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
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

"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
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

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Read online article: *Houston Aims to be Electric Car Capital*  Feb. 16, 2010  Source:  http://news.cnet.com/8301-11129_3-10454610-54.html?tag=newsEditorsPicksArea.0
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
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
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
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
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
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
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)
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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
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.