

# Competitive Advantage and Service Marketing Mix

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## ABSTRACT

The marketing mix is one of the most important aspects of marketing activities and plays an important role in creating value and satisfaction to meet customer expectations. The concept of the marketing mix serves as a tool used by an organization to survive in a competitive environment. This concept is controlled by the organization and consists of four main components namely product, price, distribution and promotion. For bids in the form of services, the marketing mix develops into seven components according to the characteristics of the service offer. Three additional components are the service provider, process, physical evidence. The service marketing mix is a formulation of a competitive advantage strategy for organizations. The human factor directly involved in the exchange process makes human resources an important figure of strategic application. Customer-oriented competitive advantage should be implemented by service providers with the appropriate formulation of the marketing mix. Marketing mix and competitive advantage are strategic relationships that are very important for the survival of the company.

## INTRODUCTION

The competition that takes place between organizations is increasingly difficult to predict the results due to dynamics that are increasingly fast changing, technological advances and consumer behavior that is difficult to predict. In the era of globalization which is full of changes in all aspects, every organization must have experienced complex problems from time to time so as to make management tasks more complicated. They have an internal orientation to develop the organization and an external orientation to deal with environmental dynamics and competition. Organizations that have good management will have an impact on increasing stability, existence and prosperity. Every industry experience this. Change and competition also increases so that they continue to look for opportunities and superior positions. Competing is a must for industry players and excellence is the goal.

The development of formulations and aspects of competitive advantage aims to reach the maximum potential of the target market. These changes require management to act more professionally, be able to identify competitive advantages and implement strategies based on the identified advantages. This

condition makes every organization will judge that management plays an important role for survival today and in the future. Business organizations as objects that provide products must be prepared to compete to develop their potential with the aim of attracting as many prospective buyers as possible with their market offer formulations. The competence comes from the ability of internal resources that can professionally develop competitive advantage so as to create a positive image in the community. This is of course a challenge because it requires management performance that is oriented towards increasing competitiveness.

In addition to facing these challenges, organizations will be confronted with consumer behavior. Consumers are increasingly critical and have a variety of hopes and desires. The increasingly varied segmentation of its composition and composition makes it increasingly difficult for organizations to position themselves. Convenience and practice are attractive elements to offer to potential customers but are variables that can affect product quality. The dilemma arises because some organizations are faced with a choice of sales concepts that are focused on maximizing sales volume, in this case increasing

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the number of products sold and social marketing concepts that focus on offering value to carry out social functions and satisfy the users of their products.

The strategic vision results in superior product performance and quality. Competitive advantage is needed by organizations to compete with competitors so that they require innovative strategies that must be able to dominate the market. By looking at this condition, the management in each organization must develop and implement an appropriate marketing strategy to be able to achieve excellence. This paper will discuss the relevance of the service marketing mix to competitive advantage.

### Competitive Advantage

Competitive advantage is a comparison between the achievement of an organization and its competitors in an identical target market category (Darmawan, 2009a). Competitive advantage can be realized if there is harmony between the competencies possessed by opportunities that are truly available. At the organizational level, competitive advantage can be demonstrated by the ability to take the form of products, services or others offered to the market, is it more competent when compared to organizations of the same level. Competitive advantage can develop because there are special resources and organizations have capabilities that are not owned by other organizations. Competitive advantage can be achieved because there are strategies that provide opportunities for action. This causes the strategy formulation is needed by the organization to face competition in its environment so that competitive advantage can be realized. The organization is declared to have a competitive advantage if the strategy adopted is not carried out by its competitors so competitors cannot simply duplicate the strategy. Therefore, the strategy adopted should be adjusted to the position of competitors and the competitive advantage they already have must also be developed for sustainable competitive advantage. However, there are still many organizations that do not understand clearly how the definitions and dimensions that indicate competitive advantage.

