**Managing Services**
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**Lecture – 28**
**Distributing Services**

Hello, this is Jayanta Chatterjee from IIT, Kanpur and we are discussing Managing Services contemporary issues. In the over the last few weeks, we have covered several elements of services, management, strategies. We normally often use the acronym seven P's to discuss this mix of strategies, the services marketing strategies as well as operation strategies, because as we have discussed in services, marketing in operations are often not very easily distinguished, they are quite integrated and that is why we have models like servuction which we have discussed before.

Now, of the seven P's that we had discussed before, elements like the service product, the service product architecture, the constituting elements of service as a product we have discussed in detail. We have discussed about process another P, we have discussed about people another P, we have discussed about physical evidence, the service environment, we might discuss a little bit more about those service setting, service environment or what we often call service scalp issues in a later session, if time permits.

We have also discussed about promotion, customer education and how they are integrated in service contacts very often. Now, we have three major P's left, namely Place, Price and today we are going to discuss about this P called Place. So, the original four P's which are Product, Promotion, Place and Price had a very tight coupling. In services we will see today, that how those couplings are now kind of flexible and new business models are emerging from the interfaces between these strategy elements.

So, all businesses have to reach the customer and therefore, they need to create touch points and initially these touch points were controlled by the organizations themselves and later on it incorporated various other partners. Fundamentally, in creating a distribution structure from the factory or from the place, where the value is packaged to the place where the value is delivered to the customer, constituted the so called delivery chain and in this delivery change, the focus is always been on reducing transaction cost. To borrow from the product world, a customer, a consumer needs various personal care products, needs various food and beverage items, needs various other lifestyle products.

If all those products that could be sourced individually from each manufacturer, then the number of transactions would have been those many, the number of items equal to the number of transactions. But, if there are aggregators in between, people who put together these various elements desired by the consumer, then the consumer has one touch point to acquire all these various products.

In some ways in services also therefore, in designing the delivery architecture, the focuses always been on earlier, is always been on managing the transaction cost and managing the logistics of delivery, schedule, cost and so on.

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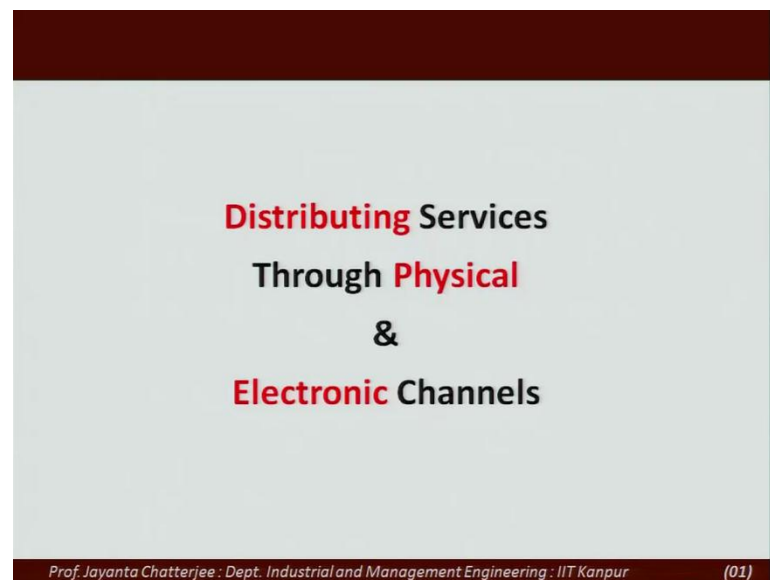


So, in some way just like in the product world, this particular discussion was like any other chapter, these distributing services through physical and electronic channels. But, we will just now see that the simple addition of electronic channels in case of goods or products has not altered the character of the business. You may buy a mobile phone over the electronic channel; you can buy a mobile phone through a physical store.

So, the physical and electronic channels may create advantages with respect to transaction cost, time, location and so on. But, the phone itself or the toothpaste itself or the soap itself remains unaltered, but in case of service we will just now see that is addition of electronic channel has transformed many services has created disruption, where some old business models have disappeared and new business models have emerged.

