Services Marketing

Chapter 5:
Distributing Services Through Physical And Electronic Channels

Recap

- **Which course week are we? Which book part are we addressing?**

- **Which are the TWO main categories of supplementary services?**

- **Which are facilitating services?**

- **Which are enhancing services?**

- **What are the branding strategies?**

FB, IG, Uber:

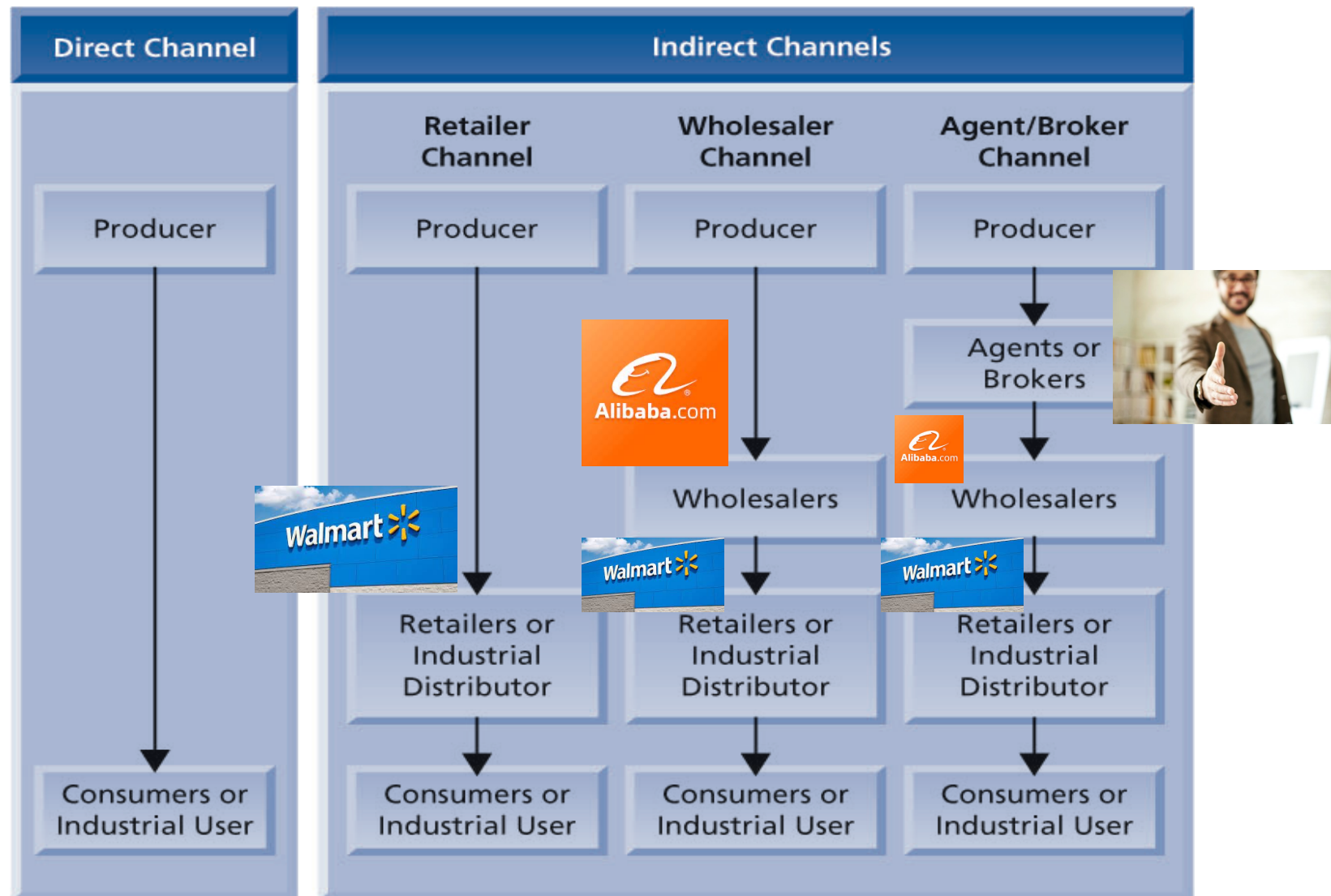# What is the basis of their high scalability?