Some definitions of competitive advantage will be described as follows. Poddar and Gadhawe (2007) describe competitive advantage as an organizational strength that is not the same as its competitors and the organization already has a certain way such as providing relatively low prices but the benefits obtained are greater and quality services exceed the price paid. Meanwhile, Bordes (2009) states that competitive advantage is the achievement of organizations in terms of loyalty and customers who are not

concerned about price. David (2011) defines competitive advantage as everything an organization can do but not necessarily other organizations can emulate it. Besanko et al. (2013) states that competitive advantage is an organization that is able to obtain greater economic profits compared to other organizations. Thus, from all of these definitions the scope of competitive advantage can be determined is an organization that has potential and position that exceeds other organizations and cannot be simply copied because there is a special strategy formulation that makes it unique.

There are three dimensions of competitive advantage that are explained based on Porter's theory, namely cost leadership, differentiation and focus. The first is cost leadership, the focus of cost leadership is to have significant costs but to gain a competitive advantage (Porter, 1985). Cost leadership is said to be successful when it is more efficient than its competitors. Differentiation refers to organizations that are able to position their brands so that they are different from their competitors and can create a special image (Darmawan, 2005). The purpose of differentiation is to create competitiveness that can provide benefits obtained by providing superior products or services. According to Porter (1985), the implementation of differentiation can be successful if innovation, creativity and learning continue to be developed and maintained. In addition, competition can be reduced so competitive advantage can increase due to differentiation. Third is the focus which means the organization can choose who its customer group is, the right product, its geographical area and for service organizations will focus more on the services provided (Darmawan, 2014). The focus strategy is effective because there are different preferences from customers and competitors have not been able to achieve this (David, 2011).

### Service Marketing Mix

The concept of marketing has become the main foundation of the survival of an organization. Marketing has become a business philosophy. Business must be run in the form of products that have value. This value contains two elements, namely benefits and sacrifices that will be exchanged. The value exchanged is contained in fulfilling the wants and needs of both parties. Basically, marketing activities must be oriented towards creating a satisfying or beneficial exchange relationship for each party.

Marketers use a number of tools to get the desired response from their target market. These tools form a marketing mix, often referred to as 4P or marketing mix which is a combination of product characteristics,

prices, promotions, and place or distribution channels combined to become a special offer.

Initially, Neil Borden (1964) identified twelve controlled, well-managed marketing elements that would produce a profitable business operation. The twelve elements are product planning, pricing, checking, distribution channels, personal selling, advertising, promotion, packaging, display, service, physical handling, fact finding and analysis.

Jerome McCarthy then made it simpler by offering the concept of four variables namely product, price, promotion and place. Since it was conceptualized by McCarthy, the marketing mix variables were widely accepted by academics and practitioners (Perreault et al., 2011). The concept continues to grow and is shown by the emergence of various concepts of development or expansion of the marketing mix on an ongoing basis until now. How these marketing mix variables are used is a common issue in the development of marketing management.

Booms and Bitner (1981) then differentiate the goods marketing mix from the service marketing mix which subsequently develops into 7P by adding personnel, physical evidence and process variables. Service marketing is strongly related to service quality variables (Sjamsi and Darmawan, 2004). Marketers must always observe the level of quality of their services with respect to the needs and demands of customers and how much they can pay. They must make consumers familiar with the level of products (services) with informative media or marketing tools. The needs and demands of the customer must be considered as a good quality product (service) according to the situation at a reasonable price. Marketers try to find new ways to improve (service) products, situations, prices and improvements and also to get customer satisfaction from the quality of their products.

In general, the marketing mix element only focuses on price, place, product, promotion. According to Booms and Bitner (1981), these elements when applied in service sector organizations are less supportive so they must be developed with their human resources, processes, physical evidence. This shows that services have unique characteristics that are different from products because they can cause problems and challenges (Booms and Bitner, 1981; Zeithaml et al., 2009). These marketing problems are not only locally but globally so different cultures and contexts must also be understood. Service marketing is intangible so its quality can be measured using the concept of a service marketing mix (Darmawan, 2009b). Customer needs can also be met

with the marketing mix of services such as those offered by service providers.

According to Mahmood and Khan, (2014), several components of the service marketing mix (price, promotion, people, physical evidence) can significantly influence one's perception. Apart from that the media, friends, associations also determine their decisions. Booms and Bitner (1981) describe the marketing mix of services as the management of service offerings, the price determined, distribution, promotion carried out and it involves the staff, customers, processes, physical environment. Therefore, it is appropriate if the constituent variables of the marketing mix of services are measured based on the Booms and Bitner theory consisting of products, prices, promotions, distribution, service providers, processes, physical evidence. The following is a description of the service marketing mix variables.

