Competitive Advantage in the Health and Fitness Industry: Developing Service Bundles

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Supporting services augment the value of a business’s core service, provide points of differentiation, and create a competitive advantage over competitors. Fitness clubs offer a number of supporting services, including sport participation opportunities. Fitness tests are a common supporting service. This study examined interest in fitness tests and related supporting services. Moreover, because customised programs are harder to imitate, optimal combinations of desired services were investigated. Further, K-means cluster analysis identified seven meaningfully differentiated customer groups. MANOVA and chi-square analyses indicated that clustered groups differed based on demographic and psychographic variables. The study demonstrates that (1) consumers desire supporting services, (2) distinct bundles of supporting services can be identified, and (3) consumers desiring distinct bundles of services are have distinct demographic and psychographic profiles. Fitness providers can develop distinct, desirable bundles of supporting services and can develop more tailored marketing strategies based on these consumer profiles.

Achieving and maintaining a competitive advantage is a goal of virtually every business. In order to obtain a competitive advantage, a business must differentiate itself from its competitors. Creating points of differentiation is thus a key strategy by which to gain a competitive advantage (Fisher, 1991). A point of differentiation is any physical or nonphysical characteristic, including price, upon which consumers perceive a difference among competitors’ product and service offerings (Dickson & Ginter, 1987).

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In practice, it falls to the marketing department to develop and implement differentiation strategies. In service industries, marketers often increase the value of core services through the addition of supporting services. Supporting services are peripheral to the core service provided and are not necessary for the core service to function (Grönroos, 2000). For example, a fitness center would not cease operations if it closed down its smoothie bar (a supporting service). However, a fitness center without fitness programs (core service) would not last long. The addition of supporting services to the core service is a strategy that helps companies penetrate or hold market share (Carman & Langeard, 1980). Moreover, the attractiveness of future customers may be determined, in part, by the customer’s potential to make use of supporting services (Breur, 2006). The ability to sell supporting services to customers increases the probability that the business develops a profitable relationship with the customer (Newell, 2000). A key component of effective supporting services, particularly for service organizations, is that the supporting services complement the core product, thus enhancing the value of the core product for consumers (Storey & Easingwood 1998). However, not all consumers value the same services.

From a marketing standpoint, it is important to provide services valued by key consumer groups (i.e., market segments). Thus, differentiation strategies are indelibly linked to market segmentation in that points of differentiation are chosen to appeal to specific consumer groups (Dickson & Ginter, 1987). In fact, a market segmentation strategy cannot be formulated without considering the product mix. A successful segmentation strategy is based on the ability of a business to provide different services or products that provide benefits desired by the consumer (Ehrman, 2006). A market segmentation strategy identifies homogenous groups of individuals with distinct demands that differ from the remainder of consumers in the marketplace. Successful identification of market segments is critical to achieving marketing goals (Weinstein, 1987). Consequently, the integration of differentiation and segmentation strategies enhances a business’ competitive advantage because it provides the desired segment of customers with the services or products they value (Cahill, 1997).

However, a differentiation strategy will only generate superior returns until competitors develop imitations. Thus, services marketers must either find enduring points of differentiation, or continually create and adapt their services mix. In either case, it is necessary to develop and maintain a unique service mix (Fisher, 1991). The more difficult the services are to imitate, the better able a business is to maintain a competitive advantage. The challenge, then, is to devise services that are unique or at least difficult to duplicate.

One way to stifle imitation is to make a service more complex or more tailored (Fisher, 1991). A tailored program increases buyers’ switching costs since a tailored program is, ostensibly, tailored to meet the needs of that particular consumer group. A less tailored program, then, would meet fewer of those customers’ needs. In addition, personal relationships develop within a tailored service so the psychological costs to switch services increases as these relationships strengthen (Fisher, 1991).
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