Premises

- ➢ **Distribution Channel**
  - ▪ **A set of interdependent organizations involved in making a good or service available for use or consumption by the consumer or industrial user.**

- ➢ **Channel length**
  - ▪ **The number of levels or different types of intermediaries determines it.**

Types of Distribution Channels (II)

Direct Channel	Indirect Channels		
	Retailer Channel	**Wholesaler Channel**	**Agent/Broker Channel**
Producer	Producer	Producer	Producer
			Agents or Brokers
		Wholesalers	Wholesalers
	Retailers or Industrial Distributor	Retailers or Industrial Distributor	Retailers or Industrial Distributor
Consumers or Industrial User	Consumers or Industrial User	Consumers or Industrial User	Consumers or Industrial User

The 4 'W's Model for SM Placement

- *What* flows through the channel?

- *How* should the service reach the customer?

- *Where* should the service be delivered?

- *When* should the service be delivered?

WHAT: Applying the Flow Model of Distribution to Services

The three interrelated elements of distribution are:

- **Information and promotion flow**
  - ➔ **To get customer interested in buying the service**

- **Negotiation flow**
  - ➔ **To sell the right to use a service**

- **Product flow**
  - ➔ **To develop a network of local sites**

HOW: 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

More expensive and time-consuming for service provider

Service transaction is conducted remotely

Achieved with help of logistics and telecommunications
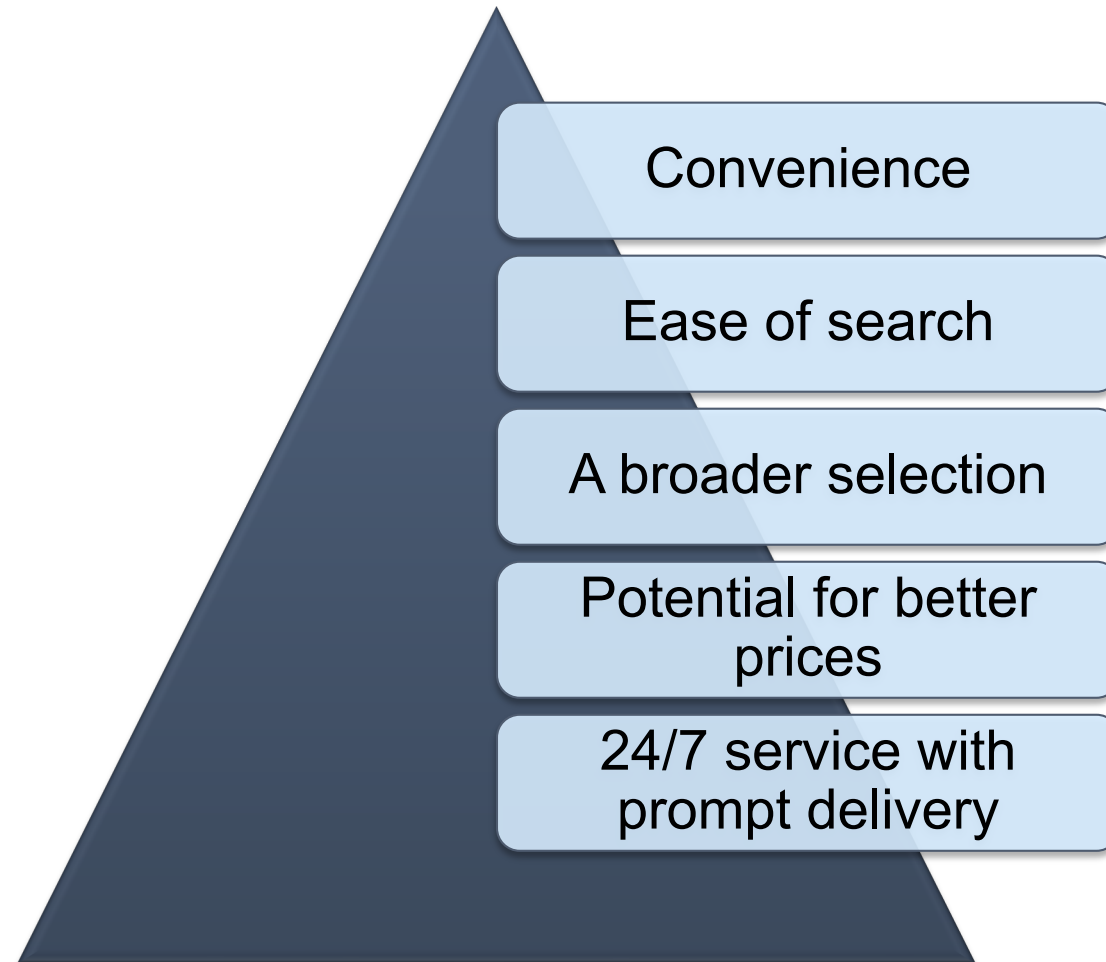
HOW: Channel Preferences Vary Among Customers

