
UNIT 6 PLACE AND PROMOTION DECISIONS

Objectives

The objectives of this unit are:

- To examine how service characteristics influence distribution decisions.
- To identify the methods of distribution for service industries.
- To propose guidelines for advertising, sales promotion and other promotional methods for service industries.

Structure

- 6.1 Introduction
- 6.2 Place or Distribution
- 6.3 Methods of Distribution in Services
- 6.4 Promotion
- 6.5 Summary
- 6.6 Self-Assessment Questions
- 6.7 References and Further Readings

6.1 INTRODUCTION

Distribution means 'PLACE' decisions and like manufactured goods such decisions are important in service industries as these decisions relate to Location, Delivery and Coverage. Though it might be easy to understand these concepts for 'physical items', however we have examples of unsold or spare seats in Airlines sectors, unsold rooms in hotels and unsold table covers in restaurants. The service characteristics have direct impact on distribution decisions and in this unit we shall examine the same. We will also be taking up another marketing mix element - Promotion. The various components of 'promotion mix' viz. - advertising, sales promotion, publicity and public relations - will be discussed in relation to services.

6.2 PLACE OR DISTRIBUTION

The most important decision element in the distribution strategy relates to the issue of location of the service so as to attract the maximum number of consumers. The inseparability characteristic of service such as those of doctors, teachers, consultants, mechanics etc. poses a distribution constraint since they are able to serve only a limited, localised market. The other characteristic of services which affects the distribution strategy is the fixed location of services such as universities, restaurants, and hospitals which necessitates the customer to go to the service location rather than vice-versa.

The first decision variable in planning the distribution strategy relates to the location of the service. In deciding where to locate your service, you should raise the following questions as they would help you arrive at the right decision.

- i) How important is the location of the service to the customers? Will an inconvenient location lead to purchase being postponed or being taken over by a competitor? The answer is 'yes' in case of services such as dry cleaning, fast food outlets where convenience is the most critical factor. The

answer is no in case of services provided by doctors and beauty parlors, where the customer's involvement with the provider of the service is very high and the decision is made on the basis of reputation, competence and past experience.

- ii) Is the service, technology-based or people-based? How flexible is the service? Can the equipment and people be moved to another location without any loss in quality?
- iii) How important are complementary services to the location decision? Can the clientele be increased by locating services where complementary products or services already exist? Garages and mechanic shops located next to petrol stations are examples of complementary location decision.

The second decision variable in the distribution strategy is whether to sell directly to the customers or through intermediaries. In case of services which are inseparable from the performer, direct sale is the only possible way of reaching the consumer. In case of other services such as hotels, airlines, property, life insurance, they may operate through middlemen.

The third decision variable in the distribution strategy is how to provide the service to a maximum number of customers in the most cost-effective manner (if the service is not of the kind that is inseparable). Some of the recent innovations in the area are rental or leasing, franchising and service integration.

6.3 METHODS OF DISTRIBUTION IN SERVICES

Distribution in services can be broadly classified into two categories- direct sales and sales via intermediaries. The following table provides examples of both of these categories.

Direct Sales	Sales via Intermediaries
<ul style="list-style-type: none"> ▫ Electronic channels e.g., ATMs, Online courses ▫ Franchisees e.g., McDonald's ▫ Quasi Retailing 	<ul style="list-style-type: none"> ▫ Agents & Brokers e.g., travel / insurance agents

1) Direct Sales

Direct sales has specific marketing advantages as they help in maintaining better control over how the service is provided or performed and also in obtaining direct feedback from customers. There are obvious problems also in direct sales, like; problems of expanding the business and coping with high workloads where the services of a particular individual may be in demand or direct sale means limited geographic market coverage.

a) Direct Sales Through Electronic Channel

To overcome such problems companies are exploring possibilities of direct sales through electronic channels. The typical benefits the companies see in electronic distribution of services are:

- Consistent delivery for standardized services
- Low cost
- Customer convenience
- Wide distribution

- Customer choice and ability to customize
- Quick customer feedback

Activity 1

Compare the advantages (or disadvantages) of online railway reservation system with conventional reservation window system.

.....

.....

.....

