key components or elements of a Marketing Mix for services are, or what they should be. If the elements chosen for a service are not comprehensive, there is a chance for the occurrence of a gap between the market requirement and the firm's marketing offer.

This makes it appropriate to reconsider the traditional Marketing **Mix of the 4 Ps** (Product, Price, Promotion, Place) in the context of marketing of services. The traditional mix has been derived **from** a much longer list of twelve variables designed by the **Harvard** School of Business. Over time, the concept had gained acceptance and the **mix was** adopted to capture the market.

There has always been a consistent debate on the Marketing Mix, and particularly in the context of services. Some feel that, reduction of the **list** gives rise to a much wanted sense of simplicity which may lead to the neglect of some key elements. Because of this, marketing experts have added many more to the basic 4P framework and have felt **the need** for a different mix for services. Some had further classified the mix according to the types of services; they have specified separate mix for banking and airlines. Some have suggested different mix elements for professional services.

There are three factors that determine whether or not an element has to be included in an organisation's marketing mix:

- 1) The level of expenditure on a given ingredient in the Marketing Mix : It has to be determined that how important the element is in the organisation's overall expenditure.
- 2) The perceived level of elasticity in consumer responsiveness : In cases of monopoly or government bodies, prices are set externally, and thus cannot be included in the mix.
- 3) Allocation of responsibilities : This is so because, a well defined and well structured Marketing Mix **needs** a very clear cut allocation of authority and consequentially, responsibilities.

As the **4Ps** model is restrictive in application to the service industry, the need for including the 5th P is being increasingly recognised. People, Processes and Physical evidence (5th P) are those elements which demand special emphasis in service marketing. In addition to these, as all the elements of Marketing Mix **revolve** around customer satisfaction, this is sometimes considered as a separate Marketing Mix element by itself. This Unit explains the necessity of having Fifth P, the three components of Fifth P **i.e.** People, Processes and Physical Evidence, and the use of Fifth P in tourism marketing.

17.2 WHY DO WE NEED A FIFTH P ?

Essentially, Marketing Mix represents all those factors that need to be considered while determining the marketing strategy. Since the choice of a marketing strategy depends upon the organisation's policies and objectives, the elements included in the Marketing Mix and the amount of attention directed to each of them differs **from** organisation to organisation. The type of service provided and the demand for it determines the Marketing Mix to a very large extent.

In tourism marketing, the main objective **is to** motivate more and more people to visit different places thereby enhancing the image of the **location/destination** and also to increase the revenues.

In tourism marketing, the product is intangible and it covers a wide range of facilities provided to the tourists.

A product in tourism is the place of destination and what one may experience while proceeding to visit or while visiting the particular place. It includes the total package of transportation facilities, food and accommodation facilities, special attractions, etc. along with the core product which may be, for eg.; temples in Madurai, **Taj Mahal in Agra**, or the Himalayan backdrop in **Darjeeling**.

Pricing brings revenue to business. Pricing decisions in service marketing are crucial. They play a very significant role in building an image for the service. Price also gives a hint or assumed picture of the quality. A high priced service tends to be perceived as a high quality service. For **e.g.**; a five star hotel accommodation may charge many times more than its cost, (**i.e.**; the cost incurred in producing the service), as it tends to increase the image in the public.

In tourism marketing, some services, like providing information to tourists may be government sponsored and hence may be free **of cost**. Other activities, say transportation and accommodation facilities may be charged according to the services provided.

Sometimes, there could be special considerations on price, as there is a certain immediacy of delivery. The prices could be adjusted to the seasonal variations in the demand and under special situations, for eg.; discounts offered on bulk bookings of tickets, etc.

Place refers to the location and the method of delivery of services. As the place of production and the place of consumption of service are the same, the environment in which the service is delivered and how it is delivered form a part of the perceived value and the benefits of the service. Either the provider of the service or the consumer can go to the other's place or they may transact at a third location.

Promotion is essential to tourism marketing as it is to other products and services. It is perhaps more relevant in this context as people rely more on the different promotional activities to make their decision.

