SERVICES MARKETING: REVIEW AND SYNTHESIS OF CRITICAL DISTRIBUTION PROBLEMS

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For some time now there has been a general consensus that services marketing is different from product marketing, although in the past, many have debated whether or not services marketing required a different strategy than product marketing. This paper identifies some of the difficulties found in this area and its related issues. The paper concludes with some observations on the present state of affairs and recommendations for services marketing managers regarding distribution issues.

INTRODUCTION

In the past decade, the field of services marketing has been attracting considerable academic attention. This is consistent with not only the growing service orientation of the U.S. and other developed nations but the marketing challenges created by the changing environmental conditions in services, including deregulation and increased global competition.

Basically, services marketing is distinguished from product marketing by the fact that in service industries the "product" is intangible and its production and consumption are largely inseparable. It is incapable of being stored and almost impossible to standardize. Despite past debate as to whether or not services marketing required a different strategy than product marketing, there now is agreement among academicians that services marketing is significantly different from product marketing (Lewis 1985; Booms and Bitner 1981; George and Kelly 1983; Langeard, Bateson, Lovelock, and Eiglier 1981). However, problems for this type of industry are still present since the optimum services marketing strategies have not yet evolved. One area of particular concern is the distribution of services—how to get the service to the customer efficiently and effectively. This paper identifies some of the critical problems that arise in the distribution of services, reviews the diverse academic points of view on the subject, and suggests some plausible approaches.

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THE NATURE OF SERVICE DISTRIBUTION CHANNELS

Distribution channels can involve three different kinds of participants—service firms, intermediaries, and customers. The participants are in a buying and selling relationship with the "up" and "down" channel participants. The existence of power, conflict, and cooperation behavior patterns in a channel of distribution are a result of the interdependence that links all the members of the channel together.

There are certain functional elements (such as price, features, and availability) that are inclusive in the performance of the channel participants that add value to the total service (Light 1986). The insurance industry provides a good example of how all these elements come together to provide a service. The channel participants in an insurance distribution channel include the insurance company itself (the firm), the agent (the intermediary), and the policy holder (the customer). Often, there is more friction in the relationship between the agent and the company than in the relationship between the agent and the customer as evidenced in some of the recent case studies (Pittsburg 1991; Morin 1990).

Some typical functions of the insurance company would include accepting or declining risks, adjusting claims, providing advice on coverage alternatives, and giving notice of losses. The process of performing these functions requires the utilization of various material and technological supports. Another option for insurance companies is to rely on direct mail and telemarketing, instead of an agent, to reach the desired target market (Pillsbury 1991). The distribution channels for services are usually shorter than those used in product oriented firms. This short channel length is attributed to the minimal need for physical distribution, as well as the equally minimal need for inventory maintenance at the various points along the channel (Stern and El-Ansary 1977).

There are three dominant channel configurations in the service sector (Rathmell 1974). The first configuration is the "creator-performer to customer" (e.g., lawyers, accountants). The second configuration is the "creator-performer to agent-broker to consumer." For example, insurance agents and brokers represent insurer(s) in dealing with consumers. The third configuration is the "creator-performer to agent-broker (selling) to agent-broker (buying) to consumer." This approach involves the use of two intermediaries. Instead of using one agent-broker representing both the seller and the buyer, one agent-broker represents the seller and the other represents the buyer. For example, a symphony orchestra is represented by an agent in the market place. This agent negotiates with another agent (e.g., a local civic music association) representing the consumer for the purchase of the orchestra's services (Rathmell 1974).

There are several variables that must be considered in the design of a service distribution channel. These variables include the number of intermediaries, the types of intermediaries, the allocation of value-adding functions among the channel participants, the kinds of material and technological supports that the participants use, and the service itself. All of these variables must be considered in the determination of the channel strategy. Typically, no one channel participant alone designs the channel(s) used. While one channel member may have more influence than the other members, all of the channel participants will have some input in designing the delivery system.

