

Service Marketing: A practical approach
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Lecture 23
Managing Service Delivery Channels

Hi there, welcome to this lesson on services marketing with a practical approach.

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Lesson 23 Managing Service Delivery Channels

Managing the Retail Location

Managing the Quality of Electronic Channel

We will look at lesson no. 23, i.e. Managing Service Delivery Channels. That has two part, Managing the Retail Location and Managing the Quality of Electronic Channel.

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To start with, we can deliver services to our customers through our company outlets. We can also use electronic channels to deliver information based services like distant education and tax advice. However, in order to grow our business, we would like to take the help of other collaborators to distribute our services. We may like to take the help of agents to sell our services (like ticketing), brokers to bring prospects (i.e. potential customers) to our business and franchisees to provide our brand of services to customers.

We would always prefer company owned outlets as we can control the format and the quality, have first-hand knowledge of changing customer requirements and develop improved or new services, know our customers and maintain close relationship with them. The location of our retail outlet is an important decision, which we are going to elaborate in a subsequent section.

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Once a winning concept and format are crystallized over a period of time, we may like to allow a franchisee to make investments and take the risk of delivering our brand of services to new markets, while we can earn the license fees from our franchisee. However, we have to manage the challenges of operating through a franchisee, which includes lack of control over quality and employee motivation, ambiguity over roles, highly publicized conflicts with the franchisee and lack of first-hand knowledge of customers and their changing requirements.

Once the franchisee settles down to operate the business, he has to maintain the quality and format of the service, send his employees for periodic training and development, and take part in promotion exercises to acquire and retain customers. Usually, conflicts arise regarding the payment of license fees and encroachment upon his territory by other franchisees of the same brand. We shall discuss strategies for effective conflict resolution in a subsequent section.

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same brand. We shall discuss strategies for effective conflict resolution in a subsequent section.

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Agents and brokers can help our business as they are in better contact with local markets than we can. For instance, large numbers of taxi operators can double up as brokers for bringing customers to a hotel. Similarly, a large number of agents can sell our services at outlets close to customers at a fraction of the cost that we would otherwise encounter, if we were to access and sell the services through our own personnel. However, the disadvantages are that the agents and brokers usually work for our competition too, and we have to strive hard to provide differential value at reasonable prices to our customers.

Internet channels are the cheapest mode of service delivery, provided the customer segment has access to the Internet. It is also beneficial for our customers as it saves time, energy and resources by cutting down on travel and increases convenience and flexibility for the customer. However, we have to then contend with low first-hand interaction with the customer, although we can receive quick customer feedback and the customer can access all our competitors available over the Internet. Moreover, the electronic delivery channel would conflict with the interests of agents, brokers and franchisees and decisions have to be taken to be fair to all businesses at the same time. The other concern over electronic delivery channels is the maintenance of electronic service quality, which we shall discuss in a subsequent section. We now turn our attention to the management of channel conflict.



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The other concern over electronic delivery channels is the maintenance of electronic service quality, which we shall discuss in a subsequent section. Let us now turn our attention to the management of channel conflict.

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Managing the Retail Location

The decision regarding the location of our service outlets is important because that would determine the number of customers visiting our outlet and the cost of property and transportation of personnel and goods. Our service outlet would be located at a site in an area within a city and we have to decide about all the above locations.

The decision about the city is made by considering the population, their demand for our services and their purchasing power. The decision about the area is made by considering the attraction that various business districts hold for shopping customers, the nature of competition existing in the area, the direction of spread of the city, zoning regulations and the availability of access roads, visibility of the site and parking. A business district may be central, secondary or neighbourhood type. Rents are fairly high at central business districts and getting proper parking space may be an issue. A secondary business district would have a smaller trade area, i.e. the population that could be served would be smaller. However, it would not have the disadvantages of the central business district. The neighbourhood business district can support only small business that can cater to its neighbourhood.

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Managing the Retail Location

Besides being in a business district, our outlet could be a freestanding or isolated outlet like a petrol station or a part of a shopping centre that is managed as a single property. While an isolated outlet has no competition around, we have to invest in advertising to get customers out of their homes to visit our outlet. With rising fuel costs, customers may not ordinarily like to travel long distances for a single service. Shopping centres have a modern management and outlook and could be particularly suitable if our service is aligned with modern day trends and customers who are trendy.

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Shopping centres have a modern management and outlook and could be particularly suitable if our service is aligned with modern day trends and customers who are trendy. Then we come to deciding the retail location.

