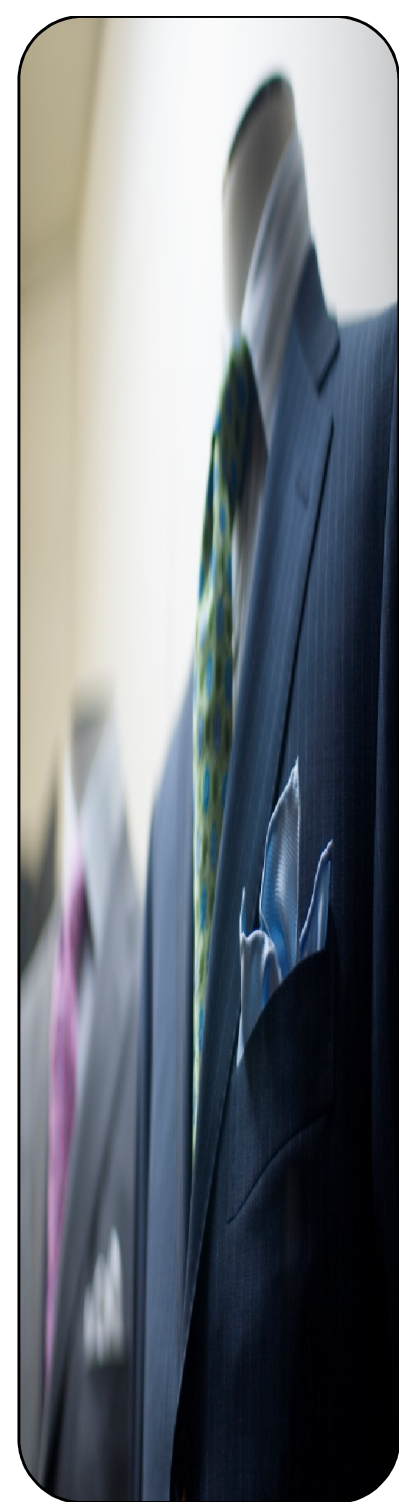


CHAPTER 5



Distributing *Services* Through *Physical and* *Electronic Channels*



Overview Of Chapter 5



- **Distribution in a Services Context**
- **Determining Type of Contact: Options for Service Delivery**
- **Place and Time Decisions**
- **Delivering Services in Cyberspace**
- **The Role of Intermediaries**
- **Distributing Services Internationally**



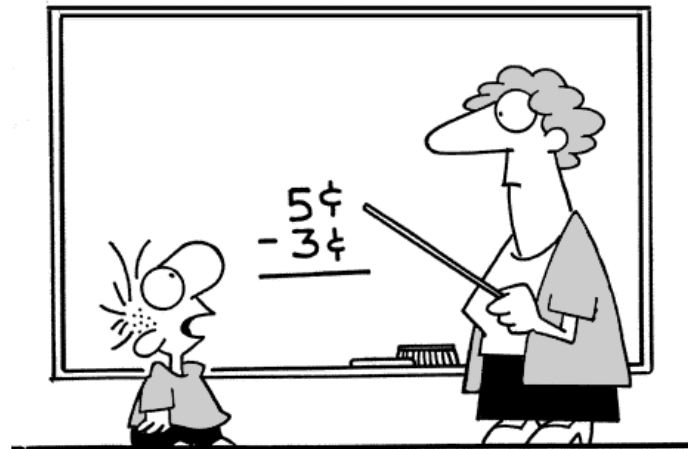
Distribution in a Services Context

Distribution in a Services Context



- In a services context, we often move nothing
- Experiences, performances and solutions are not being physically shipped and stored
- More and more informational transactions are conducted through electronic and not physical channels

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"Thanks, but I'd rather get my financial advice off the Internet."



Determining Type of Contact: Options for Service Delivery

Distribution Options for Serving Customers



- **Customers visit service site**
 - Convenience of service factory locations and operational schedules important when customer has to be physically present
- **Service providers go to customers**
 - Unavoidable when object of service is immovable
 - Needed for remote areas
 - Greater likelihood of visiting corporate customers than individuals
- **Service transaction is conducted remotely**
 - Achieved with help of logistics and telecommunications

Six Options For Service Delivery

(Table 5.1)



Type of Interaction between Customer and Service Organization	Availability of Service Outlets	
	Single Site	Multiple Sites
Customer goes to service organization	Theater Hair salon	Bus service Fast-food chain
Service organization comes to customer	House painting Mobile car wash	Mail delivery Banking branch network
Customer and service organization transact remotely (mail or electronic communications)	Credit card company Local TV station	Broadcast network Telephone company

Another way to look at it: Can a service provider add or change the service outlet structure to increase sales/add convenience?

