

Service Marketing Mix Strategies and Firm Performance: Empirical Evidence from Travel Agencies in an Emerging Economy

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Abstract

Case Studies

This study examines the influence of selected service marketing mix strategies on firm performance within the travel agency sector in an emerging economy. Although the extended marketing mix (7Ps) is widely regarded as appropriate for service contexts, empirical validation of its individual components remains limited, particularly in intermediary-based industries. Drawing on the Resource-Based View and Dynamic Capability Theory, this research conceptualizes process, people, physical evidence, and promotion strategies as strategic capabilities that enhance competitive positioning and performance outcomes. A descriptive survey design was adopted, and primary data were collected from employees of five leading travel agencies in Ibadan, Nigeria. Using proportionate and simple random sampling techniques, 85 respondents were selected, with 75 valid responses analyzed. Data were examined using reliability tests and simple linear regression analysis via SPSS. All constructs demonstrated strong internal consistency (Cronbach's alpha > 0.70). The findings reveal that all four service marketing mix dimensions exert statistically significant positive effects on firm performance. Physical evidence ($R^2 = 0.239$, $p < 0.001$) and promotion strategy ($R^2 = 0.238$, $p < 0.001$) exhibit the strongest explanatory power, highlighting the critical role of tangible service cues and integrated communication strategies in building customer trust and market visibility. Process strategy ($R^2 = 0.118$, $p < 0.05$) also significantly enhances performance through improved service flow and operational efficiency. People strategy ($R^2 = 0.087$, $p < 0.05$) remains significant, underscoring the strategic importance of employee competence and customer interaction quality. The study contributes to marketing and strategic management literature by providing disaggregated empirical evidence from an under-researched service intermediary context in an emerging economy. It further demonstrates that integrated implementation of service marketing mix strategies strengthens organizational competitiveness and performance sustainability.

Keywords: Service Marketing Mix, Firm Performance, Travel Agencies, Emerging Economy, Dynamic Capabilities

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1.0 Introduction

Marketing strategy remains central to firm survival and performance in increasingly competitive and technology-driven service markets (Kotler et al., 2017; Varadarajan, 2020). Contemporary service

firms operate in environments characterized by rapid digitalization, intensified competition, and heightened customer expectations, all of which necessitate strong marketing capabilities (Morgan et al., 2018).



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Although prior research has established a positive association between marketing capabilities and organizational performance, much of the empirical evidence originates from manufacturing and capital-intensive service sectors such as banking and telecommunications (Katsikeas et al., 2016; Hernández-Perlines et al., 2019). Consequently, relatively little is known about how service marketing strategies operate in intermediary-based service industries, particularly within emerging economies (Adeola & Evans, 2019).

The travel agency sector presents a compelling empirical context for addressing this gap. Traditionally reliant on interpersonal interaction and informational advantage, travel agencies now operate under intense pressure from digital platforms, online travel aggregators, and direct service provider channels (Law et al., 2018; Buhalis & Sinarta, 2019). In emerging economies such as Nigeria, these pressures are amplified by infrastructural constraints, evolving consumer expectations, and increasing price competition (Adeola & Evans, 2019).

Although the service marketing mix framework (7Ps) has been widely advocated as more appropriate for service contexts, empirical validation remains uneven, with many studies aggregating the mix or emphasizing selected elements without adequate theoretical grounding (Lovelock & Wirtz, 2016; Zeithaml et al., 2018). Moreover, few studies explicitly link individual service marketing mix elements to firm performance through established strategic management theories such as the Resource-Based View and Dynamic Capability Theory (Tece, 2018; Barney et al., 2021).

This study addresses these shortcomings by examining the individual effects of process, people, physical evidence, and promotion strategies on firm performance in Nigerian travel agencies.

2.0 Theoretical Framework and Hypotheses Development

2.1 Resource-Based View and Dynamic Capabilities

The Resource-Based View (RBV) posits that firm performance differences arise from the possession

and effective deployment of valuable, rare, inimitable, and non-substitutable resources (Barney et al., 2021). In service firms, such resources are predominantly intangible and include employee competencies, organizational routines, and customer-oriented processes (Morgan et al., 2018).

