

Distribution Channels in Service Industry

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- Services are inseparable, that is, there is simultaneous production and consumption of services.
- Due to increased competition in the marketplace, there are a number of options available to customers.
- Thus the distribution or place element of services marketing mix is strategically important as the service providers need to be present at convenient location when customers require them.
- Distribution includes the flow of services from service provider to customer

- According to Lovelock (1983) services can be of the following types
 1. Customers goes to service organization
 2. Service organization comes to the customer
 3. Customer and service organization transact at arms length

Distribution Channels

Importance

1

Timely Delivery

2

Provides Market Information

3

Promotion

4

Provide Finance

5

Generates Employment

Timely Delivery

- Distribution channel helps in the delivery of products to customers on the right time.
- If products are not available at the right time to customers, it may disappoint him.

Maintain Stock

- It helps in maintaining the supply of goods as per the demands in the economy.
- DC performs functions of storing the products in warehouses & supplying them according to demand in the market.
- It avoids all cases of shortage of supply of services in market.

Provides Market Information

- It serves as the medium through which business acquire all required information from the market.
- It takes all information like demand, price & nature of competition in the market from its different intermediaries involved in its distribution channel.

- Also, customers provide information & various suggestions to producers through these channels.
- It helps in formulating strategies according to that.

Promotion

- Distribution channels helps in marketing & promotion of services.
- There are several middlemen's who are involved in the distribution system of businesses.
- These intermediaries inform the customers about the product.

- They introduce them with new services & explain them to its specifications.
- Customers are induced & motivated to buy these services by intermediaries.
- Hence, the distribution channel has an efficient role in promotion & marketing of goods.

Provide Finance

- Business gets financial assistance from the distribution channel.
- Intermediaries involved in distribution channel buys in bulk.
- These intermediaries give payment to producers while purchasing.

- Then these middlemen sell to customers in quantities demanded by them.
- They even provide credit facilities to the customers.
- However, producers get timely payment & are saved from blocking of their funds through credit selling.
- Therefore distribution channel regulation the funds' movement of businesses.

Generates Employment

- Distribution channel generates employment in the economy.
- There are large number of peoples who are involved in the distribution system of businesses.
- These people are wholesaler, retailers & different agents.
- All these people earn their livelihood through working in these distribution channels.

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graph TD; A[Factors affecting the choice of DC] --- B[Customer]; A --- C[Services provider];
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Factors
affecting the
choice of DC

Customer

Services
provider

Factors affecting the choice of service provider by customers

- Outlet type
- Outlet numbers
- Accessibility
- Location

Factors affecting the choice of DC's by Service Providers

- Resource Consideration
- Choice of intermediaries
- Market need
- Competitors strategy

Strategies for Distribution

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graph LR; A[Strategies for Distribution] --- B[Inclusive Distribution]; A --- C[Selective Distribution]; A --- D[Exclusive Distribution];
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Inclusive
Distribution

Selective
Distribution

Exclusive
Distribution

Managing Distribution Channels



Question

- Consider the recent purchase of mobile service by you and or your family. Identify the different alternatives available for purchase of this service from a service provider. Which channel did you choose and why?

Suggested Readings

- Jauhari, V. & Dutta, K., Services Marketing: Text and Cases, Oxford University Press.
- <https://commercemates.com/importance-of-distribution-channel/>

Thank You