The above four elements are very important in tourism marketing but are not adequate. For example, there are other factors which affect the marketing strategies like the statutory requirements to be met **by the** foreign nationals before entering a country, special concessions given by the government to visit certain locations **from** time to time to encourage tourism, the behavioral requirements of the employees, etc. all of which can be used effectively in tourism marketing by effective planning. All these factors need to be considered separately by paying adequate attention to each **of these** aspects and so can be covered under a separate element of the Marketing Mix which may be termed as the Fifth P.

The importance **of People**, Processes and Physical evidence and their marketing implications can be studied separately under this element termed Fifth P. **It** becomes all the more important in tourism marketing to place special emphasis on the Fifth P (especially on Physical evidence) as it will help in increasing the perceived value of the product which is intangible by itself. As tourism is involved in the offering of services which lead to satisfaction of an individual needs for visual delight, grandeur and exotic senses, there should be a greater stress on the Fifth P.

17.3 TOURISM INDUSTRY AND PEOPLE

When we talk **of people** here, we refer to all those who are directly or indirectly employed in the service of the organisation and who play an important role in achieving the objectives set by the firm.

People play a very important role in tourism marketing as in any other service organisation. This is because consumers associate people providing the service as a part of the product itself. The airhostesses in an Airlines, the tourist guides at a historic place, the waiters in a restaurant etc. are the people who actually provide the service. They perform the essential functions of:

- building and maintaining a favourable image,
- providing solutions when problems arise,
- providing special help in case of need, and
- maintaining harmonious **relationships**, etc.

In **fact** the entire image of the product depends on these people.

17.3.1 People As An Element Of Marketing Mix

A few years ago, **if people** were spoken of as an element **of Marketing Mix**, it would have been considered a blunder. But in the recent **times**, there has been growing awareness of the role of people in achieving the marketing objectives and the importance of paying adequate attention to this aspect is being realised. This is true of all service providing organisations as unless there are people to produce the services, there can be no service at all.

The quality of the service provided cannot be standardised as there is always a human element and it depends on the state **of the** individual at that particular moment of providing the service. This makes it more **difficult** to control the service activities. Hence, this aspect demands serious attention to ensure a satisfied customer. **It** should be remembered that most of the jobs in tourism industry apparently are routine. However, if this routine is converted into a unique experience for the customer, the organisation has achieved success. But this is not an easy task and many organisations accept this as a challenge.

By viewing people as a separate element **of Marketing Mix**, **required** attention can be directed to **maximise** their **efficiency**. Steps can be taken to train the people to meet the specific needs of their job, motivated to have customer orientation, and reward them to make the desired contribution.

17.3.2 Roles People Play

The employees have to perform roles depending on the **nature** of job performed, their position in the organisational hierarchy and the amount of contact **they** have with the ultimate customers. In tourism marketing, the extent to which the employees come in contact with the customers determines the amount of attention that needs to be directed to them.

i) People in Maximum Contact With Tourists :

They are those employees who are directly involved in tourism **marketing**. **They** include the receptionists in tourism office, tourist guides, etc. These people come in contact with a wide variety of potential customers who desire information and advice on many tourism related issues. It is essential for them **to** be well versed with all the information related to the destination. The package tours organised by Government and other agencies, special attractions of different locations during specific periods of time, the probable estimates of money and time **required** for each trip, and any other information that a tourist might be interested in **should** be available with them.

These people should be well trained and motivated to serve the tourists on a day-to-day basis in a pleasant, responsive manner. They should be enthusiastic and **friendly**, with an understanding of the needs of the different people and should have the capabilities of advising them accordingly without underplaying or overplaying the importance of any particular location based on their personal bias.

Utmost attention is to be directed at the employees in this category because first impressions of the place and people of a locality tend to get formed in the minds of the prospective visitors at that point itself which are difficult to change later.

ii) People in Medium Contact With Tourists :

These are people who are not directly involved in encouraging and **motivating potential** tourists but who play an important role in designing, developing and implementing different marketing programmes depending on the needs of customers.