There are three ways to design a channel (Light 1986). The first method is to base the channel design on the company's set goals. The second channel design method is centered around the service provider's marketing strategies. This approach looks for sustainable competitive advantages and designs channels in a way that will provide the firm with these advantages. For example, Domino's Pizza's rise to second place in a highly competitive U.S. pizza industry can be traced to this type of distribution strategy. The final channel design approach focuses on market compatibility. The goal of this method is to develop the best fit between the service, the intermediary, and the customer. The assumption behind this design approach is that no channel will succeed unless the right value is added by the firm and the intermediaries so that it will appeal to the customer. Furthermore, the aim of this strategy is to keep the customer and capture repeat sales. Some researchers have indicated that as service firms face more deregulations and global competition, the areas of quality and customer service will become the new battleground (Bertrand 1989; Humble 1989; Onkvisit and Shaw 1989). For example, in the U.S. the success of American Express and First National Bank of Chicago is mainly due to their commitment to superior quality service to their customers (Bertrand 1989).

AN OVERVIEW OF EMERGING CHANNEL DELIVERY SYSTEMS

Historically, managerial attitudes have played a significant part in the lack of development of channels of distributions in many service industries (Baranoff and Donnelly 1970). In the past many service industry managers have enjoyed luxuries afforded by monopolies due to strict government regulation, especially in such service industries as banking and transportation. Because competition was not a problem in these industries, service managers did not have to use marketing methods, such as the development and management of channels of distribution, in order to compete. The fact that most services will not become obsolete has also contributed to management complacency. For example, due to this basic and essential demand for many services, coupled with a minimum competitive pressure in the past, there were no incentives to develop efficient marketing systems and channels of distribution as a part of such systems. However, in recent years as service industries were deregulated and more competitive environments emerged, different types of service delivery methods have emerged.

At the very basic level, service industries require three methods of delivering services. Those methods involving the physical presence of the customer include those in which the customer must come to the service organization facility or the service provider must go to the customer. In addition, there also are service delivery methods that do not involve the physical presence of the customer, but include rather the use of intermediaries or high-tech innovations. All these types of delivery methods have their unique problems. Although some overlap exists among these delivery methods, enough distinction remains to allow a separate discussion of each of these methods.

Customer to the Service

If all customers came to the point of service delivery, this would indeed solve many problems for the service deliverer or provider. Needless to say, not all customers are willing to come to the service provider, particularly if the service provider is not conveniently located. Willingness of the customer to travel depends upon the customer's personal involvement with the service being sought. For example, patients will travel a considerable distance for the services of a medical specialist—say for the treatment of cancer. Conversely, customers will not travel long distances for a haircut. This facet of customer behavior presents unique marketing challenges for those service providers who are able to draw from considerable distances. Since the majority of these service providers are likely to be professionals, they may have to depend almost entirely upon interpersonal communication networks or word-of-mouth advertising. Even though professional ethics and legal restrictions are changing to allow professionals to advertise their services, considerable evidence indicates that the public sentiment is still unfavorable towards professional advertising. Under these circumstances, expanding the scope of the professional service providers market to a broader geographic area would invariably involve taking the service to customers. This becomes necessary because of the geographic area limitations of the word-of-mouth spread method.

Service to the Customer

In this mode of providing service, two basic models exist: (a) direct service from one location or (b) service from many locations (branch offices or franchising). In reality, neither method approaches the ideal situation of the service provider actually contacting each individual customer as the need for service arises. With few exceptions, where the service has to be provided on the premises of a customer, (e.g., plumbing and other household services) direct delivery of service by the service provider is becoming increasingly rare. A clear example of this phenomenon is doctors making house calls. Other services in this category include door-to-door delivery of milk, groceries, etc. However, door-to-door delivery of certain services may be revived in the future as societies in developed countries become convenience oriented and time becomes a more scarce resource in the daily routine. For example, enterprises engaged in delivering household services are springing up in all the developing countries. Such a revival of door-to-door services has many implications in terms of service distribution costs, organization, and efficiency on the part of the service provider. Some service providers are using the direct delivery mode as a differentiating feature in their marketing strategies. Here one may again cite the example of Domino's Pizza in the U.S. to demonstrate the changes that are taking place in the distribution systems of various companies in a highly competitive pizza industry.