.....

b) Franchising

The other recent trend in distribution of services is that of franchising. Franchising is the granting of rights to another person or institution to exploit a trade name, trade mark or product in return for a lump-sum payment or a royalty. Franchise is characterized by the following features:

- a) Ownership by one person of a name, an idea, a secret process or specialised piece of equipment and the goodwill associated with it.
- b) The grant of a licence by that person to another permitting the exploitation of such name, idea process or equipment and the goodwill associated his rights.
- c) The inclusion in the licence agreement of regulations relating to operation of the business in the conduct of which the licensee exploits his rights.
- d) The payment by the licensee of a royalty or some other consideration for the rights that are obtained.

In service Industries franchises operate in the area of hotels, restaurants, car rentals, fast food outlets, beauty parlours, pest control, travel agencies, office services, packers and movers, couriers, business centres, etc.

The advantages provided by a franchising arrangement are as follows:

1. There are usually training materials already developed, for both franchisees and their workers.
2. Expansion through franching can proceed quickly.
3. The franchiser need apply only minimal controls; it does not have to develop as large a bureaucracy to govern the business.
4. A franchiser's overhead is lower because the franchisee does hiring, collections, local promotions, etc.
5. There are economies of scale to advertising and promotion.
6. The franchisee is responsible for most of the cost control.
7. There is often less risk attached to franchise expansion than with the creation of new service ventures that may not have been tested as well.
8. Franchises usually have a better record for staying viable business than the typical service business startup.
9. Local operators are committed because they have their own capital at risk.
10. The service tasks, service standards, and service delivery systems are usually well defined and structured, and thus they work well. They have been prototyped, and many of the potential problems with the operations have already been identified and ironed out.

c) Quasi Retailing

The quasi-retail outlets, sell services rather than goods, like-

- Hairdressers
- Travel Agents
- Car hire agencies
- Restaurants
- Amusement arcades
- Employment agencies
- Hotels
- Driving Schools

Arguments against Quasi-Retailing are that they can push up property values. Also they may create dead frontages which discourage window shopping. Some service outlets may be closed on peak shopping days (e.g. banks on Saturday) and too many quasi-retail outlets in a centre can reduce the range of conventional retail store choice, if the quasi retail establishments are closed or otherwise.

Arguments for Quasi-Retail are that many complement other retail businesses. For example users of facilities like banks and building societies may use shops selling goods on the same shopping trip. Service outlets can have imaginative window displays to encourage window shopping. There are some suggestions for quasi retail establishments to succeed. Firstly, they should encourage customers to travel longer distances, as the retail radius of the outlet might otherwise remain small. This can be done by special promotions and displays. The Golden arch of McDonald's can be seen from a distance and can help the people to identify it. The second suggestion is to locate service outlets near complementary facilities, like: multiple theatre complexes and entertainment centers.

The third suggestion which can be considered is to centralize service production facilities but decentralize customer contact facilities (e.g. photograph processing, pathological labs, etc.), which will help in expansion of the market and reduction in service production cost.

The fourth suggestion is to reduce the range of service offer at individual service outlets to match the market requirements and also to reduce the overheads. For example the Apollo Clinics are not the full service hospitals but they help in market coverage and delivery of services. There could be many more suggestions and therefore each service organization must evaluate how it can be benefited from quasi retailing.

Activity 2

Do you think that a specialty hospital like Escorts or Apollo can cater to the requirements of the public through one main hospital in a particular region of the country? If no, then what relative advantages you see in "Quasi Retail Outlets" of the health care organization?

.....
.....
.....
.....

2) Sales via Intermediaries

To the extent the middlemen exist in a service channel, they are typically sales agents, brokers since there are no inventories to be purchased or distributed. Service Channel tends to be direct. Therefore, this Production/Distribution house should be located, to 'sell' whatever you have in the inventory where it is possible. Place decisions are therefore, all extra-corporate entities between producer and prospective users that is utilized to make the service available and/or convenient. A Distribution Channel for a service organization is, therefore, is a sequence of firms (or units) involved is moving a service from producer to consumer.