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So, in service we do not move physical products; obviously, it may need some accessory movement. But, generally we are moving experiences, performances and solutions which are not physically shipped and stored. So, different kinds of information services earlier have been delivered face to face, like the train running time or query about a hotel tariff or enquiry about bus schedule and so on and then maybe they were available over telephone.

But, the introduction of information and communication, technology, integration and introduction of internet has created some big shifts and we will just now see that this more and more informational transactions over the net and not over the physical channel in what way they, it has change the business world.

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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

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At this point we will recognize that there are three interrelated elements of distribution, service distribution, one of them is information or promotion flow, the second is negotiation and transaction flow. So, one is the first part is to inform the customer that what is available like the title of a song or the title of a set of music or the title of a movie or the details about a particular journal. In the second stage we do negotiation and transaction; that means, where the customer goes to the process by which becomes eligible for delivery or use the right to use the service and thirdly we have the delivery of the package itself, the service product in various form.

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THE TECHNOLOGY INDUSTRY

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Now, let us see what is happening. Now, in front of you on your screen you have number of products. On the left hand side you have three products which together delivered music or in the middle or on the right you have products and outlets which provided photographs, processing of photographs, videos, rental of videos and so on. For, many years these products were elements of experience delivery, were platforms for entertainment in experience delivery and like other products it had a, you know the recording companies created the music, recorded the music and then they delivered it on maybe initially on venial long playing or short playing records, then cassettes, then CD's, DVD's and so on.

But, then those had to be sent to stores, retail stores through various stages of distribution and in many ways that distribution chain was no different from the distribution chain for toothpaste or so for most of the products. But, let us see what is happening now. So, newspaper was a product which was also in a way embodied a service, news delivery service was delivered at your doorstep every morning and it was part of our life for years.

But, today more and more newspapers are delivered particularly to the people we call generation y; that means, people who have been, people who are born between 1980 to 2000. So, that means, people who are now 15 to 25 year old, they consume newspaper for new service on various kinds of mobile devices connected often all the time. So, this morning delivery of newspaper is no longer very relevant to them, news gets delivered according to their time of the day according to their interest profile in various chunks, in various modules.

So, the evening it maybe news related to entertainment, in the morning it may be news related to the stock market or certain other business happenings or political happenings, in the middle of the day it could be all related to trade and business.

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So, there are different ways, now new service delivered over different channels. So, this product and service fusion as we saw in this picture.

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It is now creating a plethora of new types of services, new types of business models need for delivery of movies. So, the movie service which earlier movies were created in studios and then they were in big reels and those reels got distributed all over the country physically and then they were used by the distributors, projected on a screen, people came to the movie auditorium and experienced.

Now, movies are packaged, they are streamed, delivered over the net on to the device of the customer could be TV, could be computer, could be a handheld tablet, could be phone a smart phone. So, where is the product? Where is the service? What is getting delivered? In some way the delivery becomes the product, because sometimes these products are continuously delivered like streaming music in your ears all the time. So, use the devices in your pocket, the music is streamed and you are in the service flow throughout the day you will see many young people going around the whole day with the music plugged into their ears.

Even services like radios, television, were there were defined delivery stages, defined delivery change are now getting highly destructed and new business portal. So, you have in front of you some of these names Netflix, Spotify, Pandora some of them may not be as yet available in your country, some of you may have access to all the services. But, what I would like you to do is to look into these services, search out about them, read about them through Google, through their various articles will be available and you will be able to go to the website of this services.

And try to understand that, what is the delivery mechanism that is creating some unique value propositions, some unique models which would not have been possible 10 years back. And of course, take for example, this very lecture delivered to you over YouTube which you can access anytime, anywhere, over multiple different types of devices completely disrupting the older model, where I would be in an institution, university or an institution like IIT, were there will be a brick and mortar structure for the classroom, there will be tables and chairs where you will be there as an audience, we will be in the same frame of time and space and this interaction will take place that same service.

Now, delivered to earlier in a class I might have been able to deliver it to maybe 200, 300 participants. Now, in this course we are several 1000 participants, they are interacting synchronously, asynchronously different times in different environment and a complete new type of service is being born based on the delivery mechanism which vastly slashes out the transaction cost monetarily as well as many non monetary costs, like time, effort and so on.