Dynamic Capability Theory extends RBV by emphasizing a firm's ability to integrate, reconfigure, and renew resources in response to environmental change (Tece, 2018). In volatile and digitally disrupted service markets, marketing strategies function as dynamic capabilities that enable firms to sense opportunities, seize value, and sustain competitive advantage (Tece, 2020).

2.2 Process Strategy and Firm Performance

Process strategy refers to the design and management of service delivery mechanisms that ensure consistency, efficiency, and customer satisfaction (Lovelock & Wirtz, 2016). In high-contact service industries such as travel agencies, ineffective processes increase service variability and customer dissatisfaction, thereby undermining performance outcomes (Zeithaml et al., 2018). From a dynamic capability perspective, adaptable and customer-oriented processes enhance organizational responsiveness to market and technological change, leading to improved firm performance (Tece, 2018).

H1: Process strategy has a positive and significant effect on firm performance.

2.3 People Strategy and Firm Performance

People strategy emphasizes employees as critical strategic assets in service delivery. Employee competence, motivation, and relational skills directly influence perceived service quality, customer satisfaction, and loyalty (Ali et al., 2017). In service-dominant industries, frontline employees play a central role in value co-creation and customer experience management (Zeithaml et al., 2018).

Within the RBV framework, human capital constitutes a key intangible resource capable of generating sustained competitive advantage when effectively managed (Barney et al., 2021). Empirical studies in hospitality and tourism contexts confirm

the positive relationship between employee-focused strategies and organizational performance (Karatepe & Olugbade, 2017).

H2: People strategy has a positive and significant effect on firm performance.

2.4 Physical Evidence and Firm Performance

Physical evidence refers to tangible cues that shape customer perceptions of service quality, credibility, and professionalism (Lovelock & Wirtz, 2016). In intangible service contexts, customers rely on physical environments, branding elements, and visual signals to reduce uncertainty and perceived risk (Mari & Poggesi, 2019).

In travel services, where purchases involve high financial and psychological risk, physical evidence plays a particularly critical role in building trust and confidence (Line et al., 2018). Prior research indicates that well-designed service environments positively influence customer satisfaction and firm performance (Mari & Poggesi, 2019).

H3: Physical evidence has a positive and significant effect on firm performance.

2.5 Promotion Strategy and Firm Performance

Promotion strategy encompasses communication activities aimed at enhancing market visibility, persuasion, and brand reinforcement (Kotler et al., 2017). In digitally competitive service markets, integrated promotional strategies combining traditional and digital channels are essential for customer acquisition and retention (Mangold & Faulds, 2019).

Recent studies highlight that effective promotional communication strengthens brand awareness,

customer engagement, and firm performance in service industries (Kingsnorth, 2019). For travel agencies facing digital disruption, promotion strategy serves as a critical dynamic capability for differentiation and survival (Buhalis & Sinarta, 2019).

H4: Promotion strategy has a positive and significant effect on firm performance.

3.0 RESEARCH METHOD

This study adopted an applied research design to examine the relationship between marketing strategies and firm performance among travel agencies in Ibadan, Oyo State. Applied research focuses on generating practical knowledge for solving real-life business problems. A descriptive survey design was employed because it enables the collection of large volumes of data, ensures flexibility, and supports quantitative statistical analysis.

A quantitative approach was adopted to ensure statistical reliability and objectivity. Survey research is widely used in business and management studies due to its ability to generate measurable and generalisable findings.