Home service businesses also illustrate this concept (i.e., the service goes directly to the customer). The high growth in this sector is due to a combination of social and demographic changes. In our contemporary society, there has been a large increase in two-income families and households headed by single parents. Furthermore, due to recent economic growth, many people have more money to spend and less time in which to spend it. People want to spend more time with their families or on entertainment and are therefore willing to spend money to have time-consuming chores done for them.

Examples of home service businesses include persons who take care of watering plants, picking up a meal at a restaurant for customers, walking the dog, shuttling children, lawn care, baby-sitting, and cleaning the house. These home service businesses are booming with entrepreneurs, and many are even franchising these types of businesses. The highest growth in franchising is seen in these low-tech service businesses (Benway 1987).

Intermediary Dominant Service Delivery Methods

Franchising. Franchising business services operation is one example of the use of the intermediaries in the marketing channel strategy.

The franchising of business services is the third fastest growing segment of franchising. Reasons for this growth include: (1) the increase in automation has increased the demand for specialized skills, (2) the tax system has become more and more complex through the years, resulting in a growth in accounting-type services, and (3) the increasing desire of Americans to become entrepreneurs (Garry 1987).

Examples of the franchising of business services include job placement agencies, printing and copying, financial services, legal services, and computer consultants. "Just Out Business Systems" (JOBS) is a Naples based company that, for a fee, gives potential employees phone numbers and contacts of companies looking for employees. The companies needing labor benefit from this service through time and money savings, and the unemployed person benefits through quick service. There are thirty-four JOBS franchises. A JOBS franchise can be purchased for $19,500 and another $15,000 is needed for start-up costs (Garry 1987).

Franchising can be used to overcome inefficiencies, and to increase production and product quality. Reasons for the success of franchising include the following: a uniform quality of service in the franchise firms, local service outlets are identified as members of a larger group, and the use of large scale advertising and other mass promotion activities. U.S. examples of successful franchises include McDonald's and Holiday Inn hotels.

There are several potential problems associated with using intermediaries that need to be addressed in the interests of improving services marketing. First, franchising itself presents several problems, as discussed previously. Second, using intermediaries as an access device can cause further difficulties. For example, an intermediary may not provide as much access as the service user would like. A computer user may need to use a computer for longer hours than is permissible in the library. It is conceivable that after a few episodes of not having access to the computer when needed, the customer will seek other alternatives. Or one can consider the example of an airline using a travel agency. The "danger" here lies in the fact that such an intermediary could recommend a competitor. Some research studies demonstrate that channel leadership style and climate are key elements influencing channel members' morale and willingness to participate in collective activities (Schul, Pride, and Little 1983; Schul, Little, and Pride 1985). Furthermore, to avoid such problems associated with using intermediaries, a services marketing manager could bypass an intermediary through effective use of high-technology innovations. Through these technologies service providers can reach customers directly and minimize the problems of dealing with and controlling the intermediaries in the service distribution process.

Technology Dominant Service Delivery Modes

Direct Marketing. Direct marketing is often an effective distribution technique used by many service firms as an option to reach their customers. Examples of direct marketing include direct mail and telemarketing. "Two-thirds of consumers purchase merchandise yearly through direct marketing techniques, and 36% of adults purchase something by mail or telephone from a store or other source they never visit in person" (Fouss 1985). Examples of service industries which frequently use direct marketing include banking, insurance, and express delivery services. Direct marketing is rising in popularity as a method of reaching and communicating with customers. Surveys have shown that eight out of ten persons have at least opened and glanced at letters sent by companies (Raphel 1983). Furthermore, firms engage in joint marketing ventures to launch selling programs which use a combination of direct marketing and other sales automation to generate and nurture sales leads (Bertrand 1991).

