RETHINK AND RETOOL: MARKETING MIX STRATEGIES IN RESPONSE TO COVID-19

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SUMMARY: The unprecedented impact of the pandemic on businesses is profound. The pandemic has changed consumer behaviors, established new social norms, and created new government regulations that have forced companies to upend their marketing plans and find new ways to market to their consumers during a time of crisis. In this paper, we explore how companies have successfully adapted their marketing approaches to drive sales during the pandemic. First, using the marketing mix framework, we delineate the marketing tactics various firms have employed. Second, we conduct interviews with several service providers to identify the marketing strategies those companies implemented in response to the coronavirus. Two common themes were identified from the interviews: "rethink" and "retool." The insights from this process provide managers with a practical framework to use in order to make the appropriate changes to their marketing mix strategy during and after the pandemic.

Keywords: service industry, pandemic, times of crisis, marketing mix, marketing strategy

INTRODUCTION

As the total number of reported SARS-CoV-19 (COVID-19) cases worldwide cross the 100 million mark and the death toll crosses 2 million (Coronavirus Cases, 2020), the world is amid a pandemic worse than any that has been reported in the last 100 years (except for deaths related to HIV/AIDS (Mack, 2020)). In addition to the rising death toll, the COVID-19 pandemic’s impact on the world economy has been dire, with an estimated decrease of worldwide income of almost $3.5 trillion (Strauss, 2020) due to the loss of jobs in the first nine months of 2020. The USA is still coping with the pandemic as the unemployment rate looms at 6.9% in October 2020 (U.S. Department of Labor, 2020), which is almost twice what it was a year ago, and the predicted loss of GDP by 2021 to be north of $2.5 trillion (Ledbetter, 2020).

The service industry, which relies heavily on human interaction, has been hit the hardest with more than 34% of the service workforce having been laid off at the time of this writing (Terrell, 2020). To help businesses stay afloat, the government has spent over $4 trillion on
economic relief efforts such as paycheck protection programs, small business loans, grants, and tax breaks to help businesses pay for expenses and absorb losses (Whoriskey, et al., 2020).

Despite these economic relief efforts, service firms continue to struggle with changes in consumer behaviors, newly established social norms, and government regulations enacted due to the pandemic. They have been forced to pivot and find new ways to market to their consumers and compete in the new marketing milieu. With the sudden change along with rapidly dwindling revenues and, thus, tighter marketing budgets, companies are left asking themselves, “What can we do to drive sales during the pandemic?” In this paper, we focus on answering this question in light of the service industry.

We address this question in two ways. First, we apply the marketing mix framework to examine how service companies have successfully marketed during the pandemic. Second, we interview several service providers entrenched in the phenomenon to investigate, broadly, their strategic marketing approaches to the pandemic. This process yielded two practical themes: “rethink” and “retool.”

These insights from the marketing mix analysis and interviews provide multiple practical and policy implications that can help service companies and policymakers develop appropriate strategies and tactics during and after the pandemic crisis. Marketers can use the insights to effectively allocate their financial and physical resources across the different marketing mix variables to create value for their targeted customer groups. Furthermore, the findings can help marketers strategize their resources across marketing channels, which is paramount among those firms that have stayed afloat during this crisis. Finally, policymakers can use these findings to leverage the policies targeting recovery of the service industry, primarily focusing on small businesses that have been hit the hardest during the current pandemic.

**MARKETING DURING THE PANDEMIC**

The pandemic has transformed the marketing environment and led to unanticipated changes in consumer behavior. To gain more insight into consumers’ psyche, we briefly follow the consumers’ reaction from the pandemic’s onset. In the pandemic’s initial stage, customers started hoarding cleaning supplies and basic amenities like water, dry and canned food, rice, baby formula, etc. The hoarding phenomenon, along with the disruption of supply chains both locally and globally, led to a shortage in the supply of necessities for daily life (Sheth, 2020). Many customers avoid outside contact during the pandemic and have preferred online ordering from grocery, restaurants, and retail stores (UNCTAD, 2020).