3.1 Population of the Study

The population comprises all staff members of five leading travel agencies in Ibadan, Oyo State, Nigeria. These agencies were selected based on Google customer ratings. Staff strength data were obtained from the human resource departments of the respective agencies. The total population was 109 employees, distributed as follows:

Table 3.1: Population Distribution

S/N	Agency	Population	% of Population
1	Cool Global Interlinks Limited	22	20.2
2	Kemport Travels and Leisure Ltd	20	18.3
3	Wakanow	23	21.1

4	Ufitfly	25	23.0
5	Biscordint	19	17.4
TOTAL		109	100

Source: Human Resource Department Reports

3.1.2 Sample and Sampling Techniques

Due to constraints associated with studying the entire population, a representative sample was selected using the Taro Yamane formula:

$$n = \frac{N}{1+N(e)^2} \tag{3.1}$$

Where: N = Total population (109), n = Sample size, e = Level of significance (0.05) and 1 = Constant

$$n = \frac{109}{1+109(0.05)^2} = n = 85.65, \text{ approximately } 85 \tag{3.2}$$

Using this formula, the sample size was calculated as 85 respondents.

A multistage sampling technique was applied:

1. Proportionate sampling to allocate respondents across agencies.
2. Simple random sampling to select individual respondents.

Table 3.2: Sample Size Distribution

S/N	Agency	Population	% of Population Sample
1	Cool Global Interlinks Limited	17	20.2
2	Kemport Travels and Leisure Ltd	16	18.3
3	Wakanow	18	21.1
4	Ufitfly	19	23.0
5	Biscordint	15	17.4
TOTAL		100	85

Source: Researchers' Survey (2019)

3.1.3 Description of the Instrument

Primary data were collected using a self-administered structured questionnaire with close-ended questions. A 6-point Likert scale (Strongly Agree = 6 to Strongly Disagree = 1) measured respondents' degree of agreement.

The questionnaire consisted of nine sections (A–G):

1. Section A: Demographic information
2. Sections B–G: Research variables

The instrument measured one dependent variable (Firm Performance) and four independent variables (Process, People, Physical Evidence, Promotion strategies). Items were adapted from established studies.

Table 3.3: Description of Variables and Number of Measuring Items

Variables	Category of Variables	Description	Measuring Items
Firm Performance	Dependent Variable	Perceived financial, non-financial and market performance	7
Process Strategy	Independent Variable	Flow of activities, customer involvement and number of processes	4
People Strategy	Independent Variable	Staff quality and customer interaction quality	4
Physical Evidence	Independent Variable	Tangible service cues encountered before purchase	5
Promotion Strategy	Independent Variable	Personal selling, sales promotion, advertising, PR and direct marketing	4

3.2 Pilot Study

A pilot study involving 10 respondents from one agency was conducted to pre-test the instrument. This enabled refinement and adjustment before full administration.

3.2.1 Validation of the Instrument

Validity was established using face validity and content validity through expert review. This ensured

the instrument adequately represented the constructs under study.

3.2.2 Reliability of the Instrument

Internal consistency reliability was tested using Cronbach’s Alpha, with a benchmark of 0.60–0.70. Inter-item correlation was also assessed (benchmark ≥ 0.5).

Table 3.4: Summary of Reliability Statistics

Assessment	Cronbach’s Alpha	Cronbach’s Alpha Based on Standardized Items	Number of Items	Remark	Assessment
Process Strategy	. 892	.895	4	Reliable	Process Strategy
People Strategy	. 704	.724	4	Reliable	People Strategy
Physical Evidence	. 719	.916	4	Reliable	Physical Evidence
Promotion Strategy	. 743	.748	4	Reliable	Promotion Strategy
Firm Performance	. 884	.889	7	Reliable	Firm Performance

Source: SPSS Output (2019)

All variables exceeded the 0.70 threshold, confirming strong internal consistency and statistical reliability.

3.2.3 Administration of Instrument

The questionnaire was self-administered, with assistance from a research assistant where necessary. Agencies were visited twice:

1. First visit – Administration
2. Second visit – Retrieval

A 3 to 4 - day interval was allowed to ensure adequate response time.

3.3 Data Analysis Method

Data were coded and analysed using SPSS Version 20. Reliability tests were conducted, and hypotheses were tested using regression analysis to determine the extent to which variations in marketing strategies explain variations in firm performance.