- For complex and high-perceived risk services, people tend to rely on personal channels→ Consulting

- Individuals with greater confidence and knowledge about a service/channel tend to use impersonal and self-service channels → Self-service car wash

Convenience is a key driver of channel choice (e.g., gas station)

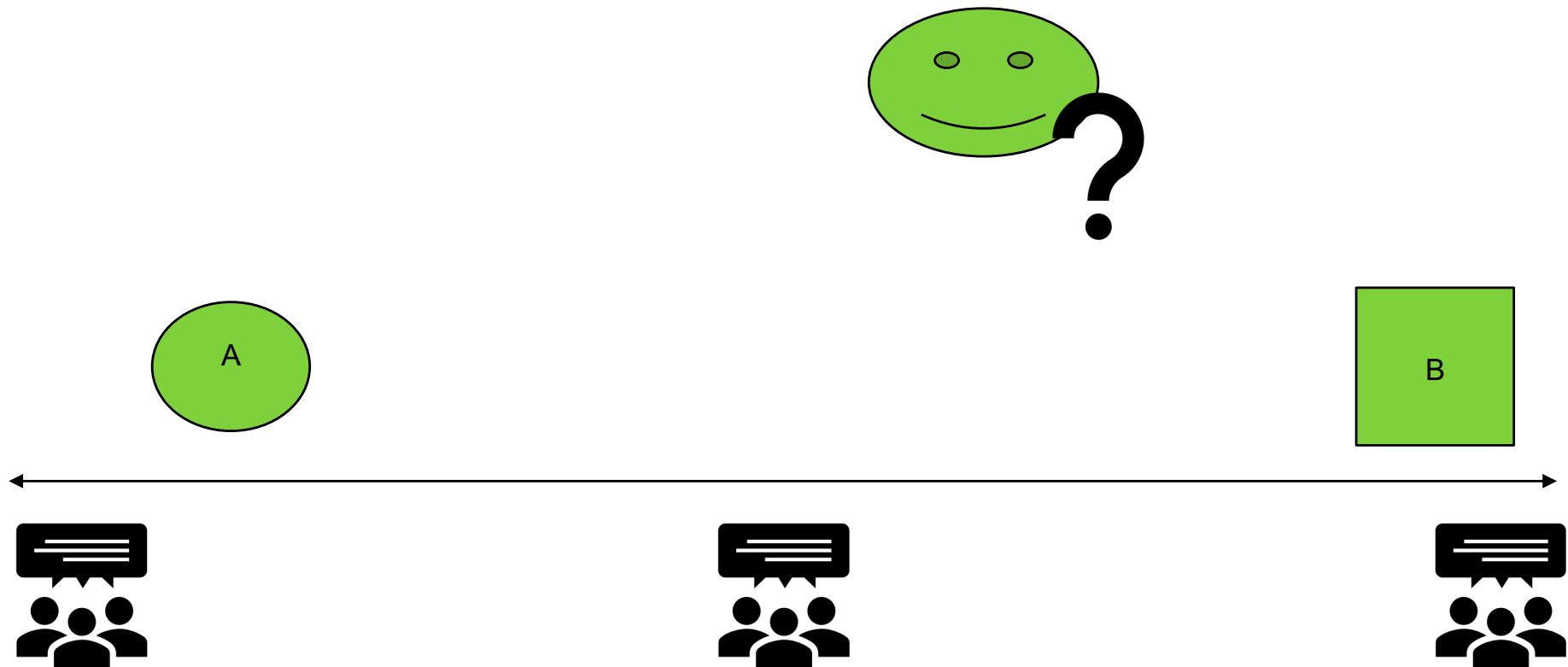Integration is pivotal: similar experience over different channels→ (McDrive)

What are the factors that attract customers to use online services?

