



SERVICE MARKETING

CHAPTER 5: DISTRIBUTING SERVICES THROUGH PHYSICAL AND ELECTRONIC CHANNELS

OVERVIEW

5.1 Distribution in a Services Context

5.2 Service Delivery

5.3 Place and Time Decisions

5.4 Delivering Services in Cyberspace

DISTRIBUTION IN A SERVICES CONTEXT

INTRODUCTION

Some services spread like wildfire and ramp up with incredible speed

Other services however, may take decades to achieve global distribution

(1)



Gojek is a service company that is currently growing rapidly in the society. Founded in 2010, now Gojek is known to many people nationally and even internationally.

(2)



DHL is the global market leader in the logistic industry. Founded in 1969, DHL took a long journey to be able to reach this point

DISTRIBUTION IN SERVICES CONTEXT

In services, there's often nothing physical products to move

Experiences, performances, and solutions are not physically shipped and stored

More and more informational transactions are conducted via electronic channels

WHAT IS DISTRIBUTED?

3 interrelated flows of distribution:

1. **Information and promotion flow**— to get the customer interested in buying the service
2. **Negotiation flow**— to sell the right to use a service (e.g., sell a reservation or a ticket)
3. **Product flow**—for development of a network of local sites

RELATION OF DISTRIBUTION FLOW

Information flow

relates to the information and potentially consultation petals

Negotiations flow

relates to the order taking and potentially billing and payment petals

Products flow

relates to the remaining petals and core service

DISTINGUISHING BETWEEN DISTRIBUTION OF SUPPLEMENTARY AND CORE SERVICES

Most core services require a physical location

Many supplementary services are informational and can be distributed widely and cost-effectively via other means



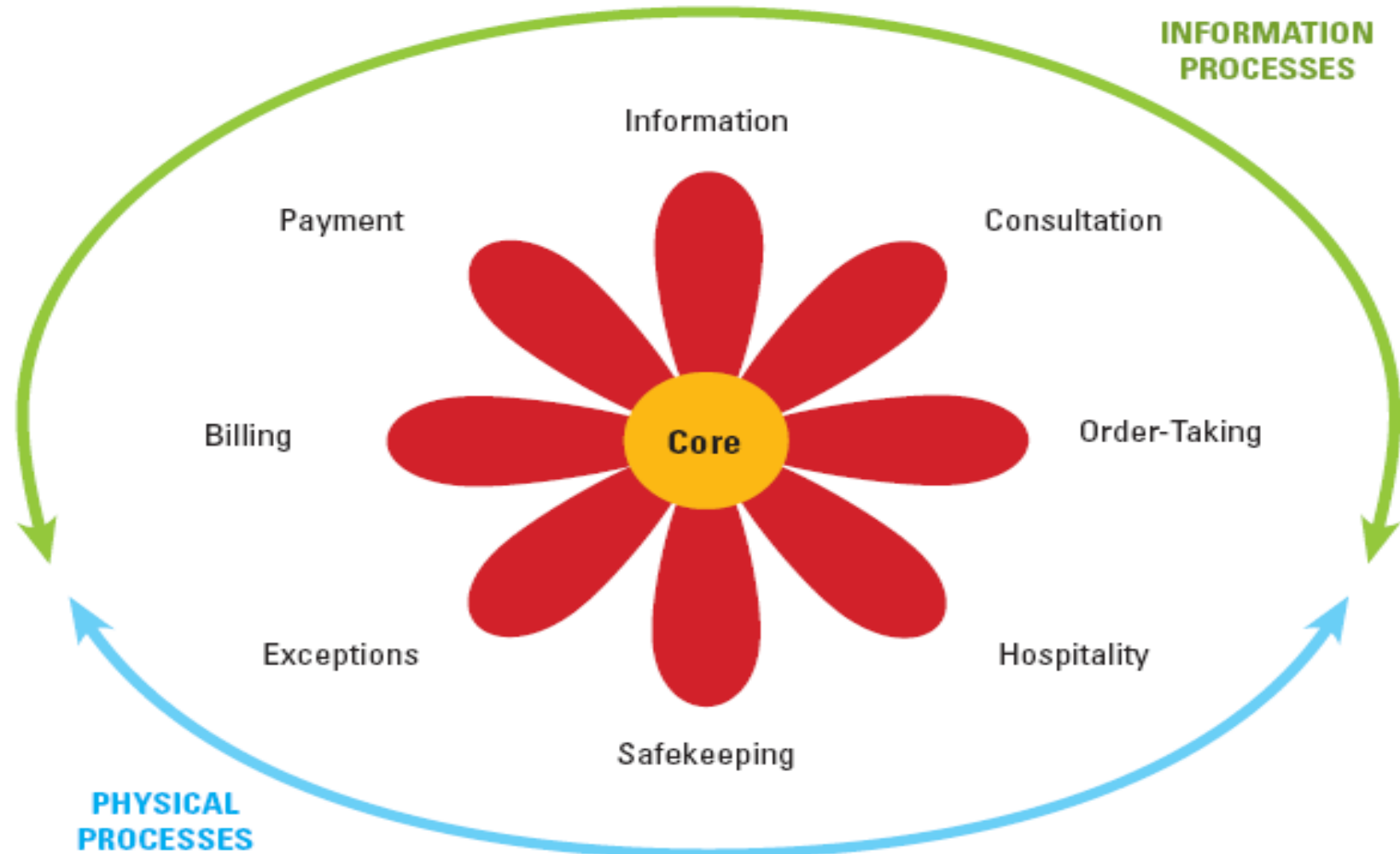
(1)