These shifts in consumer behavior have changed the marketing environment, forcing companies to change their marketing strategies. For instance, the pandemic has affected people’s lives – economically, physically, mentally, and emotionally. As a result, people are feeling stressed, anxious, depressed, hurt, and worried. In response, companies are positioning themselves as “compassionate” organizations by engaging in more “genuine and authentic” socially responsible activities (Gursoy and Chi, 2020). Shine Distillery in Portland, for example, started producing hand sanitizers and giving them away for free during the acute shortage phase, and OneDine started offering a free tap-and-pay touchless payment system to restaurants during the COVID-19 pandemic (Mack, 2020). These steps taken by the companies seem to be appropriate. A survey of 12,000 customers by Edelman Trust Barometer (Edelman, 2020) found that more than 44% have started using a new brand because of the compassionate way they have responded to the
outbreak. A further 40% of people have convinced others to stop using a brand if it has not taken appropriate response during the COVID-19 pandemic.

Even though the initial phase has passed, and the lockdown has been lifted, disruption of the global and local supply chain and the COVID-19 pandemic’s initial experience have created fear and uncertainty in the minds of customers regarding the future. Thus, it is hard to predict how customers’ behavior will evolve. Sheth (2020) notes that customers will show a mix of modified and new habits. For everyday items, consumers will probably develop new habits. It might be no more meaningful for customers to spend hours of their valuable time on driving, standing in a checkout line, and putting in the effort of loading and unloading items, when they can have someone else do all this monthly for the same amount of money as their monthly cable subscription. On the other hand, when consumers avail services in bars or walk-in cinemas, habits will be modified by wearing a mask all the time in a bar or prefer drive-in cinemas (Whitten, 2020).

Finally, another anticipated change is a shift in consumers’ product choices. The COVID-19 pandemic has shown consumers the importance of being more practical and planning for the long run while re-instigating utilitarian products’ value in their daily lives. These changes in consumers’ perspectives have profound implications for marketers as they need to reorient themselves and focus more on understanding and meeting the long-term consumer needs (He and Harris, 2020).

Now that we have a better understanding of how the external forces are influencing marketing strategy, we apply the marketing mix framework (Neil Borden, 1964) to investigate the marketing tactics that some companies have employed to thrive during the COVID-19 pandemic.

OVERVIEW OF THE MARKETING MIX

Neil Borden (1964) first introduced the concept of the “Marketing Mix”. The Marketing Mix (MM) is considered as one of the “most important conceptual breakthroughs” in marketing (Sheth, Gardner, and Garrett, 1988) and represents the fundamental theory of this paper. The Marketing Mix is a set of controllable variables that marketing managers consider when developing an appropriate marketing strategy in response to a target segment’s needs. The Marketing Mix tends to change depending on uncontrollable elements such as political, economic, social, technological, legal, and environmental factors. Borden (1964) identified 12 controllable marketing factors that would result in a profitable marketing campaign when those elements are properly designed, combined (mixed), and implemented. Jerome McCarthy (1964) reduced the 12 marketing mix elements to a more manageable and practical framework called the “4Ps of marketing”: Product, Place, Price, and Promotion.

While the 4Ps is a popular framework for marketing planning purposes, researchers argued that it is only effective for marketing goods rather than services. As a result, the 4Ps framework needed to be extended to incorporate the unique aspects of marketing services (Constantinides, 2006). Services are inherently different than goods because they are intangible, perishable, heterogeneous, and inseparable (Brunner, 1989). Additionally, as companies find it more difficult to distinguish their products from their competitors uniquely, service is an integral part of product differentiation and competitive advantage (Constantinides, 2006; Kotler et al., 2001). Consequently, Booms and Bitner (1981) extended the 4Ps mix to include three other factors: People, Process, and Physical Evidence. Their new marketing mix framework is known as the 7Ps.
THE MARKETING MIX DURING THE PANDEMIC