Key Issues Involving Intermediaries

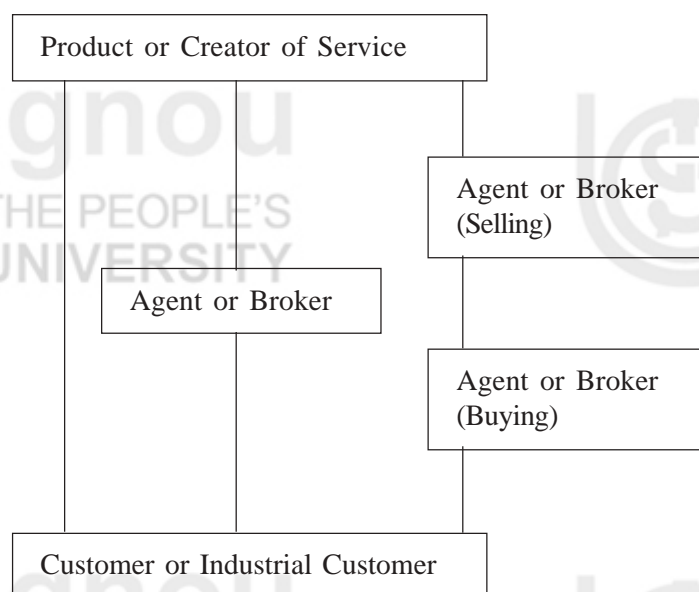
The following are the major issues which should be addressed before hand in deciding the distribution strategy involving intermediaries:

- ▣ conflict over objectives and performance
- ▣ conflict over costs and rewards
- ▣ control of service quality
- ▣ empowerment versus control
- ▣ channel ambiguity

A service organization can develop an effective channel system if it helps the intermediary to develop customer-based service processes by providing the required support. Also through training it may develop the intermediary to deliver service quality and gradually move to a cooperative management system and controls.

Keeping in view the characteristics of services and the potential management problems in retailing of services, as shown in Fig 6.1, there are distinct channel configurations, which one can notice in service sector. Rathmell has suggested the dominant channel configuration in the service sector where agents and brokers play the key role in distribution of services.

Figure 6.1: Channel Configurations of Services



Agent: An agent is an independent intermediary, who may act in the name of, or for a principal. His contract will define these provisions along with territorial rights, exclusivity and sales commissions.

Broker: A broker is an independent intermediary between buyer and seller who bring parties together to facilitate the conclusion of sales contract. A broker may have continuing relationship for his client under a contract period; for which he may charge fee for assistance. Alternately, a broker may be for a special job to be undertaken.

There are obvious benefits in distributing services through Agents and Brokers. Firstly, they help in reducing the selling and distribution costs besides a wider representation in the market. Secondly, such intermediary's possess special skills

and expertise and also the knowledge of local markets. However these agents and brokers also pose some challenges also. For example representation of multiple service principals may lead to poaching in territories of others resulting in loss of control over pricing and other aspects of marketing.

Activity 3

What services a travel agent can provide to a customer? List them out by taking the example of any travel agency about which you are familiar:

.....
.....
.....
.....

Functions of Agents and Brokers

The major function of these agents and brokers is, like any other intermediary, to bring the producer of service and the user or consumer together.

For certain services, agents can be identified and deployed with selling as the chief function to be performed by them. These agents can be compared with the agents for goods and they are classified as brokers or sales agents. The example of this kind of channel is transportation (travel agents) and office or factory workers (employment agencies). However in some cases the agents may be trained in the creation and production of service and then franchised to sell it (eg, Shahnaz Hussain Beauty Parlors).

In case of certain services, actual product is not transferable and therefore tangible representations are created and transferred. This type of channel is used for marketing insurance services, where a contact document exists as a physical and tangible representation of the services.

Another characteristic of services is that the services are generally not delivered to the buyer and the creation of time and place utilities is a vital function in the services marketing. Irrespective of whether one uses agents or middlemen or direct sales channel the factor of location keeping in view the potential markets will be the most significant factor in channel selection decision. Duane David et.al, are of the view that location considerations along with personal sources of information are two of the critical factors in final purchase decision of many services.

The problem of standardization and uniformity restrains the service organization to use middlemen to any great extent and limit the geographical area which the service organisations propose to reach and cover. This lays emphasis on the significance of good selection to attain maximum coverage at the market place. Banking organizations have started reliving this fact and introduced extension counters, mobile banking apart from opening branches in rural areas.