In picture (1), there is a music performance as a core product of Java Jazz Festival. This show requires a physical location meanwhile for supplementary service such as ticket booking can be distributed via internet

GO TIX
POWERED BY **GOJEK**

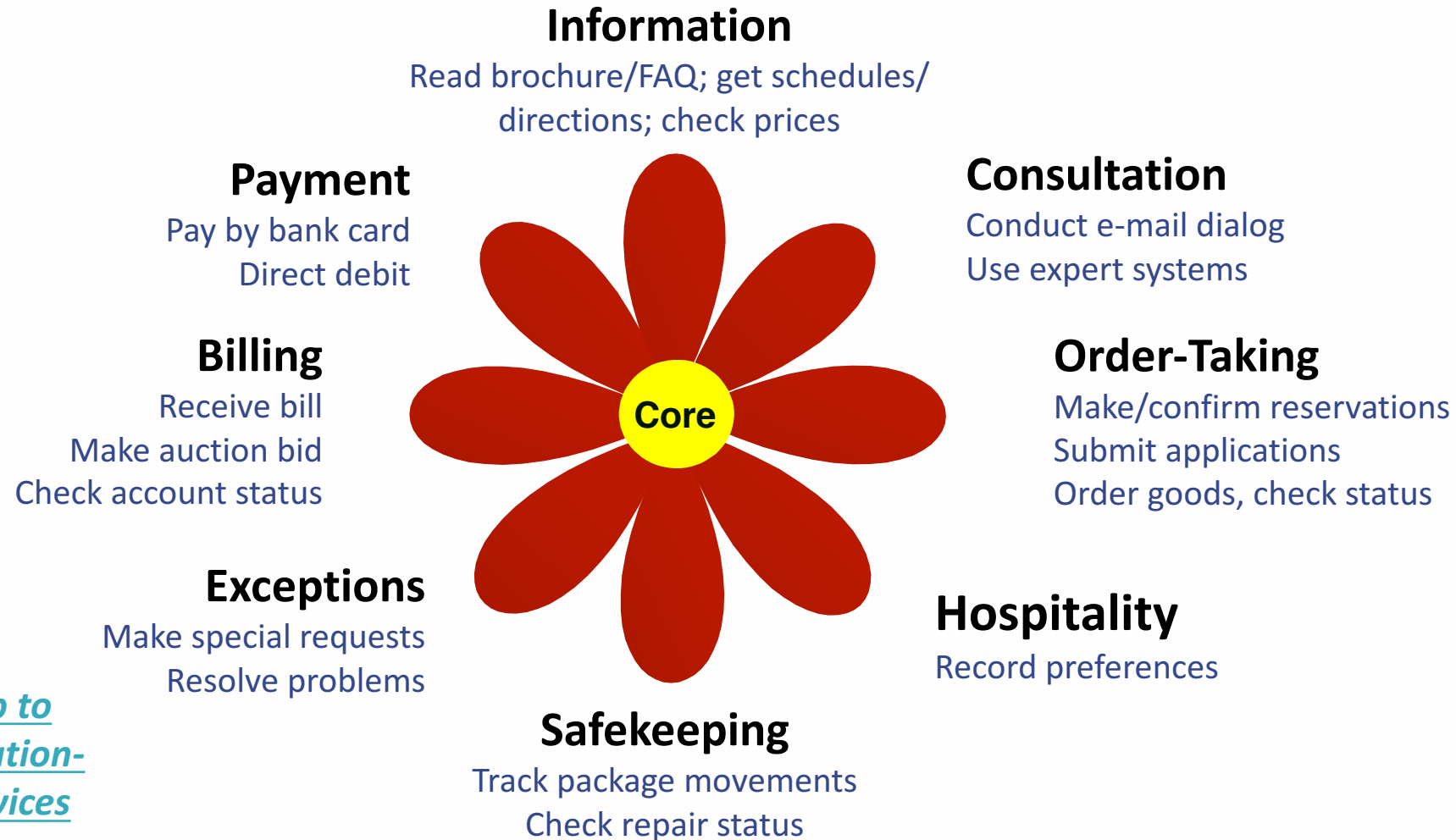
RAJAKARCIS

INFORMATION AND PHYSICAL PROCESSES OF THE AUGMENTED SERVICE PRODUCT



Picture beside shows "flower of service" which its petal has no fewer than five supplementary services (Information, consultation, order-taking, billing, and payment) that can all be transmitted using the digital language of computers

USING WEBSITES FOR SERVICE DELIVERY



CORE: Use Web to deliver information-based core services

SERVICE DELIVERY

HOW SHOULD SERVICES BE DISTRIBUTED?

The key question is:

1. Does the service or the firm's positioning strategy **require customers to be in direct physical contact** with its personnel, equipment, and facilities?
2. Do customers have to **visit the facilities of the service organization**, or will the latter send personnel and equipment to customers' own sites?
3. Can **transactions between provider and customer be completed at arm's length** through the use of either telecommunications or physical channels of distribution?

SIX OPTIONS FOR SERVICE DELIVERY

NATURE OF INTERACTION BETWEEN CUSTOMER AND SERVICE ORGANIZATION	AVAILABILITY OF SERVICE OUTLETS	
	SINGLE SITE	MULTIPLE SITES
Customer goes to service organization	Theater Barbershop	Bus Service Fast-food chain
Service organization comes to customer	House Painting Mobile car wash	Mail delivery Auto club road service
Customer and service organization transact remotely	Credit card company Local TV Station	Broadcast network Telephone company

DISTRIBUTION OPTIONS FOR SERVING CUSTOMERS

CUSTOMERS VISIT SERVICE SITE

Convenience of service factory locations and operational schedules are important when customer has to be physically present