Convenience

Ease of search

A broader selection

Potential for better prices
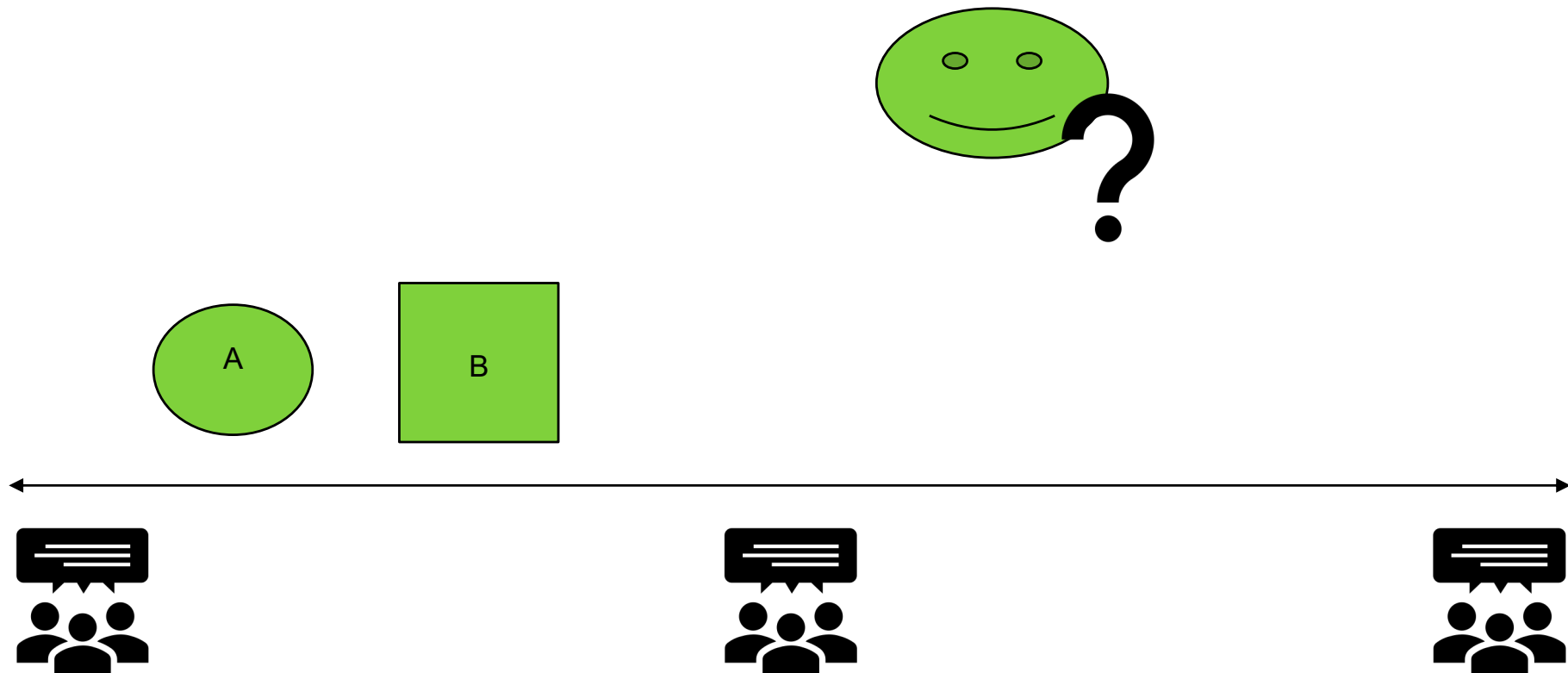
24/7 service with prompt delivery

WHERE: Place Decisions of Service Delivery

- **Cost, productivity, and access to labor are key determinants to locating a service facility. But also population size and characteristics, traffic, competitors in the area, etc.**