Marketing managers must temporarily make changes to their marketing mix during times of crisis to provide value to consumers. Crick and Crick (2020) defines a crisis as “a large-scale situation where an event has involved a drastic and negative impact on an organization [sic], its customers, competitors, employees, and other relevant stakeholders” (p. 209). Researchers have examined marketing strategies during various crises such as a supply chain shortage (Kotler, 1974), an economic downturn (Naidoo, 2010), a global financial crisis (Williams and Martinez, 2012), a product recall (Gao et al., 2015), and a pandemic within the business-to-business or industrial context (Crick and Crick, 2020; Kennedy, Harris, and Lord, 2004; Schiavone and Simoni, 2019).

Previous studies have looked at how firms can compete during a crisis by changing one aspect of the marketing mix or, alternatively, can cooperate using coopetition strategies. For instance, Naidoo (2010) investigated whether product innovation can withstand the challenges faced during an economic crisis. Choi and Powers (2020) demonstrated how transparency and coherency improve communications during a crisis. Crick and Crick (2020) studied how companies can work together to share resources in order to survive a pandemic. In this paper, we explore how business-to-consumer companies changed each of their marketing mixes during the global pandemic crisis.

In the next section, we delineate the 7Ps of marketing and provide examples of how the marketing mix has changed due to the COVID-19 pandemic.

Product
“Product” refers to a physical good or service a consumer is ready to purchase (Singh, 2012). In the food industry, the restaurants that thrived were those that already offered or began to offer “comfort food” during the pandemic (Buckingham, 2020). For instance, IHOP, known for its pancakes, increased its sales of burgers (Brand Innovators, 2020). Even high-end Michelin-rated restaurants started to offer various options such as burgers, spaghetti and meatballs, and macaroni and cheese (Clarke, 2020). At Jibaritos Y Mas, a small mom-and-pop store located on Chicago’s Northwest Side, demand for their home-style Puerto Rican food increased so much that the restaurant opened a second location to meet demand (Buckingham, 2020). In the hotel industry, some hotels are offering a “staycation,” which includes early check-in, late check-out, free breakfast, room service, and a bottle of wine (Colvin, 2020).

Place
“Place” refers to processes and methods used to bring the product or service to the consumer. It includes all activities and logistic functions that need to be considered in marketing the available product or service (Zineldin and Phillipson, 2007). We limit our focus to the two entities most visibly affected by the pandemic: retailers and end-users. The COVID-19 pandemic crisis caused a rapid increase in digital commerce (Accenture, 2020). Companies that leveraged digital technologies thrived. For example, with the closing of bars and nightclubs, Chinese e-commerce site, JD.com, started to live stream 3-hour disc jockey shows. With a click of a button, consumers can order liquor and beer delivered to their homes (Colvin, 2020). Sales of liquor increased by 800% compared to the same period of the previous year. Chipotle Mexican Grill created a “digital kitchen” and made it easier for people to order online (Colvin, 2020), which entailed hiring and training more than 10,000 new employees to fulfill orders. Yum! Brands, which
owns Taco Bell and Kentucky Fried Chicken, revealed their new restaurant design, which was created to limit person-to-person contact and modernize the ordering process (Hospitality and Catering News, 2020). Finally, gyms live-streamed workout sessions (Balis, 2020).

**Price**

“Price” is the value charged against the service or product provided to a customer (Håkansson and Waluszewski, 2005). During the pandemic crisis, 64% of consumers worried about their finances, and 88% worried about the COVID 19 pandemic’s impact on the economy (Accenture, 2020). As a result, demand for non-essential products has declined. While discounts and coupons seem like a good deal, they may harm the brand in the long run. Experts discourage price discounts due to decreased demands (Abdelnour, Babbitz, and Moss, 2020).