(1)

Picture (1) shows Beauty clinic, a service firm where customers must visit its site to get treated

DISTRIBUTION OPTIONS FOR SERVING CUSTOMERS (2)

SERVICE PROVIDERS GO TO CUSTOMERS

Unavoidable when object of service is immovable

More expensive and time-consuming for service provider



(1)

Picture (1) shows Aramark, a company that provides food service, facilities and uniform services to hospitals, universities, school districts, stadiums and other businesses

DISTRIBUTION OPTIONS FOR SERVING CUSTOMERS (3)

SERVICE TRANSACTION IS CONDUCTED REMOTELY

The service encounters with service personnel are made via with help of logistics and telecommunications



Transvision is a subscription-based direct broadcast satellite provider service for Indonesia which to enjoy its product, one do not need to visit its facility and the transactions are conducted remotely

KEY DRIVERS OF HOW CUSTOMERS CHOOSE CHANNEL

For complex and high perceived risk services, people tend to rely on **personal** channels

Individuals with higher confidence and knowledge about a service and/or the channel tend to **use impersonal and self-service** channels

Customers who look for the functional aspects of a transaction prefer **impersonal and self-service** channels but customers with social motives tend to use **personal** channels

CHANNEL PREFERENCES VARY AMONG CONSUMERS



Customers would feel more comfortable to *apply for credit cards using remote channels* but prefer a *face-to-face transaction when obtaining a mortgage* because it has higher perceived risk than applying a credit cards

CHANNEL PREFERENCES VARY AMONG CONSUMERS



(1)



(2)

For functional aspects like buying train ticket, customers would prefer self-service channels but for social motives such as counselling, customers tend to use personal channels by visiting the facility

PLACE AND TIME DECISIONS

WHERE SERVICE IS DELIVERED AND WHEN IT IS AVAILABLE?