Examples: Movie Rentals / Electric Power / Food / Education

Channel Preferences Vary Among Customers



- **For complex and high-perceived risk services, people tend to rely on personal channels**
- **Individuals with greater confidence and knowledge about a service/channel tend to use impersonal and self-service channels**
- **Customers who are more technology savvy**
- **Customers with social motives tend to use personal channels**
- **Convenience is a key driver of channel choice**



Place and Time Decisions

Places of Service Delivery (1)



- **Cost, productivity and access to labor are key determinants to locating a service facility**
- **Locational constraints**
 - **Operational requirements**
 - **Airports**
 - **Geographic factors**
 - **Ski Resorts**
 - **Need for economies of scale**
 - **Hospitals**



Places Of Service Delivery (2)



● **Ministores**

→ **Creating many small service factories to maximize geographic coverage**

- **Automated kiosks**

→ **Separating front and back stages of operation**

- **Taco Bell**

→ **Purchasing space from another provider in complementary field**

- **Dunkin Donuts with Burger King**

● **Locating in Multipurpose Facilities**

→ **Proximity to where customers live or work**

- **Service Stations**

Time of Service Delivery



- **Traditionally, schedules were restricted**
 - **Service availability limited to daytime, 40-50 hours a week**
- **Today**
 - **For flexible, responsive service operations:**
 - **24/7 service – 24 hours a day, 7 days a week, around the world (Service Insights 5.2)**