Direct marketing can perform six basic functions (Raphel 1983, p. 34):

1. create an order by mail sale,
2. ask for a salesperson/employee to call,
3. get the person to go to the service,
4. serve as an advertisement,
5. conduct research, or
6. inform for a purpose other than making a sale.

Furthermore, telemarketing is a crucial marketing tool in many financial institutions. Telemarketers contact current and potential customers for the purpose of cross-selling, determining customer wants and needs, conducting surveys on consumer satisfaction, and informing customers of seminars and other events which may be of interest to the targeted audience. For example, insurance agencies use telemarketing to reach targeted consumer groups (Pillsbury 1991). In addition, an analysis of the current distribution of European tourism services revealed that purchasing methods and systems within Europe are being dictated by customers' needs as well as by technological advancement. It is speculated that central automated systems could eliminate the need for travel agents. However, there seems to be consumers' resistance to automated direct marketing, and there is a little involvement in direct home buying by targeted consumers (Gilbert 1990). Furthermore, a critical issue in retail banking pertains to managing the distribution network. The use of direct mail by European financial institutions, as a distribution method, has been limited to very specialized products (e.g., mutual funds, to credit and related card services). For example, American Express, a company with proven customer acceptance, could use its card system to market other financial services in the evolved European community market (EC) (Quelch, Buzzell, & Salama 1990).

High Technology Distribution Channel Options

Alternative forms of distribution often implemented in service businesses include the adoption of high technology (e.g., PCs, automatic teller machines (ATMs), telephone-to-computer devices, etc.). "The American Bankers Association predicts that 60% of all American homes will own a computer with some form of communications capability—a capability that can be used to offer bill paying, electronic statements, transfers between accounts, investment information and interest rates, home budgeting, and other financial information" (Fouss 1985, p. 105).

Automatic teller machines have become increasingly popular over the past few years. Consumers appreciate the convenience offered by ATMs. This automation enables consumers to do most or all of their banking transactions at any time of the day or night. Further, while most banks offer a regional ATM network, more and more financial service businesses are becoming part of a national network.

Telephone-to-computer high technology is also becoming popular. An example of this type of distribution channel was implemented by the airline People's Express reservation system. While customers were still able to obtain tickets through the airline or a travel agent, reservations could also be made via the telephone lines. The People's computer systems was used by the customers in order to make the necessary travel arrangements. High technology of this nature will also continue to increase as the necessity of lower costs and greater efficiency are emphasized.

The current high-tech "revolution" has caused quite a bit of excitement and has definitely caught the attention of many services marketers as a means of reaching more customers customers directly (Sisodia 1991). However, some problems persist even with the use of the high-tech innovations.

According to Sasser and Arbeit (1976), there are three reasons why high-tech solutions may not be as successful as presumed by many writers. First, many service businesses are small and thus cannot afford truly innovative high-tech systems for reaching their clientele directly. Second, in some service sectors high-tech methods cannot be utilized effectively as a means of channel extensions, (e.g., medical care.) Finally, the use of high-tech innovations can cause problems with employees and customers. Many employees feel threatened by the introduction of high tech for at least two reasons: one, it most likely requires a change in their accustomed way of doing business which includes learning a new skill; and two, it may result in the replacement of some employees. Needless to say, no employee wants to be replaced by a machine. Even more serious is the question of resistance to high-tech innovations by customers.