The answer:

1. Understand customer needs and expectations
2. Understand competitive activity
3. Understand the nature of the service operation



KEY DETERMINANTS FOR LOCATING SERVICE FACILITY



**Customer convenience
and preference**



Cost



Productivity



Access to labor

**However, for specialty services,
customers may be willing to
travel further**

EXAMPLE FOR LOCATING SERVICE FACILITY

McDonalds fast-food chains are mostly located near institution, mall, or housing complex which has massive segments



(1)

EXAMPLE FOR LOCATING SERVICE FACILITY (2)



(1)

Airport is a specialty services which requires location that meet the standards even though it may be far from the customers. Nevertheless, customers may still be willing to travel further because there are not many alternative

MINISTORES



(1)

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

Separating front and back stages of operation

ATMs offer many of the functions of a bank branch within a self-service machine that can be located in many areas

LOCATING IN MULTIPURPOSE FACILITIES

The most **reachable locations** for consumer services are close to where customers live or work

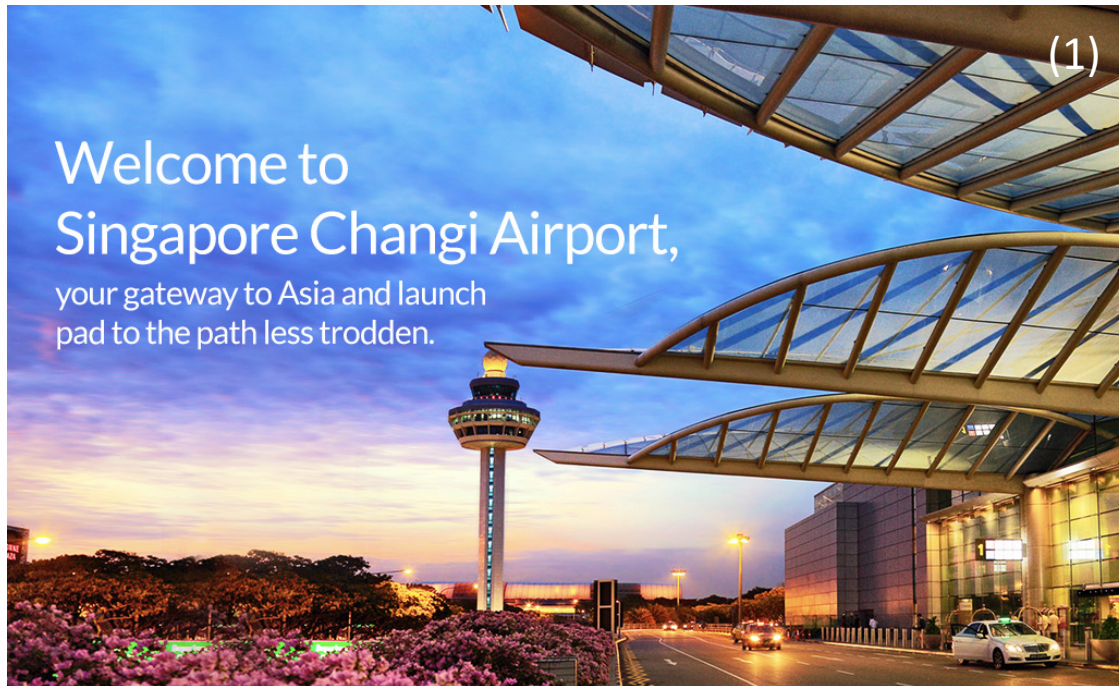
Modern buildings nowadays are designed to be multipurpose, featuring such services as a bank, a restaurant, a hair salon, and several stores



(1)

Picture (1) shows famous concert hall in London, Royal Albert Hall which inaugurated in 1871. There are many regular events that held here including The BBC Promenade Concert, Tennis, Cirque du Soleil, and Classic Brit Awards

CASE: CHANGI AIRPORT



Singapore Changi Airport won the title world's best airport in World Airport Awards by Skytrax for 5 consecutive years. Changi continues to innovate in the choice of products and services for consumers, as well as making the experience of traveling at the airport pleasant and convenient.