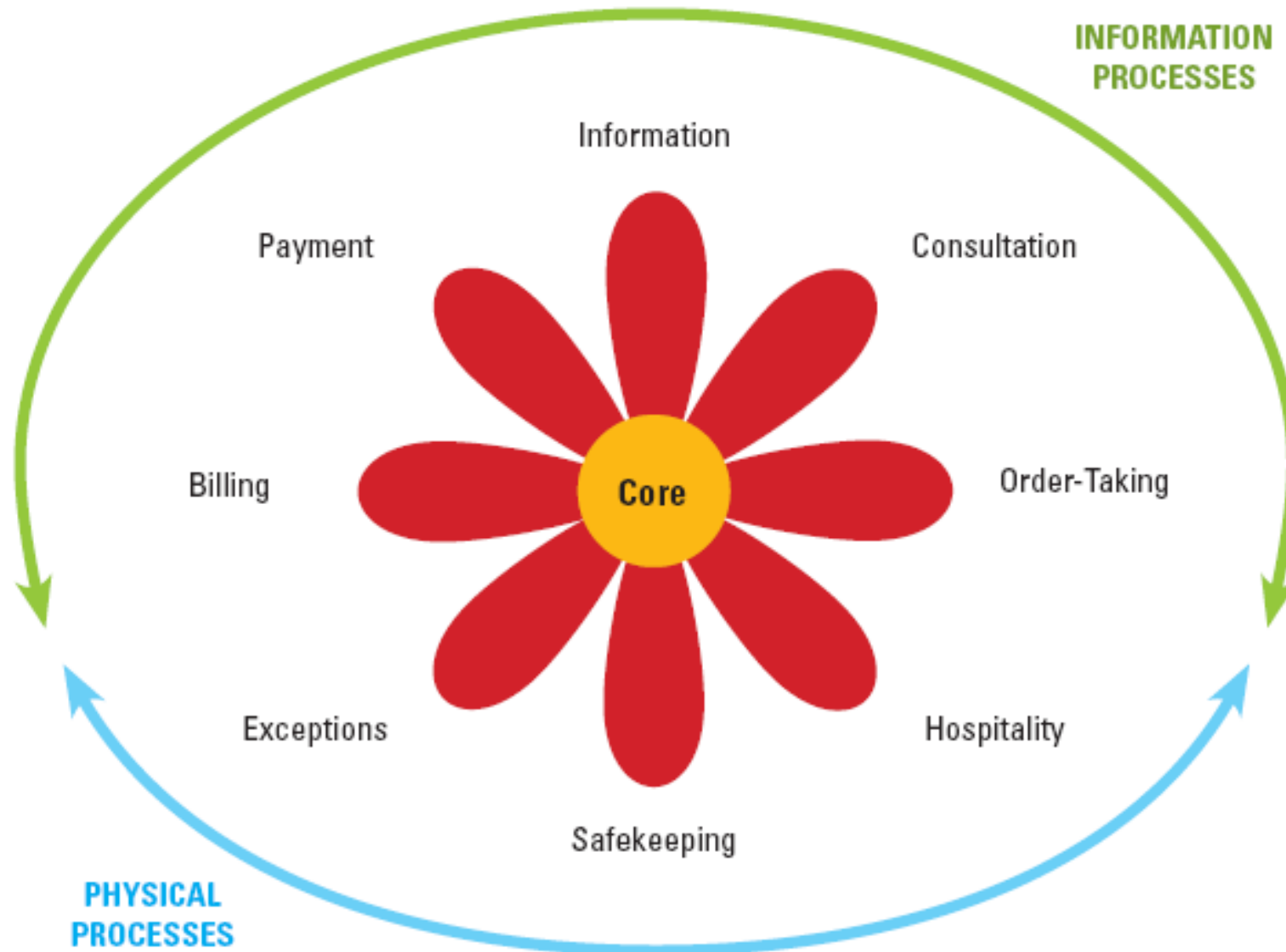
Delivering Services in Cyberspace

Distribution of Supplementary Services in Cyberspace



- **Five of the supplementary services are information-based**
- **These services can all be distributed electronically. They are:**
 - **Information**
 - **Consultation**
 - **Order-taking**
 - **Billing**
 - **Payment**
- **Distribution of information, consultation and order-taking has reached very sophisticated levels in global service industries (e.g., hotels, airlines, car rental companies)**

Information and Physical Processes of Augmented Service Product (Fig 5.11)



Service Delivery Innovations Facilitated by Technology



● Technological Innovations

→ Development of “smart” mobile telephones and PDAs, and Wi-Fi high-speed Internet technology that links users to Internet from almost anywhere

→ Voice-recognition technology

→ Web sites

→ Smart cards

- Store detailed information about customer
- Act as electronic purse containing digital money

● Electronic channels can be offered together with physical channels, or take the place of physical channels