These people have to conduct research, collect information, prepare brochures and other material for promotion, and their main responsibility is to bring the tourism marketers **upto** date on the latest trends.

The employees of this category should develop a sense of customer responsiveness, understand the needs of different segments of tourists and try to **guide** them **accordingly** by making all the necessary information available.

Remember that most of the buying decisions of customers are taken on the basis of brochures. **However**, many principal suppliers are now promoting their **products** through video **films** and slides, etc.

iii) People in Minimum Contact With Tourists :

All the people who are involved in planning and development activities may not come in direct contact with the ultimate customers. Their responsibility is to design attractive schemes and plan strategies for tourism-development at **various levels**.

Coordinating the different activities of the organisation, internal **marketing, liaison** with outside agencies, etc. form the basic responsibilities at this level.

Continuous feedback about the different programmes and activities is to be taken **from** the people who are in direct contact with the customers so as to incorporate the changes desired **by the public from** time to time.

Check Your Progress-1

1) Explain the need of the Fifth P in tourism marketing.

.....
.....
.....
.....
.....

2) Discuss the various roles played by people in tourism marketing.

.....
.....
.....
.....
.....

17.4 PROCESS IN THE TOURISM INDUSTRY

Process denotes the way in which a particular action is carried out. Tourism marketing should take care of all the procedures, schedules, mechanisms, activities and routines which are practised when the tour is on. You should remember that it is at the process level that the tourists' requirements are actually met. Some of these processes are statutory in **nature i.e.**, they require to be complied with due to the government rules and regulations; while some others are practised to facilitate easy control of the different activities. For example, the government may make it obligatory on the part of every tourist to **furnish full** particulars of the person, nature of visit, etc. before entering a foreign country, the same particulars may be asked in a hotel for record purposes.

The processes followed form a part **of the** service delivery system and the customers often do not differentiate between the processes and the product. For example, if a tourist is made to wait for an undue length **of time** to get information from a tourism office, he tends to remain dissatisfied even if he gets all the required information at the end of delay.

17.4.1 Characteristics of Processes

Any process can be analysed in terms of its complexity and divergence. Complexity refers to the nature and sequence **of the** different steps to be followed in the process **i.e.** the variability within a process to suit the different requirements of customers.

- i) **Complexity** : The wider the variety of services offered by an organisation the more complex it is said to be. Generally, these services are provided so as to meet the needs of different segments **of the** customer population and aim at higher levels **of penetration** in a market. For example, if a tourism company is organising a number of package tours everyday to different locations in the country, at different price levels to suit the needs of both the economy and comfort oriented tourists, and also taking care of their accommodation and refreshment needs, it can be said to be indulging in complex processes. They tend to be more customised in nature.

If a firm decides to concentrate only on a narrow range of services, it can be said to follow a specialisation strategy. Steps and activities are omitted from the service process and this tends to make control easier. A tourism company which caters to the needs of only economy travellers by providing transport and accommodation facilities in a limited number of locations, it can be understood as being less complex. Generally, these programmes are more standardised and do not lend themselves to changes in needs of particular customer groups.

- (ii) **Divergence** : As stated earlier, divergence refers to the variability of the steps and sequences in a process. Limited divergence means the choice of a customer is restricted but it also means higher control over the quality of service provided. This may result in reduced costs, uniform service quality and improved service availability. However, as it results in a highly standardised service, personal touch, which is desired by a number of service consumers, may be absent.

An increased divergence of processes is followed when the approach is towards niche positioning, and involves high customisation. A tourist company which caters to almost any need of the customer, including helping foreign exchange transactions, flight booking, etc., may be said to be highly divergent.

17.4.2 Customer Satisfaction

Processes should **facilitate** a service operation but at the same time they should not have a negative effect on customer satisfaction. For example, if a potential tourist is asked to fill in too many applications, and asked to satisfy too many regulations to acquire a visa for a particular country, he may avoid visiting the country as such, though the tourist has the capacity and willingness to do so.