One study arrived at some significant conclusions regarding the use of high-tech innovations (Langeard, Bateson, Lovelock, and Eiglier 1981). The study noted that consumers could be divided into two groups: the participators and the nonparticipators. The participators are those consumers who readily take to self-help devices. They are typically young, male, and higher educated than the average person. The nonparticipators are usually older. These findings are consistent with another study by Fouss (Fouss 1985). This latter study, which focuses on the consumer usage of automatic teller machines, concluded that the majority of users are younger (18-34 age group). These two findings point out a potential problem, that the older segment of the population resists such innovative behavior. Since the older segment of the population is expected to be the largest population segment in the future (Phillips and Sternthal 1977), and the older consumers are likely to be the "nonparticipators," will this not have a limiting effect on the use of high-tech innovations? The introduction of high-tech innovations in the distribution of European tourism services was also a subject of consumers' skepticism. There seems to be consumers' resistance to automation in the distribution of tourism services (Gilbert 1990).

One final note regarding the use of high-tech self-help devices concerns frustration due to mechanical failure. Frustrations caused by the mechanical failure and/or unsatisfactory service by these devices can prove to be a potential problem. The services marketing managers should address these issues when they design and implement these substitutes to using intermediaries in their distribution systems. Furthermore, what remains to be seen is how helpful these innovations can be in solving the distribution conflicts in services marketing. It would be very beneficial for the services marketing practitioners if at least the academic experts agreed on a preferred mode of distribution.

Intermediaries and High Technology

For those services which do not require the physical presence of customers, distribution of services is more flexible and the distribution channel can be extended through the use of intermediaries. Lewis (1985) provides an exhaustive list of thirty-three service industries which use intermediaries. Lewis classifies these intermediaries into two categories: (a) franchisers (those requiring the physical presence of the customer, which was discussed earlier), and (b) locations that provide ideas (libraries for computer services, shopping malls for telephone services, etc.). He also points out that the development of tangible representations of a service will allow further use of intermediaries.

While traditionally services were distributed directly from the producer to the consumer, the use of intermediaries in the distribution of services is now commonly used. "Any extra-corporation entity between the producer of a service and prospective users that is utilized to make the service available and/or more convenient is a marketing intermediary for that service" (Donnelly 1976). The shift toward the use of intermediaries is due to the desire of service industries to distribute their services as widely as possible at minimal cost and yet be maximally accessible to consumers. Therefore, one-stop shopping is becoming the trend. This type of shopping can take two forms: a business can attempt to provide a greater diversity of services in one place, or a business can lengthen their service distribution channel in an effort to make their service more available to the consumer. In some cases, two or more businesses will cooperate in an effort to provide greater distribution with more customer convenience. When a business lengthens its distribution channel, an intermediary is frequently used.

Intermediaries in the distribution of services channel can be seen in the financial industry, in some health care services, and in the insurance industry (Donnelly 1976). In the financial service business, retailers are encouraged to persuade customers to apply for the use of the bank's credit cards. In this situation, the retailer is the intermediary. Many financial institutions also offer a package to qualifying local businesses in which the bank installs an automatic teller machine in the place of business and also takes on the duty of payroll distribution through automatic deposit. While the business has to pay a fee for this service, less is spent on the payroll process and another benefit is achieved for the businesses' employees. In this scenario, the business is the intermediary. In the U.S. health care industry, intermediaries can be seen in the health maintenance organizations (HMOs). The HMOs perform an intermediary role between the doctors and the patients. Besides providing one-stop shopping, HMOs assume the responsibility for preventative services, providing doctors/specialists' referral services to the patients, and arranging for or providing emergency or hospital services.

Many service businesses are moving away from "brick-and-mortar" facilities towards storefront offices (Donnelly, Berry, and Thompson 1985). For example, many banks lease space in grocery or department stores to provide convenient financial services to the customers. Conversely, space in branches is often leased to travel agencies or insurance companies.