4.0 RESULTS AND DISCUSSION

4.1 Response Rate and Demographic Profile

Out of 100 questionnaires administered, 75 were returned and valid for analysis, representing a 75% response rate. Data were analysed using SPSS.

Table 4.1: Demographic Characteristics of Respondents (n = 75)

Variable	Category	%
Gender	Female	60.4
	Male	39.6
Age (Years)	18–25	32.0
	26–33	54.7
	34–41	9.3
	42–49	4.0
Education	SSCE	13.3
	ND/NCE	42.7
	HND	28.0
	BSc/PGD	10.7
	MSc/MBA/PhD	5.3
Experience	1–5 years	58.7
	6–10 years	21.3
	≥11 years	20.0
Designation	Low level	65.3
	Middle level	33.3
	Top management	1.3

The workforce was predominantly female and relatively young (86.7% below 34 years). Most respondents possessed diploma-level qualifications and had less than six years of experience, reflecting a junior-dominated organisational structure.

4.2 Descriptive Statistics of Study Variables

All marketing strategy dimensions recorded mean scores above 4.0 on a 6-point scale, indicating general agreement that these strategies were actively implemented.

Table 4. 2: Summary of Descriptive Statistics

Variable	Grand Mean	Std. Dev.
Process Strategy	4.46	1.43
People Strategy	4.72	1.16
Physical Evidence	4.58	1.21
Promotion Strategy	4.64	1.19
Firm Performance	4.76	0.96

People strategy recorded the highest mean (4.72), suggesting strong emphasis on staff training, customer care, and relationship management. Firm performance also recorded a high grand mean (4.76), particularly in employee retention and customer satisfaction. Standard deviations indicate moderate variability in perceptions across respondents.

4.3 Hypotheses Testing

Simple linear regression analysis was conducted to test the effect of each marketing strategy dimension on firm performance. The general regression model is expressed as:

$$FP = \alpha + \beta X + \mu \tag{4.1}$$

Where: *FP* = Firm Performance, *X* = Marketing strategy variable, α = Constant, β = Regression coefficient, μ = Error term

4.3.1 Effect of Process Strategy on Firm Performance

Table 4.3: Regression Result (Process Strategy → Firm Performance)

R	R ²	F	β	t	Sig.
.343	.118	9.753	.360	3.123	.003

Process strategy explains 11.8% of the variation in firm performance ($R^2 = .118, p < .05$).

Regression equation: $FP = 26.950 + 0.360(PsS) + \mu \tag{4.2}$

Process strategy has a positive and significant effect on firm performance. H01 is rejected.

4.3.2 Effect of People Strategy on Firm Performance

Table 4.4: Regression Result (People Strategy → Firm Performance)

R	R ²	F	β	t	Sig.
.295	.087	6.947	.452	2.636	.010

People strategy accounts for 8.7% of the variation in performance ($R^2 = .087, p < .05$).

$$FP = 24.835 + 0.452(PeS) + \mu \quad 4.3$$

The coefficient ($\beta = .452$) indicates a significant positive relationship. H02 is rejected.

4.3.3 Effect of Physical Evidence on Firm Performance

Table 4.5: Regression Result (Physical Evidence → Firm Performance)

R	R ²	F	β	t	Sig.
.489	.239	22.940	.716	4.790	.000

Physical evidence explains 23.9% of performance variation ($R^2 = .239$, $p < .001$).

$$FP = 20.241 + 0.716(PhS) + \mu \quad 4.4$$

This dimension exhibits the strongest explanatory power among the variables tested. H03 is rejected.

4.3.4 Effect of Promotion Strategy on Firm Performance

Table 4.6: Regression Result (Promotion Strategy → Firm Performance)

R	R ²	F	β	t	Sig.
.488	.238	22.776	.713	4.772	.000

Promotion strategy accounts for 23.8% of performance variation ($R^2 = .238$, $p < .001$).

$$FP = 20.128 + 0.713(PrS) + \mu \quad 4.5$$

Promotion strategy significantly predicts firm performance. H04 is rejected.