- **Location should be consistent with marketing strategy**

- **Location constraints**

  - ➔ **Operational requirement (e.g., airports)**

  - ➔ **Geographic factor (e.g., ski resorts)**

  - ➔ **Need for economies of scale (e.g., hospitals)**
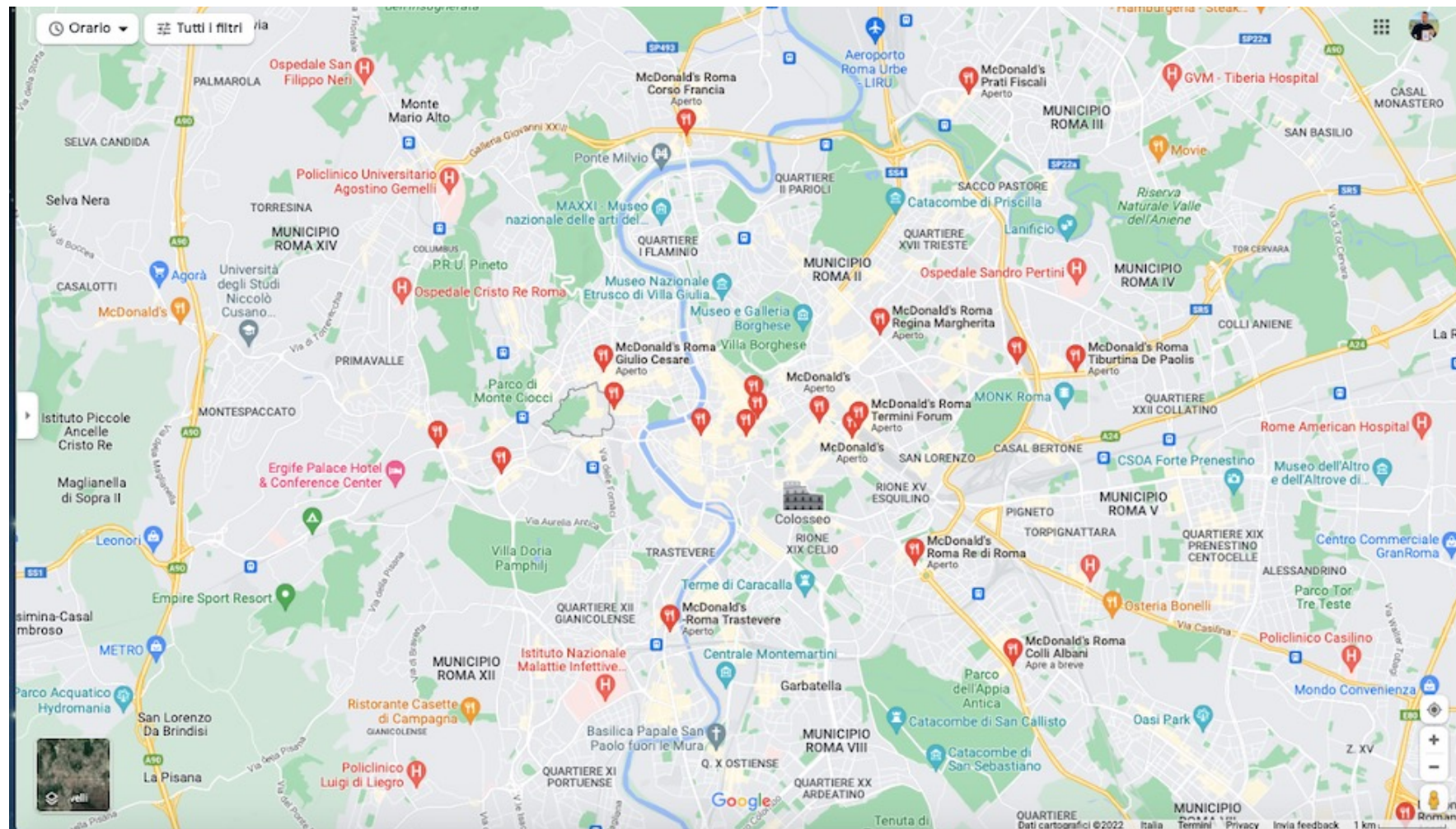
Competition and WHERE