Instead, companies made new offerings at a price point that is affordable to their target audiences. For instance, higher-priced restaurants began offering more affordable options. Cheesecake Factory created a 7-piece dinner for $20 (Love, 2020). ODO, which typically charges $250-a-head, offers elegant and affordable sushi boxes for $18 (Clarke, 2020). According to Clarke (2020), “People who normally wouldn’t be able to patronize the restaurant get the opportunity to experience Michelin-starred cuisine at a fraction of the price.”

**Promotion**

“Promotion” refers to the process of persuading and communicating the value of the good or service to consumers through various channels. One of the dominant messages among firms centered on care and empathy rather than product features and benefits. Specifically, companies demonstrated how they cared and understood their customers’ struggles during the COVID-19 pandemic. For instance, to make people feel safe, food delivery services offered contactless deliveries, restaurants invested more in tamper-proof packaging, and retailers offered wipes and frequently cleaned off surfaces. To show empathy, banks waived account fees, and retailers modified return policies (Leonhardt, 2020).

Companies are also leveraging social media to build brand awareness and drive sales. For example, Chef Sonny Hurrell has gained 700,000 followers for his wildly entertaining TikTok cooking tutorials (Gawlas, 2020). In Seattle, customers who ordered items from Canlis received a bingo card that they can use to play live online with other Canlis customers to win prizes. Chipotle Mexican Grill created a virtual prom event that included giveaways and tutorials on making corsages and boutonnieres out of the burrito foil (Guszkowski, 2020). To drive short-term sales, companies also plan to use more influencers in their marketing campaigns. Seventy-three percent of marketers plan to increase spend on influencer marketing (Glenday, 2020).

**People**

“People” refers to all who contribute to or are involved in the development or supply of a service (Gradinaru and Toma, 2016). How companies respond to this crisis will have long-term implications for how customers and employees perceive them. Frontline employees interact with consumers and are the embodiment of a brand (Sirianni, Bitner, Brown, and Mandel, 2013). With the new marketing milieu, companies have to retrain and retool their employees to provide exceptional customer service and protect patrons from exposure. Workers must act in an enforcement capacity, such as reminding customers to wear masks, social distance, and limiting capacity. For example, employees wear more PPE than customers, such as face shields and gloves, in addition to the typical face masks worn by consumers, even when not mandated by regulation.
Thus, employees convey the importance firms place on customer safety. Customer contact focuses on instructing consumers on new processes. The recruitment process includes informing potential employees about the firm’s efforts. Moreover, the recruitment process has become contactless. In many cases, firms increased employee remuneration.

**Process**

“Process” refers to procedures, mechanisms, and flow of activities by which the service is acquired (Boom and Bitner, 1981). This 4P dimension involves such activities as the sales funnel, payment systems, and customer relationship management. The COVID-19 pandemic disrupted many of these processes. To illustrate, companies are adopting more frictionless payment systems without touching a surface or stylus, such as mobile phone payments at checkout (Balis, 2020). In the car industry, dealerships typically try to offer deals online to attract people to the stores where salespeople can interact with the customers and close the deal. However, this process had to change after people were restricted or unwilling to go to the dealerships. In Pennsylvania, dealers like David Dodge started to consolidate their online leads generation systems and incorporated video chat, texting, emailing, and phones to sell cars remotely (Frankel, 2020). Similarly, virtual/live-video tours are becoming common among realtors and appraisers in the real estate industry.

**Physical Evidence**

“Physical evidence” refers to the environment in which the service is delivered and any tangible goods that facilitate the service’s performance and communication (Boom and Bitner, 1981). It is the environment where the service is offered and the tangible proof available to consumers to determine the service performance and quality such as the logo, website, store design/layout, décor, furniture, lighting, and uniform. However, some of the physical evidence, traditionally available before the COVID-19 pandemic, may not be useful during the health crisis. For instance, one of Cheesecake Factory’s value proposition is the Egyptian-styled interior design. However, with indoor-dining prohibited or restricted (limited capacity), Cheesecake Factory’s product differentiation may not be as effective. How are companies adjusting?