#### **A. Product**

Product or service offerings are at the heart of all company marketing efforts. Usually, this is the starting point in the creation of a marketing mix (Darmawan, 2006). The product is more directed at how the organization can comprehensively develop its services so that the needs and desires of customers can be met. These services include new services and competing services (Reichheld and Sasser, 1990).

Kotler and Armstrong (2010) define a product or service as everything that is offered to the market to realize the desires or fulfill the needs in the form of goods, services, enrichment of experience, events, places, property, people, organizations, information and ideas. Determining product components in the form of services is a difficult task because service products are intangible and can be seen at various levels. Lovelock and Wirtz (2011) identify two main levels of service products. This is a core service product and offers additional or additional services. The core service product is the general service concept, which the company wants to offer and its reasons for being in the market.

The most important element of a service product is quality. This quality can be checked at the level of core service products as well as at the level of service added. Product quality has strategic considerations because of its important role in customer satisfaction and organizational performance (Chen et al., 2012). Many businesses today recognize that they can compete more effectively by differentiating themselves in terms of quality of service which means it is produced by quality human resources as well as through the performance of each individual.

Grönroos (2008) states that an organization's competitive advantage is determined by the quality and value of goods and services. Darmawan (2009b) states that service quality is the view of service users towards the accumulation of ways of service that exceeds the expectations of users. According to (Perreault et al., 2011), the customer's point of view is very important to consider in order to better understand what is offered so as to satisfy customer needs. Every service provider should consider providing quality services by understanding their customers. Inconsistencies in the service quality delivery send a message about the lack of mastery over what someone does. Inconsistent service offerings result in customer dissatisfaction.

### **B. Price**

Price means the pricing done wisely by the organization. Kotler and Fox (1995) explain the price determined must be in accordance with the vision, mission, goals of the organization. In addition, the price to be determined by the organization must be considered and adjusted to the demand and competition. Promotion can strengthen the image of the organization to provide complete information and of course this should not be ignored because if the information has been transmitted there is a negative element it will cause serious problems.

Pricing is a complex variable of the marketing mix because to determine it must consider a number of disciplines, including accounting, finance, management, industry, economics and psychology (Ferrinadewi and Darmawan, 2004). The price set for the service is the most clearly observed part of the other service marketing mix variables. This is also the only marketing mix element that generates income because all other elements are costs (Darmawan, 2006). Therefore, prices have a significant impact on financial performance and severe consequences can occur when there are pricing errors (Ingenbleek and Lans, 2013).

There are various pricing strategies that businesses can use to guide their pricing decisions. Some of these include cost-oriented pricing strategies, customer-oriented pricing strategies and competitor-oriented pricing strategies. Gabor (1988) states that low prices can be a deterrent to high-priced purchases because psychologically, customers may have the perception that lower-priced products lead to lower quality consequences. Marketing agents often use prices to compensate for the weaknesses of other variables in the marketing mix. To realize the fairness perception of a market offer is possible if the price is determined based on consideration of all the weaknesses.

Smith (2012) emphasizes the need for pricing decisions influenced by customer orientation. Many customers will refuse to buy a service if the price is too high. The result is that the organization will have to give up market share to its competitors. Likewise, if the price is too low, the organization will release the opportunity to make a profit proportionate to the value it creates for the customer. Pricing decisions taken by any organization must be driven by customer-related pricing objectives, including customer attractions, retention and customer satisfaction.

### **C. Promotion**

In the 1980s, promotion became the main tool for sales and marketing activities to expand the target area or target market. This continues to grow today with various developments in all forms of application of promotional activities. Promotion is a communication process between an organization and its environment in this case the target market. Promotion includes a promotional component that is carried out to determine its strategy (Peattie et al., 1997). Furthermore, promotion is a form of communication between users and providers. Although the basic purpose of promotion is to inform customers about organizational offerings and to create positive attitudes about products and services. This causes customers to prefer these products and services during the purchase decision process. McDaniel et al., (2011) stated promotion related to the means used by marketers to inform, persuade and remind current and potential customers of their products and services in order to influence their opinions or get responses. They further noted that communication can emphasize information, persuasion or reinforcement of various themes.