So, earlier traditional services light say DHL or federal express or our speed post, traditional services likes say star bucks, coffee cafe day or others took years to expand

their distribution chain took years they had to go from one city to the other city, go from one country to the other country. But, now this mass extensive delivery possibility across the globe has created new service business models.

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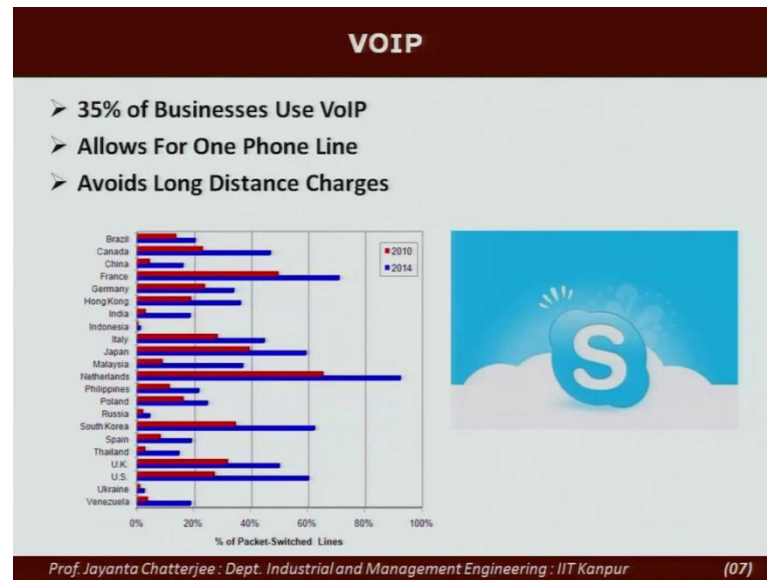


So, let us look at some interesting business model shifts that are happening, take for example this voice over IP, voice over Internet Protocol which was till a little few years back was not that reliable was used by consumers for personal communication, low cost personal communication among family members between friends and so on. Today, services like Skype or be used for business conferences for very critical meetings, even often used for very hardcore transactions, fixing of business deals and so on.

So, these technologies and the business models derived from those information and communication technology fusion are growing maturing taking new shapes very, very rapidly.
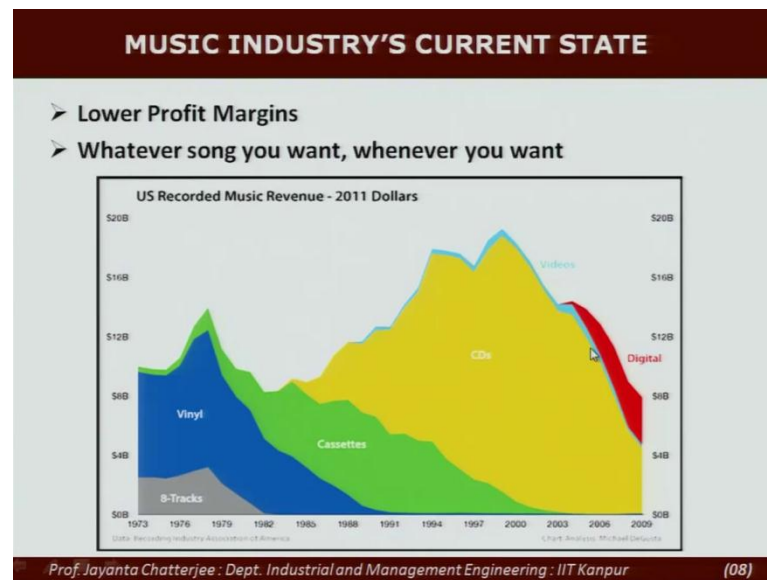
So, you can see this is a very nice graph set of graph published by the American music industry, which shows that for example, say that is vinyl records and which music was published and reached it is peak in late 70's survive from 1973 till 1988 cassettes came about and picked around the same time as this vinyl records in somewhere around 1979, but survived till about 2000. So, for nearly 20 years or more CD's from it is heydays survive for again nearly 10 years.