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Deciding the Retail Location

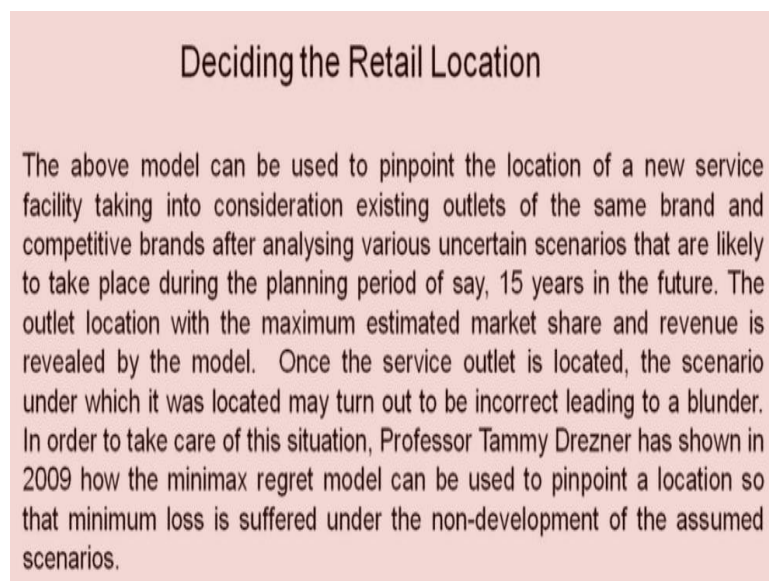
Professors Nakanishi and Cooper wrote in 2007 that the Multiplicative Competitive Interaction (MCI) model can be used to calculate the probability that a consumer would choose an object with certain values of several attributes of the object using a formula that followed from the Luce choice axiom introduced by Professor Duncan R. Luce in 1959. This model takes care of various criteria that consumers may use to choose in purchasing services from the particular outlet all combined into an MCI coefficient or attractiveness index for the outlet. These criteria would include the distance that consumers have to cover to reach the proposed outlet, and its attractiveness as reflected in its physical and brand image, perceived service quality, price, and other features sought by customers depending on the type of the service.

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Deciding the Retail Location

The above model can be used to pinpoint the location of a new service facility taking into consideration existing outlets of the same brand and competitive brands after analysing various uncertain scenarios that are likely to take place during the planning period of say, 15 years in the future. The outlet location with the maximum estimated market share and revenue is revealed by the model. Once the service outlet is located, the scenario under which it was located may turn out to be incorrect leading to a blunder. In order to take care of this situation, Professor Tammy Drezner has shown in 2009 how the minimax regret model can be used to pinpoint a location so that minimum loss is suffered under the non-development of the assumed scenarios.

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Managing the Quality of Electronic Channel

According to Professor A. Parasuraman, e-Service quality is the extent to which a website facilitates efficient and effective shopping, purchasing and delivery of products and services. The dimensions of e-Service Quality have been grouped under two heads, i.e. core dimensions and recovery dimensions, by Professors Parasuraman, Zeithaml and Malhotra in 2005. The core and recovery dimensions follow.

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Managing the Quality of Electronic Channel

Core dimensions of e-service quality:

- Efficiency: This includes the ease and speed of accessing and using the website.
- Fulfilment: The extent to which the site's promises about delivery are fulfilled.
- System availability: Correct technical functionality of the web-site.
- Privacy: The degree to which the site is safe and protects customer information.

Recovery dimensions during failure:

- Responsiveness: Effective handling of problems and returns through the site.
- Compensation: The degree to which the site compensates customers for problems.
- Contact: The availability of assistance through telephone and online representatives.

Superior websites are user-friendly, technically sophisticated and have an alternate channel to assist customers when they face a problem.

In this lesson we have discussed the role of collaborators like agents, brokers and franchisees in the delivery of services. Strategies for managing inter-channel the quality of electronic delivery channels have been discussed. We will discuss issues related to managing demand and capacity in the next lesson.



So, the core dimensions of e-service quality. Firstly it should have four core dimensions that are efficiency, fulfilment, system availability, and privacy. Efficiency means this includes the ease and speed of accessing and using the website. Fulfilment, the extent to which the site's promises about delivery are fulfilled. System availability, correct technical functionality of the web-site. And privacy, the degree to which the site is safe and protects customer information.

Recovery dimensions during failure, responsiveness, effective handling of problems and returns through the site. Compensation, the degree to which the site compensates customers from problems. Contact, the availability of assistance through telephone and online representatives. Superior websites are user-friendly, technically sophisticated and have an alternate channel to assist customers when they face a problem.

In this lesson we have discussed the role of collaborators like agents, brokers and franchisees in the delivery of services. Strategies for managing inter-channel conflict and the quality of electronic delivery channels have been discussed. We will discuss the issues related to managing delivery and capacity in the next lesson. Thank you for listening, have a good day.