CASE: CHANGI AIRPORT

CHANGI FACILITIES



Zona Xperience



Shilla Beauty Loft



Xperience Zone



Cinema



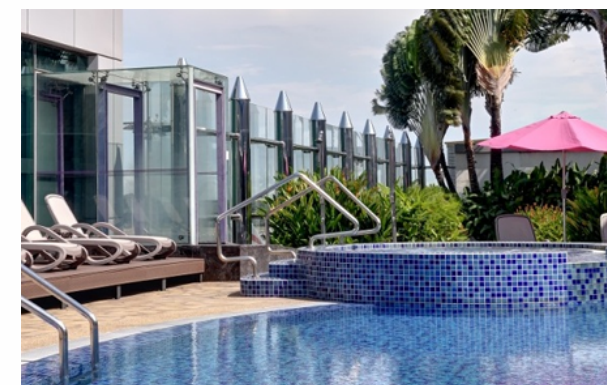
Xbox Kinect, PlayStation 3
& Booth MTV



Hair, Beauty &
Spa Treatments



Wines and Spirits
Duplex Store



Swimming Pool
& Jacuzzi

CASE: CHANGI AIRPORT

CHANGI FACILITIES



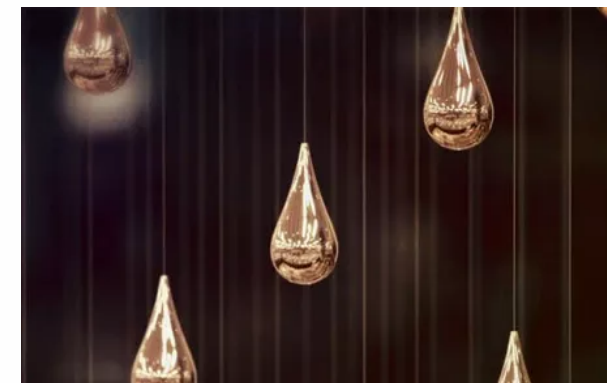
Daisy Installation



Changi flight Gallery



Going Home Installation



Kinetic Rain Installation



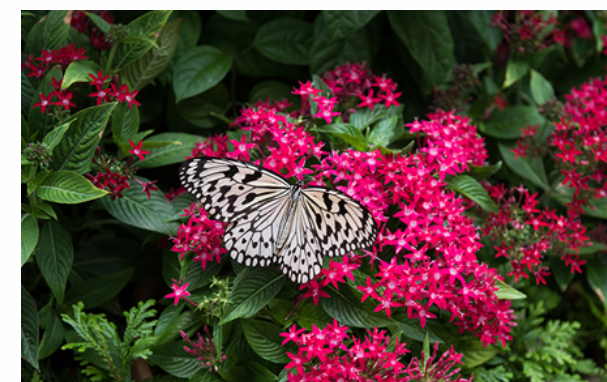
Sculptural Tree Garden



Sunflower Garden



Pesona Garden



Butterfly Garden

LOCATIONAL CONSTRAINTS



Operational Requirement



Geographic Factor



Need for Economies of Scale

Source:
(1) <http://www.airport-ohare.com/images/chicago-o%27hare-airport-outside.jpg>
(2) <http://www.colorado.com/sites/default/master/files/AspenSnowmassPRGondola.jpg>
(3) https://static1.squarespace.com/static/58739c15e3df28a5520f7d94/t/5873afaf893f0b1a0849fd7/1483976627653/06hospital_262522d88ff2113852ce974a323df3a9.jpg?format=1500w

TIME OF SERVICE DELIVERY



Traditionally

Schedules were restricted
Service availability limited to
daytime, 40-50 hours a week



Today

More flexible & responsive
service operations: 24/7
service, 24 hours a day, 7 days
a week, all around the world

FACTORS THAT ENCOURAGE EXTENDED OPERATING HOURS

Economic pressure from consumers

Changes in legislation

Economic incentives to improve asset utilization

Availability of employees to work during “unsocial” hours

Automated self-service facilities

TRADITIONALLY SERVICE DELIVERY EXAMPLE



Some firms however, still doing its business with traditionally time of service delivery.