But, digital music which is now often not in need of any physical platform like a cassette or a CD available somewhere on the net, available on tap anytime changing. So, rapidly that it is life cycle; that means, how many years it will survive in it is current form we do not know, it might actually change quite grammatically by next year to understand how this happens, we may go back to this our old model for product service product architecture, the service flower model.

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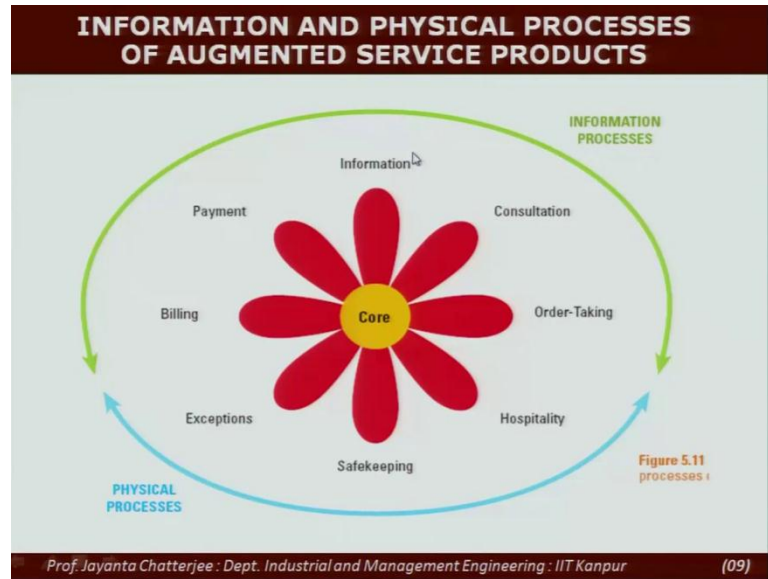


So, as you see on top of we have what is known as information processing, this is taken from the 5'th chapter of our textbook, which relates to this service delivery. So, there were physical processes and their where information processes. So, obviously these information processes like billing or payment or initial pre purchase information, consultation these were done through a mix of physical interfaces. So, the distribution channel was physical and in some cases there where use of telephone and so on.

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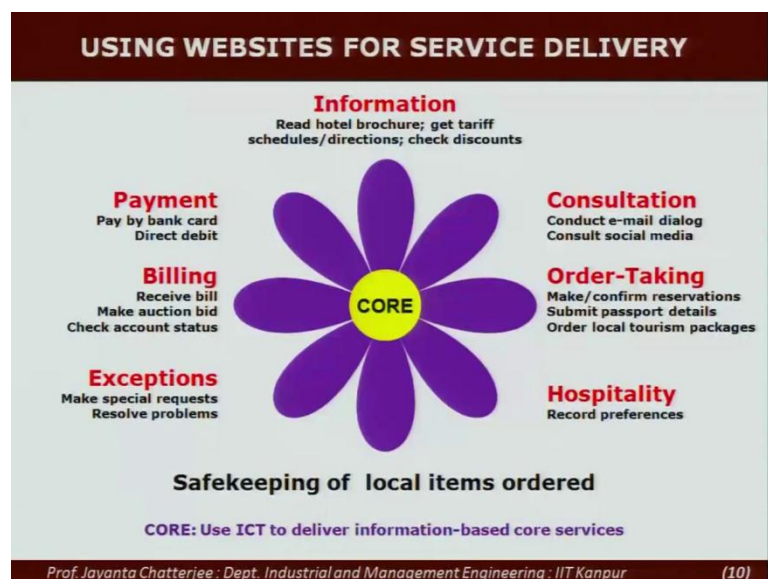
But, today I have taken the example of a hotel except for some, you know your physical stay at the which is still the core that remains a physical set of activities. But, the distribution of most other service elements beet information about the hotel, beet consultation which hotel to choose, confirming the hotel booking giving preferences with respect to the kind of bed, you want kind of room you want it etcetera and on the other side payment billing all of these are now one virtual.