Logistics in Services

The field of logistics has not been recognized as an area of consideration for effective distribution of services, it could be the issue of locating a site for the new branch of a bank or delivering health care facilities or location of educational institutions, etc. In India these logistical problems are always overshadowed by the Government policy or interventions. There are guidelines suggesting that to open a single branch in any urban area, a nationalized bank has to first open a fixed number of branches in rural areas. For promoting the concept of smaller family and immunization a number of Primary Health Centers have been opened but neither have they had the required staff nor the

infrastructure. The significance of logistics is increasingly felt in the services sector as the field of logistic is gaining importance in the manufacturing industries.

6.4 PROMOTION

It is now established that there are clear differences in information usages between goods and services. First, the difference is that consumers of services are less likely to purchase without information than those of buying goods. Secondly, the consumer of services will prefer personal sources over impersonal sources of information. And thirdly, the basic characteristics of services have implications for communication strategy. For example, in hospitality industry the intangible service offer is tangibilized and represented in the promotional material and customers decide to buy or not to buy on the strengths of the descriptions and representations of the service offer in the promotional material.

Therefore, the above three differences influence the decisions with regard to with regard to (a) the communications objectives (b) target audiences and (c) planning of each of the sub elements of the promotion mix.

Promotion Objectives

Although there could be a variety of objectives to promote, but the basic objectives of the promotion mix for services may fall under one of the following:

1. Develop personal relations with client (personal relations might result in satisfaction, more than their service offer).
2. Make a strong impression of competency, honesty and sincerity (professional orientation to service transaction so as to win buyers confidence in sellers abilities to deliver the services).
3. Should be able to use indirect selling techniques (creating derived demand or act as a buying consultant).
4. Manage to maintain a fine image by positive word of mouth.
5. Packaging and customization.

Activity 4

SBI has recently launched Credit Cards and Insurance services. What would be the possible advertising objectives for there services?

.....

Target Audience

While you are defining the objectives of your communication campaign, you should also be clear about the target audience. In service sectors there is a direct contact between the person who provides the service and the customers. Therefore, some amount of promotion should be targeted at the employees so as to motivate them to serve the customer better. In such communications the objective can also be to educate the employees about how to handle operational problems so as to increase their performance level.

The other set of target audience are similar to that of goods where the target audience may not necessarily be the buyer or user but also the influencer, decider or user of the buying cycle.

Planning the Promotion Mix

i) Advertising: Advertising is any kind of paid, non-personal method of promoting by an identified organisation or individual. Certain services such as entertainment (cinema, theatre), passenger and freight transport (roadways, airlines, trains), hotel, tourism and travel, insurance have been advertising heavily in newspaper, magazines, radio, TV to promote greater usage and attract more customers. However, certain service professionals such as doctors, accountants, and lawyers, have rarely used advertising as a means of increasing their clientele. These groups have traditionally relied on word-of-mouth for attracting new customers. But this situation is changing and you can see advertisements in the daily newspapers giving information about the location and timings that a particular doctor is available for consultation. These advertisements may also carry the message 'Honorary doctor to the President of India's or ex-director of a prestigious medical college or institution. Such messages help create a positive image and credibility.

The Guidelines which can be kept in mind while promoting services are as follows:

- a) use simple, clear messages;
- b) emphasise the benefits of service;
- c) promise only that which can be delivered and do not exaggerate claims;
- d) build on word-of-mouth communication by using testimony of actual consumers in advertisements; and
- e) provide tangible clues to services by using well-known personalities or objects to help customers identify the service.

One other aspect which is of importance in designing an appropriate advertising strategy is the high level of consumer-organisation interaction required in certain types of services (beauty saloons, management consultant, doctor). In these types of services, the objectives of advertising have been identified as:

- a) creating an understanding of the company in the customers' minds by describing the company's services, activities and its areas of expertise
- b) creating a positive image for the company
- c) building a strong sense of identification with the customer by turning his needs, values and attitudes
- d) creating a positive background for the sales people to sell the services by providing all relevant information about the company.

George and Berry, keeping in view the intangibility of services, proposed that in the case of services a customer is buying the performance of the service personnel and therefore the advertising in service industries should not only restrict itself to encouraging consumption, but also it should encourage employees to perform well. They proposed the following six basic guidelines to help design effective advertising programmes.