Many car wash company does not put their operational hours 24/7 because there is almost no demand in midnight

Laboratory like Pramita also open only 15 hours a day due to human resource factor such as the need for accuracy and focusing

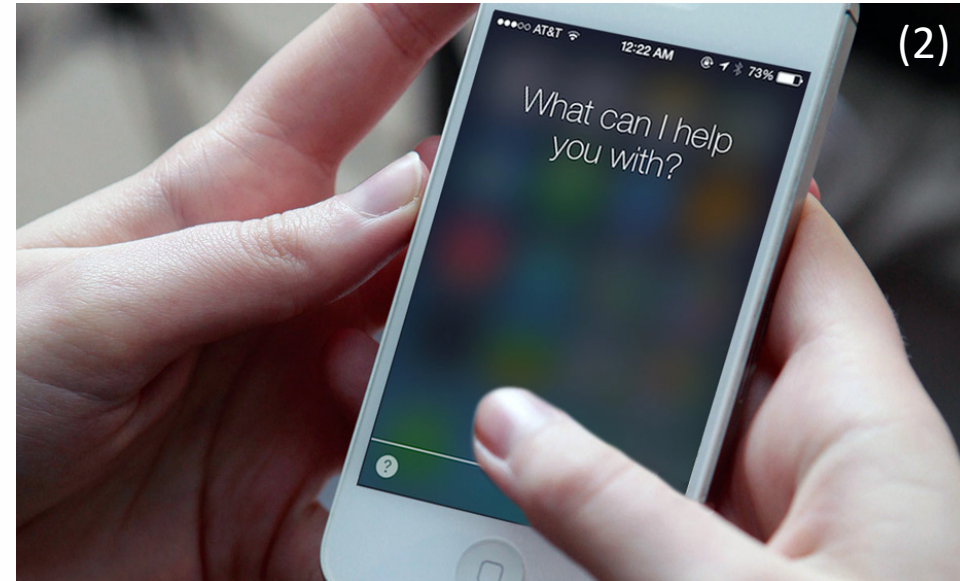
DELIVERING SERVICES IN CYBERSPACE

SERVICE DELIVERY INNOVATIONS FACILITATED BY TECHNOLOGY

1. “Smart” mobile telephones and PDAs and Wi-Fi high-speed Internet technology



2. Voice recognition technology



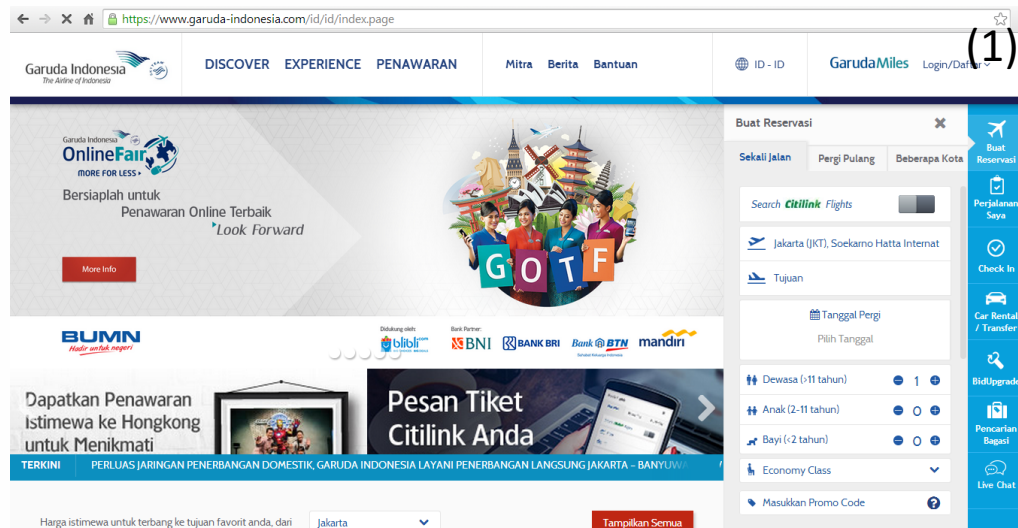
Source:

(1) <https://boygeniusreport.files.wordpress.com/2014/03/siri-ios-7-sign.jpg?quality=98&strip=all>

(2) https://indonesiaoversight.com/wp-content/uploads/2017/05/170420-instagram-mn-0930_9e1528eb95f7e55d40f73029e43d9f35.nbcnews-ux-2880-1000.jpg