So, the core service remains few exceptions, like some safe keeping or procuring of some local material in addition to your hotel states etcetera that may still have some interface with physical distribution change, but most other service elements are now delivered through the net. So, before we discuss in more detail about the whole issue of E-services, different types of business models for services delivered over the internet and interactivity between the delivery channel, delivery media and the type of service and the characteristics of the service or enhancement of the service value.
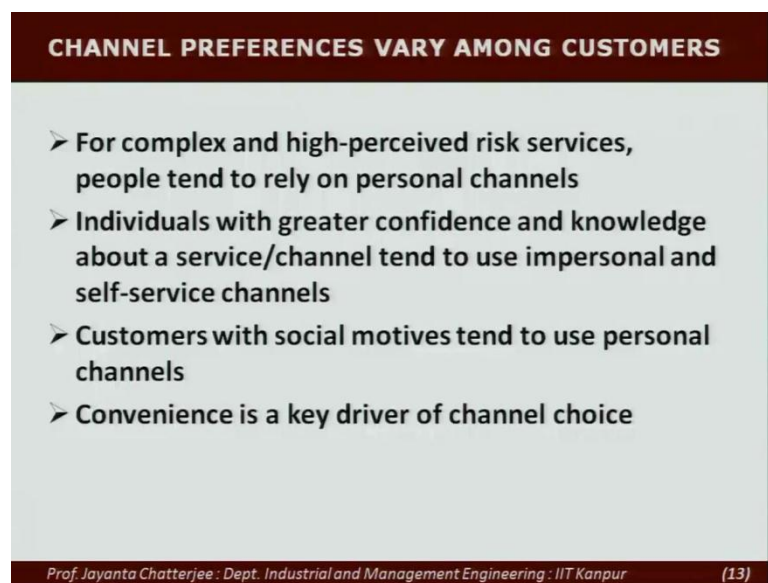
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| Type of Interaction between Customer and Service Organization | Availability of Service Outlets | |
|---|---|---|
| | Single Site | Multiple Sites |
| Customer goes to service organization | Theater<br>Hair salon | Bus service<br>Fast-food chain |
| Service organization comes to customer | House painting<br>Mobile car wash | Mail delivery<br>Banking branch network |
| Customer and service organization transact remotely (mail or electronic communications) | Credit card company<br>Local TV station | Broadcast network<br>Telephone company |

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Let us look at the different types of service delivery classical options. So, we have services where customer goes to the service organization and they are there are two types single site and multiple site. So, customer goes to the service organization like the movie theatre at the hair salon, multiple sites could be bus service, train service, fast food chain, where the customer can go to multiple sites for consuming the same service.

Service organization can come to the customer for example, it could be painting of your house or car wash at your doorstep, it could be multiple site the river from the service too many customers like the mail delivery or the bank branch network and so on. Sometimes customer and service organization can transact remotely without any physical delivery as in case of painting of your house or delivery of your mail, but so these included in single site, credit card single transaction or a local FM radio station or local TV station delivering to a few residences to multiple locations like broadcast over satellite or used telephone, mobile telephone network and so on.

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So, in the traditional services or even in these hybrid services still recently channel preferences of customers determined the distribution architecture of the service. So, for complex and high risk services, physical personal delivery was preferred and that may still be the case like for example, medical consultation, management consultancy, but we will see in the next session how even there some very, very new models are emerging.

And sometimes customers with social needs, social motives like senior citizens needing to have some gainful occupation during the day would have preferred personal delivery channels. But, on the whole convenience, convenience, convenience remain the mantra for deciding the delivery channel architecture.

**PLACE DECISIONS OF SERVICE DELIVERY**

➢ Cost, productivity, and access to labor are key determinants to locating a service facility
➢ Location constraints
  ▪ Operational requirement (e.g., airports)
  ▪ Geographic factor (e.g., ski resorts)
  ▪ Need for economies of scale (e.g., hospitals)

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And reduction or minimization of transaction cost which can be monetary cost as well as non monetary cost like time E's and so on. And of course, therefore along with this physical delivery came with the normal delivery chain designing mechanisms and constraints. We will see in the next session, when we discuss about cyber services or E-services, how many of these are mitigated, new complexities and how they are being tackled.

Thank you.