Competition and WHERE

Burger King in Rome

McDonalds in Rome

Innovative Location Strategies

Mini-Stores and Related Location Strategies

- **Automated kiosks**

- **Separating the front and back stages of the operation**

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

WHEN: 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, all around the world**
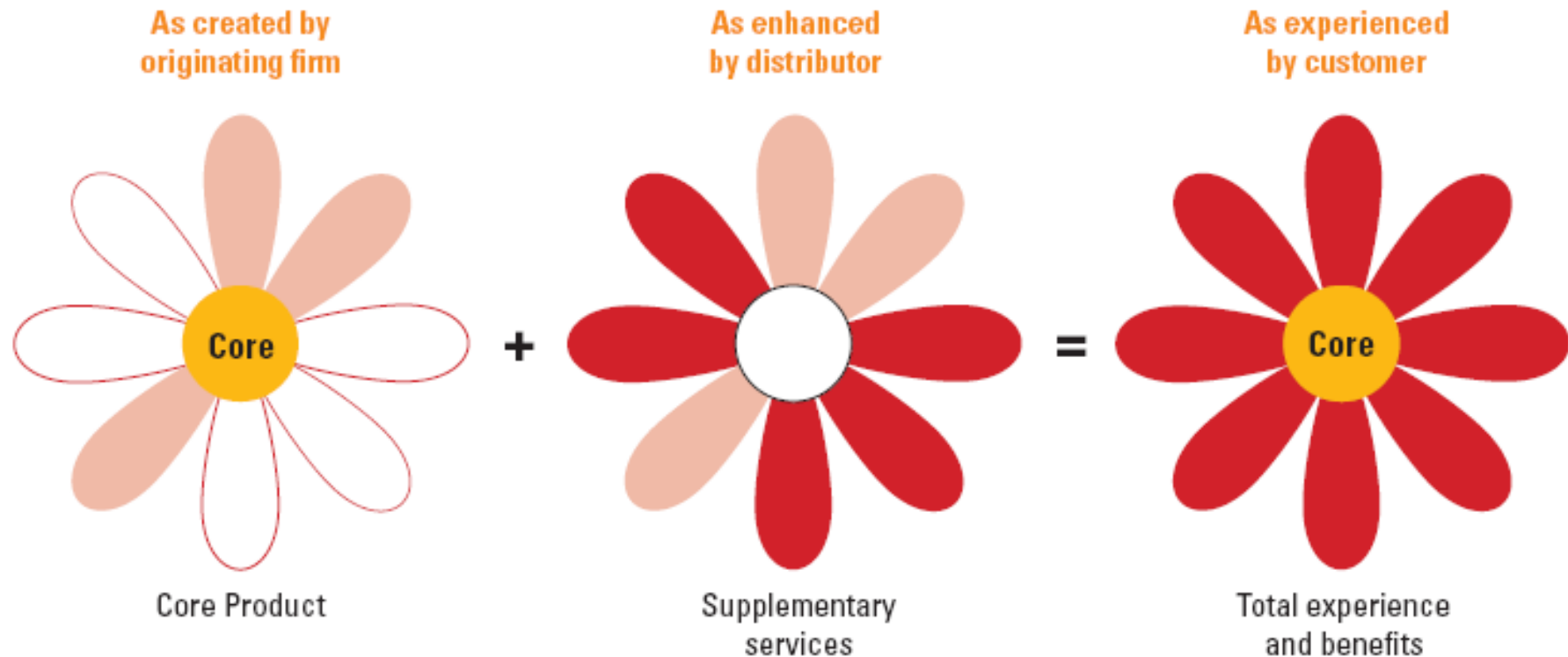
  ➔ **Cost-benefit analysis**

Role of Intermediaries

The Role of Intermediaries

- **Many service organizations find it cost-effective to outsource certain aspects of distribution.**

- **This delegation predominantly concerns supplementary service elements.**

- **Analysis of benefits and costs of alternative distribution channels.**

Splitting Responsibilities for Service Delivery

As created by originating firm — Core Product

As enhanced by distributor — Supplementary services

As experienced by customer — Total experience and benefits

Challenges for original supplier   https://www.balloonmuseum.it

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