No amount of friendly approach and pleasant attitude on the part of marketing personnel will overcome continued unsatisfactory process performance. It is necessary that the processes are simplified and made customer friendly to ensure a satisfied customer.

If a service operation runs smoothly, it may or may not be remembered **by the** customer for ever, but **if he/she** gets dissatisfied with a process, the **negative** image tends to last much longer. Also, if one operation in a process is unsatisfactory to the customer, he tends to be more critical **of the** other operations also. All this explains the importance that needs to be attached to the processes in tourism marketing to ensure a satisfied customer.

Remember, it is difficult to have a good image but easy to lose it. It is **easy** to earn **bad** image but difficult to lose it.

17.5 TOURISM INDUSTRY AND PHYSICAL EVIDENCE

Physical evidence is very much related to the product and hence is considered by many authors as a sub-component of the product element and it has been argued that 'as advertising and personal selling are considered as sub-elements in Promotion, so also it is enough to consider physical evidence as a **sub-element of Product.**' **Nevertheless**, it is agreed by all concerned that it is essential to devote special attention to the physical evidence in Services Marketing **Mix**. Here let us consider it as a separate component under the Fifth P in Tourism Marketing Mix

17.5.1 Tourism And Physical Evidence

Every customer would like to see, evaluate and compare a product physically before making a decision whether to make the purchase or not. As the services are intangible in nature, it is almost impossible to have a **first** hand experience of the desired service before making the **final** purchase. How much ever a person tries to judge the quality of service by making enquiries and reading literature, a doubt still remains in mind as to the exact quality of the service to be expected.

This is more true **of the** tourism product because a potential tourist has to estimate the amount of satisfaction **he/she** would derive by visiting a particular place even before deciding to go, especially, when one can choose from a number of options.

The photographs, brochures and other information published by the tourism industry, word of mouth publicity, prior experience in related areas, etc. will be the only source depending on which a decision has to be made.

Physical Evidence is that which can be easily associated with the product by the customer. As the tourism product is highly intangible, the place, the decor, the people, and everything else in the tourism office may be related to the experience in store. For example, when tourists visit a historic place for the first time, they carry home not only the memories of beautiful structure, but they also remember all other factors like transport facilities available, the surrounding markets, the people's behaviour, etc. as one whole experience. All this is a part of the conscious effort on the part of the tourist to make the intangible experience more tangible.

17.5.2 Types of Physical Evidence

Physical Evidence may be divided into two types:

- Essential, and
 - Peripheral.
- i) Essential **Physical** Evidence: This includes all the basic requirements that are essential to render the service. A well equipped building with all the necessary tools and information, good furniture, necessary transportation facilities to reach the area where service is provided, etc. are all essential if effective service is to be provided. For example, an Indian Tourism office in New York may project an image of exquisite grandeur to attract the people there and convince them that they can expect much more when they 'Visit India.'
 - ii) Peripheral **Physical** Evidence: Peripheral physical evidence has little value of its own. A railway ticket has no value in itself if the traveller misses the train. Similarly, V.I.P. passes lose their value once the time elapses whether they are used or not. This signifies that the peripheral physical evidence tries to bring an aspect of tangibility to the product but it actually represents a right to experience the service at a later point of time.

It can be understood that physical evidence tries to provide an extent of tangibility to the otherwise intangible nature of the service.

17.6 SOME C's

Besides the Ps today certain Cs have also been added in services marketing - particularly in relation to the tourism products. These include:

- Commitment : This means that the producer or supplier of service as **well** as the employees must be committed to tourism and the service being provided to the tourists.
- Cleanliness : This is a must for destinations, hotels, airports, railway stations and trains along with in the employees who are part of the service process.
- Communication : This must be clear and effective with no gaps whether verbal, written or through telecommunications mode. Certain service situations require quick communication.
- Crisis handling : Crisis in providing tourism services is not uncommon and they need careful handling.
- Creativity : This is the **key to** success in packaging or designing tourism services.
- Customer involvement : A tourist not only consumes the service but also experiences it. Hence, customer involvement and participation in many tourist related services leads to enhancement of tourists enjoyment or satisfaction levels.