Communication is said to be effective if the organization is able to fulfill what the target market needs and wants. According to Kotler and Fox (1995) the communication process consists of identifying who is being targeted, clarifying the response sought, developing the message conveyed, choosing the right media, selecting sources that have specific characteristics and collecting and evaluating feedback. Promotion consists of activities such as advertising, direct promotion, sales promotion, use of salespeople, public relations. Each of these promotional tools has its own advantages and disadvantages. The choice of promotional tools must be adjusted to the budget but still must be aware of the important role of marketing communication.

#### **D. Distribution**

This variable is more directed towards sensitivity to all decisions involved to place the product as close as possible to the target market. This includes strategic and operational activities involved to ensure that products or services are available to customers. Palmer (2014) states distribution is related to the ease of potential customers to access a product or service.

#### **E. Service Provider**

The people involved in the service process are important variables in the service marketing mix. This leads to all human interactions that play a role in service delivery and affect customer perceptions about service quality (Lovelock and Wirtz, 2011). The attitudes and behavior of service providers, their dress codes and their personal appearance influence customer perceptions of services (Zeithaml et al., 2009).

The success of an organization will be achieved if it has a qualified and dedicated service provider because marketing activities cannot be carried out effectively if there is no involvement of service providers who have these criteria. The service provider is a strategic part that represents the institution because it will deal directly with external customers so they must be able to show their professionalism, be polite, feel empathy. Therefore, service management efficiency is needed for operational procedures when identifying and adjusting services. Research on the role of service employees in service quality by Parasuraman, Zeithaml and Berry (1988) as well as studies that explicitly discuss the customer orientation concept of employee service conducted by Kelley (1992) shows that service employee behavior affects customer perceptions about service (Bitner, 1990).

#### **F. Service Process**

The service process is used to measure whether the services established by the organization have systematic, customer-oriented procedures so that the services provided can be successful. The service process also determines how the system is connected to make the value proposition promised to customers (Lovelock and Wirtz, 2011). From a service provider perspective, services are processes that must be designed and managed to create the desired user experience. Without a successful service process, the service provider will not succeed because users may be frustrated with the treatment of it. Actual service steps perceived by the user or service operational flow also provide evidence to the user to assess the service. Poorly designed processes tend to annoy them because they frustrate and frustrate users.

#### **G. Physical Evidence**

Physical evidence leads to the environment where services are delivered and where service providers and customers interact, and any tangible commodities that facilitate service performance or communication (Darmawan, 2009b). Physical evidence is an interest in creating a customer-friendly atmosphere in the environment and work (Booms and Bitner, 1981). Customers actively create their own individual meanings from certain service offerings from the physical environment. The physical environment needs to be such that, in the final analysis, customers must regard the service as good quality and must make them want to continue using it. The physical environment is thus an important factor used by customers to evaluate the services offered.

Lovelock and Wirtz (2011) argue that service businesses need to manage the physical environment with extreme care because they have a significant impact on customer satisfaction. Koernig (2003) argues that elements of the physical environment encourage emotions, which often have an impact on people and objects in the surrounding area as well as their perceptions and assessments regarding satisfaction, the value of products or services, service quality, prices, and their attitudes towards service providers.

#### **CONCLUSION**

Therefore, based on the previous description, competitive advantages that are oriented to customers should be able to be applied by service providers with the appropriate formulation of the marketing mix. Marketing mix and competitive advantage are strategic relationships that are very important for the survival of the company. From the sources of various literatures, the current view regarding the development of a service marketing mix strategy is in harmony with the literature on the concept of marketing, which recognizes that marketing is not only a set of functions but also a guiding philosophy for all activities and business strategies. When a service provider organization formulates an organizational strategy, its business and functions should be equipped with information and facts about the marketing concept. The concept of marketing as a business philosophy plays an important role to guide all organizational activities. This fundamentally stipulates that an organization needs to be more effective than its competitors to create, deliver and communicate the value of its customers to the chosen target market so that the organization can achieve its goals. The marketing concept forms the foundation of customer orientation.

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