SERVICE DELIVERY INNOVATIONS FACILITATED BY TECHNOLOGY (2)

3. Creation of websites



4. "Smart cards" containing a microchip



Singly or in combination, electronic channels offer a complement or alternative to traditional physical channels for delivering information-based services

E-COMMERCE: THE MOVE TO CYBERSPACE

The Internet enables researchers to

Collect data on
consumer
information-
seeking and
search behaviors

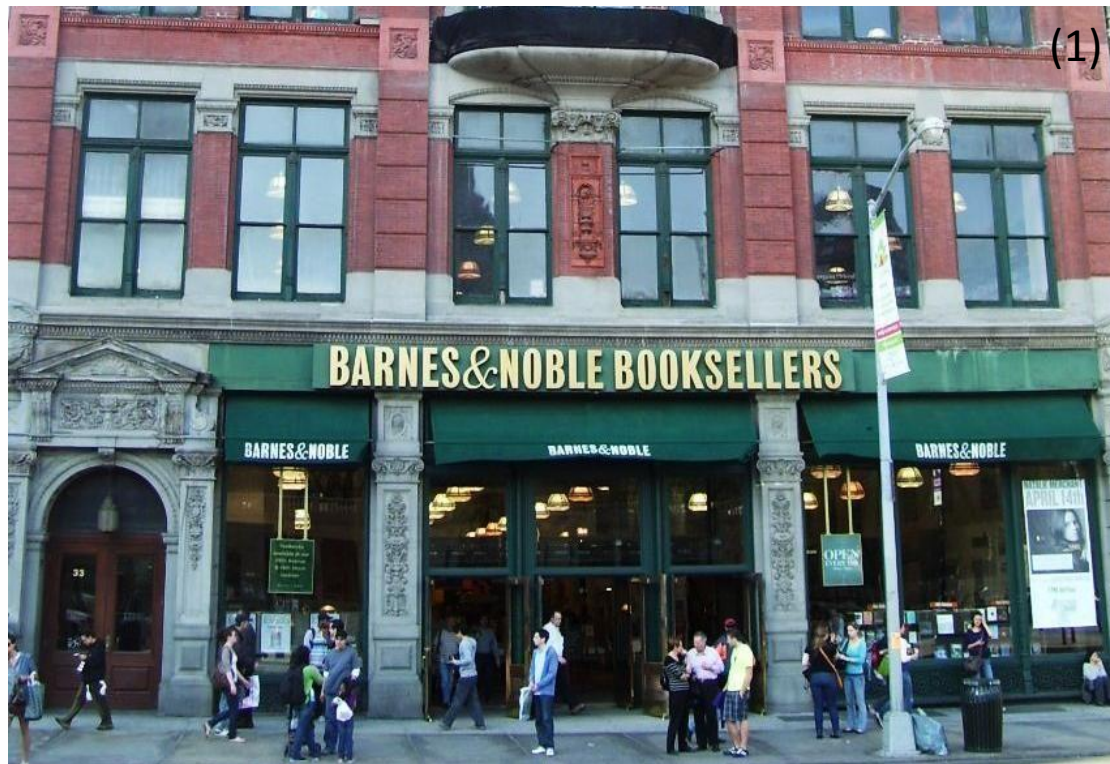
Obtain feedback
quickly from
consumers

Create online
communities to
help market
services



Amazon.com Inc. is an American **electronic commerce** and cloud computing company who pioneered the concept of virtual store. This tech giant is the largest Internet-based retailer in the world by total sales and market capitalization

BARNES AND NOBLE



Retailers, such as Barnes and Noble, have a strong Internet presence to complement their physical stores in an effort to counter competition from “cyberspace retailers”

However, adding an Internet channel to an already established physical channel is a double-edged strategy. It requires high capital set-up costs, and no one can be sure whether the investment will lead to long-term profits and high growth

THE FACTORS THAT ENCOURAGE THE USE OF VIRTUAL STORES



Convenience



Ease of search



Broader selection



Potential for better prices



24-hour service with prompt delivery

THE MOVE TO CYBERSPACE

Recent developments: link of websites, customer management (CRM) systems, and mobile telephony

Integrating mobile devices into the service delivery infrastructure **can be used as means to:**

1. Access services
2. Alert customers to opportunities/problems
3. Update information in real time

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