e-Commerce: Move to Cyberspace

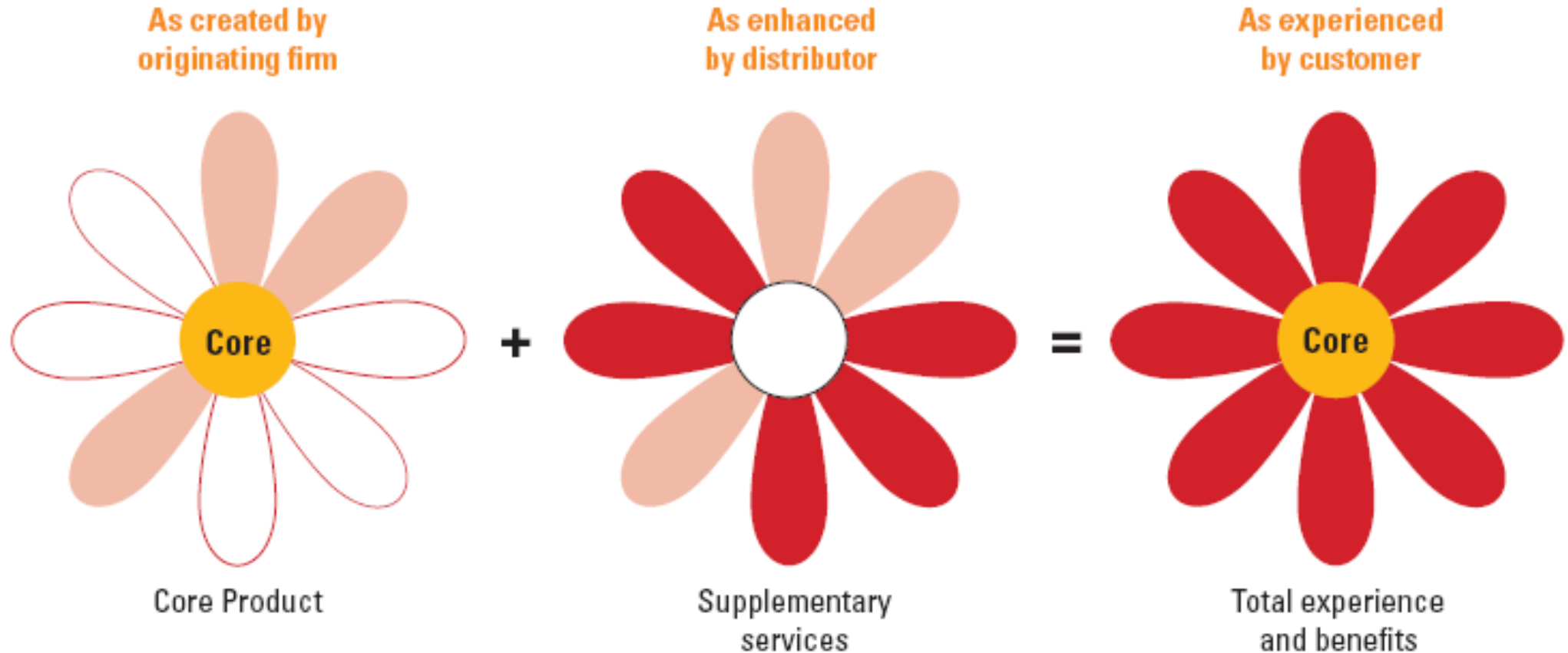


- **Among the factors luring customers to virtual stores are:**
 - **Convenience**
 - **Ease of search**
 - **Broader selection**
 - **Potential for better prices**
 - **24-hour service with prompt delivery**
- **Recent Developments link websites, customer management (CRM) systems, and mobile telephony**
- **Integrating mobile devices into the service delivery infrastructure can be used as means to:**
 - **Access services**
 - **Alert customers to opportunities/problems**
 - **Update information in real time**



The Role of Intermediaries

Splitting Responsibilities For Supplementary Service Elements (Fig. 5.16)



Challenges for original supplier

- *Act as guardian of overall process*
- *Ensure that each element offered by intermediaries fits overall service concept*

Franchising (1)



- Popular way to expand delivery of effective service concept, without a high level of monetary investments compared to rapid expansion of company-owned and -managed sites
- Franchisor provides training, equipment and support marketing activities. Franchisees invest time and finance, and follow copy and media guidelines of franchisor
- Growth-oriented firms like franchising because franchisees are motivated to ensure good customer service and high-quality service operations
- Study shows significant attrition rate among franchisors in the early years of a new franchise system
 - One third of all systems fail within first four years
 - Three fourths of all franchisors cease to exist after 12 years

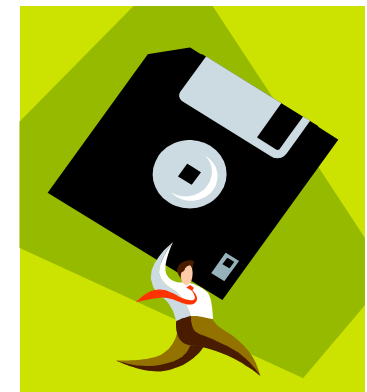


● Disadvantages of franchising

- Some loss of control over delivery system and, thereby, over how customers experience actual service
- Effective quality control is important but yet difficult
- Conflict between franchisees may arise especially as they gain experience

● Alternative: license another supplier to act on the original supplier's behalf to deliver core product, e.g.

- Trucking companies
- Banks selling insurance products





Distributing Services Internationally

How Service Processes Affect International Market Entry (1)



- **People processing services require direct contact with customers**
 - **Export service concept**
 - **Acting alone or in partnership with local suppliers**
e.g., chain restaurants, hotels, car rental firms
 - **Import Customers**
 - **Inviting customers from overseas to firm's home country**
e.g., hospitals catering to “medical tourism”
 - **Transport customers to new locations**
 - **Passenger transportation (air, sea, rail, road)**

How Service Processes Affect International Market Entry (2)



- **Possession processing involves services to customer's physical possessions**
 - e.g., repair and maintenance, freight transport
- **Information-based services include mental processing services and information processing services**
 - **Export the service to a local service factory**
 - Hollywood film shown around the world
 - **Import customers**
 - **Export the information via telecommunications and transform it locally**
 - Data can be downloaded via CDs or DVDs

Summary of Chapter 5: Distributing Services



- **Distribution in services often involve moving nothing and many information-based services can be distributed electronically**
- **Options for service delivery include:**
 - **Customers visit the service site**
 - **Service providers go to their customers**
 - **Service transaction is conducted remotely**
- **Channel preferences vary among customers**
- **Place and time decisions include where services should be delivered in bricks-and-mortar context, when it should be delivered**
- **Delivery in cyberspace is facilitated by technology and e-commerce allows 24-hour delivery, saving time and effort**
- **Intermediaries play roles in distributing services**
 - **Franchising brings both advantages and disadvantages to the firm**
- **Service processes affect international market entry differently**