Companies are leveraging online channels of communication to engage customers and to demonstrate service performance. For instance, restaurants are using live platforms (e.g., Instagram, YouTube, Facebook) to share recipes, provide tutorials, and conduct live cooking shows (Hutcherson, 2020). Companies are leverage social media to communicate brand messages and showcase products.

As restaurants begin to reopen, many are making use of outdoor space. Some restaurants are creative in their approach. Imago restaurant, for example, provides rooftop dining to its customers with all of the finest furnishings, lighting, and décor (Itzkowitz, 2020). In New York, NY and Long Beach, CA, city officials have dedicated public spaces to restaurants for outdoor dining purposes. The experience is contactless. Patrons pull menus up by scanning a QR code, and they pay for their meals with a digital point of sale (POS) system.

**Discussion**

The service industry’s marketing mix analysis points to some common themes across the service providers that have thrived during the pandemic. First, these companies are altering their products to offer more meaningful benefits to help consumers deal with the emotional impact of the pandemic, such as contactless delivery and tamper-proof packages (promotions), digital signing using services like DocuSign® (process), or hotels offering a “staycation” (product).
Second, firms lower price points or create more “affordable” options to increase sales and market share without compromising their brands, like Cheesecake Factory’s $20 seven-course meal or ODO’s affordable sushi box (price). Third, companies are leveraging online/digital tools such as social media and video chatting software to communicate, connect, and engage customers with care and empathy, e.g., restaurants using live platforms to share recipes (physical evidence) or contactless recruitment process (people). Fourth, companies update their processes, use delivery services, and strengthen their online presence like Chipotle’s digital kitchen (place).

With this understanding of the marketing tactics that service firms can employ by using the marketing mix framework, we interviewed several service providers to identify the marketing strategies these companies are implementing in response to the pandemic crisis.

COMMON THEMES OF Affected TERMS

We interviewed several service professionals: a restaurant owner, a hotel manager, the manager of a print shop, and the owner of a picture frame shop. These interviews led us to identify two common themes: Rethink and Retool. These themes are not mutually exclusive.

Rethink

The COVID-19 pandemic has caused companies to rethink their business model. Rethinking is the most extensive of the two categories and involves all 7Ps. The manager of the printing company said, “We are using this time to re-focus our energy on all aspects of our business model.” Ongoing, minor modifications to firms’ business models are routine, but the pandemic has caused a paradigm shift. Digital has been encroaching for a while, but the COVID-19 pandemic accelerated the process. For example, on the one hand, the company lost orders for restaurant menus and paper forms. Restaurants switched en masse from paper menus to QR codes. The print shop manager does not expect many restaurants to return to paper menus, except for high-end restaurants. The QR code cards also need to be printed, but the revenue from menus is much higher.

On the other hand, business has increased due to signage orders such as COVID-19-related floor appliques and other signage. However, COVID-19 pandemic-related signage orders are expected to decrease over time when a vaccine has been broadly distributed, and social distancing rules are relaxed. Like automobile dealerships and loan companies switching from paper forms to digital forms (e.g., DocuSign®), the hotel manager is converting to “form-less” check-in.

When the discussion turned to employee reductions, a common sentiment among several companies is to rethink who they would keep rather than who they would let go. There was increased importance on those who remained with the firm. The print shop owner stated, “When possible, we decided to keep employees that could assume multiple roles. In times of crisis, generalists may be more valuable than specialists. Further, this made us think about future hiring practices.” Firms view the COVID-19 pandemic differently than a typical economic downturn. Generally, there are signs of impending economic downturns. Thus, firms had time to plan.