17.7 USE OF FIFTH P IN DESIGNING MARKETING STRATEGIES

In all the above Sections we have seen the importance **of each of the** elements, People, Process and Physical Evidence, along with the traditional four **Ps** in tourism marketing, making a total of seven elements to be included in the Marketing **Mix**. It is not enough just to be aware of the importance. Efforts should be made to use them successfully in designing a marketing strategy and to see that it is implemented effectively, to get best results.

17.7.1 Relationship Marketing In Tourism :

Each of the elements of the Marketing Mix interact with each other and they should be so developed that their results are synergic in nature. Hence, while developing a Marketing Mix **strategy, the** tourism marketeers need to consider the relationships between the elements of the mix. This is termed 'Relationship Marketing.'

There are three degrees of interaction between the Marketing Mix elements. They are:

- i) Consistency : This is where two or more elements have a logical and useful fit. In tourism marketing, product, physical evidence and place can be said to be consistent. Again, promotion and people elements have a similar relationship.
- ii) Integration : It involves **an** active harmonious interaction between the elements of the **mix. If the** different elements are designed on their own without considering their effects on the others, **confusion** and misuse of the resources may result.
- iii) Leverage : It is concerned with using each element to best advantage in support of the total marketing **mix**.

17.7.2 Developing a Marketing Strategy

Since the most important relationship of an organisation is with its target customers, customer satisfaction is to be considered as the basis while developing any marketing strategy.

In tourism the target markets may be domestic or foreign, economy oriented or comfort oriented, young or old, adventurous or traditional, etc. The products offered and the marketing strategy designed should be tailored to the target at whom the efforts are directed.

Some of the questions that need to be answered before deciding on the tourism marketing strategy may be listed as follows:

- i) What is the basic objective **of the** organisation providing the service ? Is it profit oriented or purely service oriented? (for example, a government tourism development organisation may function with a purely service oriented motto).
- ii) What are the target markets? or Which segments **of the** population is the organisation trying to satisfy?
- iii) What are the strengths and weaknesses of the **firm**? or how can they be used to the organisation's advantage?
- iv) What are the resources available ? and how can they best be utilised?
- v) What is the nature and extent of competition existing in the environment ? and what are the segments that are neglected by the competitors ?; Can niche marketing strategy be followed?
- vi) What are the type of promotional activities required?

Once satisfactory answers are provided to all the above questions, a suitable strategy may be developed **satisfying** all the conditions.

Let us take an example of a particular situation and **try to** develop a suitable Marketing Mix Strategy.

India Tourism Development Corporation (**ITDC**) has a basic objective of encouraging tourism in the country. Government provides the services required by the tourists so as to motivate people to travel and assure them that their stay would be made comfortable and their experience memorable. ITDC runs many hotels, transport services, etc. The target market includes any person who would like to travel and visit places of interest.

Segmentation is done on the basis of age, income level, **life** styles and orientation towards **travelling, etc.**

Different packages are developed to suit the **different** needs of the people. For economy oriented, the package may include a travel on a deluxe bus to the location, an accommodation in an **ordinarily furnished** room, etc. **Here, the emphasis is more** on the utility than on luxuries. But for a person from higher income level, it may include comforts along with the basic necessities. Strengths of ITDC include Government support which ensures a steady supply of resources, easy availability of permissions to enter new areas of operations, etc. Other strengths are derived from a wide network that operates all over the country which helps in adjusting to seasonal fluctuations in demand at different locations, **by reshuffling** of resources.

ITDC's main **weaknesses** stem from delays in decision making due to bureaucratic set up that exists in almost all government organisations. This may result in reduced emphasis on quality in services provided. This weakness may be overcome by decentralisation of authority and enforcing accountability.