- The advertising should have positive effects on contact personnel.
- The advertising should capitalize on the word of mouth.
- The advertising should provide tangible clues to the customers.
- The advertising should make the service offering easily understood.
- The advertising should contribute to the continuity.
- The advertising should promise what is possible.

ii) Consumer Promotions: Lovelock and Quelch, while listing the various objectives of promotion and types of promotions which a service provider can

use, emphasized that in execution of any type of consumer promotion scheme, one should carefully consider the six basic elements, namely, product scope, market scope, value, timing, identification of the beneficiary and protection against competition. They further suggested that unlike physical goods the varieties of schemes available as consumer sales promotion schemes are highly limited. For example,

- Sampling cannot be used frequently because of the cost of service.
- Premiums are frequently used to give an element of tangibility.
- Price/quantity promotion can help generating long term commitment from consumers e.g. group rates for hotels.
- Coupons are lesser in use.
- Refunds and future discounts not much in practice.
- Prize Promotions can be used effectively and add excitement and involvement.

Activity 5

Identify promotions which you have recently seen offered by

- a. Commercial Banks
- b. Hospitals
- c. Retail Chains
- d. Multiplex Cinema Houses

.....

.....

.....

.....

iii) Guidelines for Selling Services: Much has been written on the sales management, primarily in the context of product marketing. Johnson observed that for a service sales personnel the following do's and don'ts should be followed.

First, the service sales person should develop a personal relationship with the client. Quite often it is the personal relationship rather than the service itself that results in satisfaction or dissatisfaction with the service. If there is a distinct need for a high quality personalized service, then one must pay more attention to its organizational structure.

Secondly, it is suggested that one must adopt a professional orientation as the key to most service transactions is the buyer's confidence in the seller's ability to deliver the desired results. It is therefore important that a service sales person must make a strong impression of competency, honesty and sincerity.

Thirdly, a service sales personnel has to use indirect selling techniques, as what he/she is promoting is an intangible. This can be done either by creating a derived demand or by playing the role of buying consultant. Most hotels first sell the location and then their hotel to the customer.

Fourthly, they have to build and maintain a favourable image. The public opinion plays a greater role in marketing a service; therefore managing word-of-mouth publicity is important. We will specifically take up this issue at the end of this section.

And lastly, a service seller sells services and not a service. At any given point

of time, a service seller is dealing with a host of services rather than one. Their thoroughness on each and ability to package them to suit each customer's needs would determine the success. In other words the ability of seller to customize the service offering is very important.

Exhibit 6.1

Role of Non Verbal Communication in Service Encounters

The delivery of most services involves considerable interpersonal contact between service provider and customer. Interpersonal communication is especially important in the so-called "pure" services, where delivering the service involves a high degree of person-to-person interaction and no exchange of tangible objects. The nonverbal aspects of interpersonal communication - the form of communicating thoughts and emotions without using words- are at least as important as the verbal components in shaping the way a customer feels about his or her dealing with an employee. Customers who are complaining or seeking retribution are likely to pay particularly close attention to an employee's nonverbal communication. Nonverbal communication is also particularly important when customers attempt to evaluate services such as health-care and legal services, where quality is especially difficult for the average consumer to assess.

The authors suggest that service managers should:

- 1) Ensure that service employees understand that nonverbal communication is at least as important as verbal communication.
- 2) Train service employees to be sensitive to nonverbal cues through, for example, role playing and showing videotapes of actual service delivery.
- 3) Provide continuous feedback and periodic reminders to staff about the importance of nonverbal communication.
- 4) Offer voice training to employees who need it, so they speak with a voice which displays warmth and trust.
- 5) Attempt to match employees' manner of dress with customers' expectations. For example, cool colours might be used when wanting to project an image of friendliness, poise and warmth, and warm colours to project an image of activity and excitement. Employees should normally dress formally in professional services and when interacting with upper-class customers. They may dress more casually when interacting with a lower-class clientele.
- 6) Conduct periodic surveys to assess customers' perceptions of service employees' nonverbal behaviour. Consider using mystery shoppers to achieve a similar end.
- 7) Provide incentives to encourage employees to adopt the recommended changes in nonverbal behaviour.