Conversely, the COVID-19 pandemic came unexpectedly, and firms were bound by government response. Moreover, firms can be told to close at any time, and the government decides which businesses are essential or non-essential. Thus, the companies we spoke with are placing increased importance on business continuity plans.
"Retooling" is adapting or altering (someone or something) to make them more useful or suitable; to reorganize or rearrange. It involves five of the 7Ps: physical evidence, product, place, promotion, and process. Beginning with physical evidence, the hotel manager we spoke to in the San Fernando Valley is using this unexpected downtime to remodel rooms and common areas to address the current pandemic and future crises. Some are the typical renovations like new carpet, window covering, and bathroom upgrades. Other renovations reflect the expectation that the effects of social distancing from the COVID-19 pandemic will remain for the foreseeable future. Such renovations include touchless check-in, restaurants with fewer tables, and eliminating breakfast buffets. Other renovations include larger desks in the rooms and enhanced Wi-Fi to accommodate those who work remotely while traveling or in-town residents using hotels as an occasional office away from home.

The owner of the frame shop is using this downtime to upgrade equipment extensively. Some of the equipment was long overdue for an upgrade. However, with the booming economy before the pandemic, the company did not want to turn away orders or increase production times due to the upgrades. The restaurant owner is also renovating in preparation for the return of inside dining and take-out orders. These renovations extend to the reception area and the kitchen. The owner is adding a door to more easily comply with current ingress and egress ordinances without the use of tape, ground appliques (e.g., arrows), or ropes, even though the ordinances may expire post-pandemic. Further, the restaurant owner is renovating the kitchen to accommodate mobile and take-out orders. These renovations are in response to the current pandemic; however, they will last long after the pandemic.

The hotel manager noted that some of the ideas being discussed in the hotel industry are using rooms to serve as temporary hospital facilities or providing “work from home” environments. Retooling also includes marketing hotels as a convenient place to quarantine. Other retooling includes touchless check-in procedures, increased in-room services, enhanced cleaning procedures, and a place to wait while rooms are being cleaned. New processes are necessary for hotels to accommodate these new services. These process changes can be made now in preparation for future crises.

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CONCLUSION

In our analysis of the service industry using the 7Ps approach, we identified common themes that have helped service firms survive (and sometimes expand) in this time of crisis. Our interviews with small service organizations further substantiated our initial findings. When we conglomerate the insights gained from the analyses, two themes emerged: rethink and retool. Our participants stated that the issue of paramount importance is rethinking and retooling the product because it is the impetus for the other 7Ps. None of the other Ps are necessary without a product. These themes provide multiple implications for different entities. First, we gain a deeper understanding of what changes worked for the firms that stayed in business during the pandemic. Which, in turn, provides a prescription for firms that are struggling.

The most salient theme across the service firms that succeeded was their willingness to rethink their strategies and concentrate their resources on areas that matter the most. For example, some hotels decided to have a quarantine room, which would increase confidence among their guests. The guest will know that in the scenario of a COVID-19 infection, they have a fallback strategy to wait out in the hotel rather than worrying about finding possible ways to hurry back home.

Secondly, our findings imply that managers should focus less on the short-term and more on the long-term. For example, we observed in multiple cases that while most firms considered the lockdown period as a challenge, others took it as an opportunity to retool their establishments without having to close down abruptly. Furthermore, even after lifting the lockdown, most service providers are only opting for delivery or pickup option (especially restaurants), which further creates an opportunity for these establishments to retool while only keeping their preparation area open for work (e.g., kitchen for a restaurant).
Finally, the changing consumer preferences and trends create the need for marketing practitioners to rethink how to use the 7P’s approach to create value for consumers. For example, firms investing more in online platforms (Chipotle’s digital kitchen) and different marketing channels (restaurants are sharing recipes on digital platforms like YouTube and Instagram) to reach and engage the customer more with the brand).

While the COVID-19 pandemic has had a severe effect on the service industry as a whole, our analysis shows hope and provides an optimistic view of the future. many businesses are investing in themselves, with over 40% planning to increase marketing spending and nearly 20% expecting to grow their workforce (Huppertz, 2020). The companies that we interviewed fall into this set of firms. The firms we met with are rethinking, renovating, and retooling the 7Ps to meet consumers’ concerns.

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REFERENCES