4.4 Discussion

As shown in **Table 4.1**, the workforce of the sampled travel agencies is predominantly female (60.4%) and relatively young (86.7% below 34 years). Most respondents possess diploma-level qualifications and less than six years of work experience, reflecting a junior-dominated operational structure. This demographic profile has important implications for the implementation of people and process strategies, particularly in high-contact service environments where frontline employees play a critical role in value co-creation.

The descriptive statistics in **Table 4.2** indicate that all marketing strategy dimensions recorded grand mean scores above 4.0 on a 6-point scale, demonstrating active implementation across the agencies. People strategy (Mean = 4.72) and promotion strategy (Mean = 4.64) were particularly prominent, suggesting strong managerial emphasis on staff quality and integrated communication efforts. Firm performance also recorded a high grand mean (4.76), reflecting positive perceptions of financial and non-financial outcomes, including customer satisfaction, employee retention, and market share.

Hypotheses testing results, summarized in **Tables 4.3–4.6**, confirm that all four service marketing mix strategies significantly influence firm performance. **Table 4.3** shows that process strategy significantly predicts performance ($R^2 = 0.118$, $\beta = 0.360$, $p = 0.003$), supporting the argument that streamlined service flow, efficient operational routines, and technological responsiveness enhance customer satisfaction and operational efficiency. **Table 4.4** indicates that people strategy, while accounting for a smaller proportion of variance ($R^2 = 0.087$, $\beta = 0.452$, $p = 0.010$), remains statistically significant, underscoring the importance of staff competence, training, and customer orientation in service delivery.

The most substantial effects were observed for physical evidence and promotion strategies. **Table 4.5** shows that physical evidence explains 23.9% of performance variation ($R^2 = 0.239$, $\beta = 0.716$, $p < 0.001$), highlighting the critical role of tangible service cues, environmental aesthetics, and professional presentation in building customer trust. Similarly, **Table 4.6** shows that promotion strategy explains 23.8% of performance variation ($R^2 = 0.238$, $\beta = 0.713$, $p < 0.001$), emphasizing the strategic importance of integrated communication efforts for enhancing visibility, brand perception, and customer engagement.

Overall, these results confirm that all four dimensions of the service marketing mix function as key strategic capabilities. Physical evidence and promotion strategies emerged as the strongest predictors, while process and people strategies, though explaining smaller portions of variance, remain vital for operational efficiency, customer satisfaction, and sustainable performance in travel agencies.

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4.5 Conclusion

This study set out to examine the extent to which selected service marketing mix strategies—process, people, physical evidence, and promotion—predict firm performance in the travel agency sector within an emerging economy. Grounded in the Resource-Based View and Dynamic Capability Theory, the

study conceptualized these marketing dimensions as strategic resources and capabilities capable of generating sustained competitive advantage. The empirical findings provide strong support for this theoretical position.

All four dimensions of the service marketing mix were found to exert positive and statistically significant effects on firm performance. Notably, physical evidence and promotion strategies demonstrated the strongest explanatory power, underscoring the importance of tangible service cues, environmental aesthetics, branding signals, and integrated communication efforts in building customer trust and enhancing market visibility. Process strategy also significantly improved performance outcomes by strengthening operational efficiency, service consistency, and responsiveness to customer needs. Although people strategy explained a relatively smaller proportion of variance, its significance confirms the enduring strategic value of employee competence, relational skills, and customer-oriented behavior in high-contact service environments.

Collectively, these findings reinforce the strategic relevance of the extended service marketing mix in intermediary-based service industries facing digital disruption and intense competition. The results suggest that travel agencies in emerging economies can enhance performance by adopting an integrated and capability-driven approach to marketing strategy implementation rather than relying on isolated tactical interventions.

Beyond its practical implications, the study contributes to the literature by providing disaggregated empirical evidence from a relatively underexplored sector and context. It affirms that service marketing strategies, when aligned with organizational resources and adaptive capabilities, constitute critical drivers of sustainable firm performance.

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