Source: Sundaram and Webster, "*The Role of Nonverbal Communication in Service Encounters*", Journal of Services Marketing, Vol. 14, No.5, 2000

iv) Public Relations and Publicity: In certain service industries it is not possible to use the conventional promotion tools with success. For example in advertising industry mass media advertising is really rare. There are some services where the size of the operation is not large enough that one can afford heavy promotional budgets. There are other who cannot afford to cope up with their existing workload. There are still others who find it difficult to advertise or promote as it might lead to a bad taste. For example, a hospital might find it very difficult to promote abortion services. Similar could be the case for open-heart surgery or other services.

Arising out of these reasons the conventional promotional tools have a limited use. Duncan suggested that the services sector industries have to think about other promotional tools like public relations and publicity.

There are very successful examples like a medical doctor specializing in eye care running his own clinic-cum-nursing home and organizing free eye camps in all over the region. This community service not only spread his name but also proved his competence. The local newspapers might carry stories about such camps to give further boost to the promotion.

Therefore promotional activities like community relations, event management, media blitz, corporate identity programmes have relevance and they should be used innovatively and effectively.

v) Word of Mouth: Services being rich in experience qualities, word of mouth plays an important role in promoting services. Services are adopted, if not more, as much because of word of mouth communications as because of active promotion by marketers. However, people seldom pass on information about a product or service without some reasons. Managers who want to take advantage of word of mouth communication should make specific efforts in this direction. Given below are some suggestions for stimulating a positive word of mouth (apart from providing excellent service quality)

- Offering a gift, discount or other reward to customers who bring in new customers.
- Asking customers who express satisfaction, to tell their friends.
- Running a newsletter and asking customers to contribute. Contribution may be in terms of letters, stories or ideas. This can also be done through website.
- Reward your regular customers with some freebies.
- Target opinion formers.

Activity 6

Identify the role of PR for Delhi Police. Do you think any other communication tool can be more effective:

.....

.....

.....

.....

6.5 SUMMARY

When it comes to distribution of services the channels are direct or short, with maximum of one-to-two level. Direct distribution of services can be through electronic channels, franchising or retailing. Services can also be distributed through intermediaries like agents or brokers. Promotional issues are also unique in service industries and typically public relations takes a front seat, while advertising is more of 'corporate advertising.' The unit provides you guidelines on different elements of promotional mix.

6.6 SELF-ASSESSMENT QUESTIONS

1. Differentiate between the channels of distribution and distribution logistics, as applicable in the Services Sector. Explain both these concepts in the context of a courier company.
2. What are the relative advantages (or disadvantages) of direct sales vs. sales via intermediaries? Give specific examples in support.

3. You may be aware that NIIT decided to go for an extensive franchise network. Discuss how franchise operations are beneficial to a service organization, rather than their own outlets?
4. What is the concept of Quasi Retailing? Identify at least three organizations where Quasi retailing is a must, Also enumerate the advantages of Quasi Retailing for these organizations.
5. Differentiate between agents and brokers. Suggest marketing situations where such members of intermediaries are important.
6. What guidelines you would follow for developing an advertising campaign for a service organization? Discuss by taking the example of a commercial bank or an insurance company.
7. It is been said that PR Tools are more relevant in service organizations. Discuss.

6.7 REFERENCES AND FURTHER READINGS

1. John M.Rathmell, *Marketing in Service Sector* (Cambridge Mass: Winthrop publishers), 1974, p.110.
2. Duane L.David, Joseph P.Guiltinan and Wesley H.Jones, "Service Characteristics, Consumer Research, and the Classification of Retail Services", *Journal of Retailing*, Fall 1979, pp. 3-23.
3. Ravi Shanker, "Distribution of Services", *Managing Distribution*, (New Delhi : Manas Publication), 1992, p.125
4. William R. George and Leonard L Berry : "Guidelines for the Advertising of Services", *Business Horizons*, July-August, 1981.
5. Christopher H.Lovelock and John A. Quelch, "Consumer Promotions in Service Marketing," *Business Horizons*, May-June, 1983.
6. Eugene M.Johnson, "The Selling of Services" In :Victor P.Nuell, eds; *Handbook of Modern Marketing*, (New York : Mc Graw Hills), 1987.
7. Tom Duncan, *A Study of How Manufacturers and Service Companies Perceive and Use Marketing Public Relations*, (muncie, Ind :Ball State University), December 1985.
8. Philip Kotler, "Megamarketing", *Harvard Business Review*, March-April, 1986, pp. 117-124.