Competition is omnipresent. There are many organisations catering to the different needs of tourists, both in the **organised** and unorganised sector. There are all types of **hotels, transport** services, agents, etc., who compete with one or more services provided by ITDC. It is thus very difficult to fight all the competitors with a single strategy. The best way to deal with this problem is by improving one's own standards so as to be able to lead the competition.

The promotional activities direct at attracting both domestic and international tourists to travel extensively. Hence, stress is placed on the locations and not on the services provided by the ITDC alone. Promotion is directed at all the segments and hence campaigns are designed for different target groups and launched through the different media accordingly.

The Fifth P, People, Process and Physical evidence are used effectively by training people to be customer oriented, to serve with a smile, to help tourists in **making a** good choice, to provide additional services like helping them in foreign **exchange** transactions, etc. Process is made open to the public to ensure simplicity in procedures, some **of the** activities are taken over by the ITDC personnel themselves so as to reduce the tourists' burdens. **Also** the element of Physical evidence is taken care of by making the environment **congenial**, by furnishing the place suitable, by **publishing** attractive literature on the different locations and making them available to the **tourists, etc.**

Thus the whole marketing strategy of ITDC is directed at promoting tourism in India, satisfying the needs of all segments of tourist population.

Check Your Progress-2

1) What are the characteristics of processes?

.....
.....
.....
.....
.....
.....
.....

2) How Physical **evidence** is important in tourism marketing?

.....
.....
.....
.....
.....

3) List some of the issues which need careful consideration **in** deciding tourism marketing **strategy**?

.....
.....
.....
.....
.....

17.8 LET US SUM UP

In this Unit, **we** have seen the importance of the elements, People, Process and Physical evidence in Services Marketing with special reference to tourism marketing, in relation to the other elements **of a conventional Marketing Mix**.

Also, we have seen how each element plays an important role in contributing to customer satisfaction.

It can be concluded by saying that tourism marketing will be incomplete and ineffective if adequate attention is not paid to this **Fifth P** of the Marketing Mix along with the C's mentioned in the Unit.

17.9 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress-1

- 1) See **Sec.** 17.2
- 2) See Sub-sec. 17.3.3

Check your Progress-2

- 1) See **Sub-sec.** 17.4.1
- 2) See **Sub-sec.** 17.5.1
- 3) See **Sec.** 17.7.

SOME USEFUL BOOKS FOR THIS BLOCK

Michael M.Coltman	Introduction to Travel Tourism , New York, 1989
Chris Cooper, etal.	Tourism Principles and Practice , London, 1993.
Victor T.C. Middleton	Marketing in Travel and Tourism , Oxford, 1993.
J.C.Holloway & R.V.Plant	Marketing for Tourism , London, 1988
Philip Kotler	Marketing Management , New Delhi, 1994.
Philip Kotler	Marketing for Non-Profit Organisations , New Jersey, 1975.
Philip Kotler	Social Marketing , New York, 1989.
Eduardo L. Roberto	
IGNOU Courses	MS-6, Marketing for Managers MS-65, Marketing of Services

ACTIVITIES FOR THIS BLOCK

Activity 1

Talk to 5 people who travel for pleasure. Try and **find** out the perceived benefit or value that they derive from their travel. Briefly comment upon this 'value'.

Activity 2

Make a survey of the tourism services offered in your area. You would note that the price elasticity of each is different from the others. Which of the services surveyed by you is

- 1) Most Elastic
- 2) Least Elastic

Activity 3

Survey the literature of some hotels and point out the differentiation in their products.

Activity 4

Assume you are a tour operator and are planning to take a group of 45 tourists to a game sanctuary. Briefly list your fixed and variable costs.

Activity 5

In the light of various strategies discussed in Unit 15 how would you suggest to promote a fast food centre?

Activity 6

Mention the Distribution Channels you will adopt as a manager working in an airlines.

Activity 7

Prepare a promotion plan for a destination.

Activity 8

Prepare the product mix of a tour operator.

Activity 9

Collect all advertisements related to tourism appearing in a newspaper for a week. Compare the products and services offered in them.