Some U.S. examples of interorganizational distribution cooperation include the nationwide cooperation between Kroger and the Capital Holding Company, and J.C. Penney with First Nationwide Savings. In both of these two cases, the store offers financial services to the customers on the premises. Furthermore, this illustrates the customer's desire for one-stop shopping. Joint-venture agreements between banks and nonbank firms (i.e., interorganizational distribution cooperation) could also be used as a way of substituting for a branch distribution network. For example, banks could seek such joint-venture contracts with other financial institutions such as insurance companies, retail chains, and even petroleum distribution firms because of their branches and credit card use (Quelch, Buzzell, & Salama 1990). "The retail equity business was expected to grow on a cross-border basis (in the European community market) for banks offering such services because of legal changes and because this business was often conducted by telephone and confirmation and payment by mail. The potential existed for other banking services, such as lending and custodial services, to be integrated with this business via transaction card." (Quelch, Buzzell, and Salama 1990, p. 233).

FACILITY LOCATION AND CHARACTERISTICS

Convenience is a major factor that consumers consider when choosing a service supplier. If a consumer perceives little difference in the quality or price of services of various competitors, he/she will usually choose that supplier whose location is the most accessible and convenient. Thus, the selection of a service facility location and its characteristics is a critical element in the marketing strategy. Furthermore, competition through price or promotion is viewed to be unethical in a number of service sectors (e.g., medical and legal assistance). This type of constraint on the marketing of services also makes location the key element of the marketing mix (Stern and El-Ansary 1977). It has even been suggested that the physical environment of a financial institution is the most important part of the bank's marketing mix (Bartling 1988). For services that go to the customer, convenience of delivery time is a substitute for the location factor (Bessom and Jackson 1975). Facility location selection and facility characteristics are discussed below.

Successful service businesses spend considerable effort in determining the proper location of a facility. This effort is best illustrated in the banking industry. The potential openings and closings/consolidations of branches are constantly analyzed. Simply stated, before opening a branch, detailed demographic information on the area in question is gathered. These demographics are then compared to similar areas already containing a branch. From this information, potential deposits are estimated. Decisions need to be made as to whether to locate a branch in a residential area, central business district, shopping center, or the like.

Legal restrictions also affect location decisions. These restrictions may be in the form of zoning laws, or "fair practice" laws. For example, the Community Reinvestment Act in the U.S. prohibits a bank from selective banking. Thus, branches existing in poorer neighborhoods cannot be closed without legal consequences.

The business must also determine what type of facility to build. For example, should a bank build a financial center, a full-service facility, or a limited-service facility? This decision should be made based on company strategy, goals and objectives, area demographics, customer needs, distance to other branches, location of competitors, and profitability studies.

A more frequently used distribution approach in many services industries is to provide multiple locations of service, where the service provider can more readily be closer to the customer and the customer can more conveniently reach the service provider. In recent years these distribution goals have been accomplished through the use of branch offices or franchising. Although at first glance this method of service delivery may seem to be the panacea, it presents one major obstacle—quality control.

The need for the multiple segments approach is developed from the firm's need and desire to utilize excess capacity. However, multisegment strategies need not be associated with multisite strategies. In order to successfully develop and implement the multisegment planning strategies, the demand of the identified segments need not be identical (i.e., segments must be different). One case in point has to do with the internationalization of services. There is a tendency to view such strategies (i.e., internationalization of services) as purely multisite. For this view to be accurate, it must be clear that the consumers' demands are identical in domestic market and international market. In some cases, this is feasible (e.g., fast food chains) (Bateson 1989).

The adoption of multisite retailing as an international products/services marketing strategy has had less success. For example, McDonald's has found it difficult to persuade consumers in Great Britain to clear their tables after eating. The problem arises when the involved companies realize that they are actually dealing with different segments (i.e., due to different cultural norms). The problems of managing multiple sites are also aggravated by the spatial distance between the home office and the branch site and by managers who may themselves have different cultural backgrounds (Bateson 1989).

According to Kotler and Bloom (1984), head offices utilize several methods of control: (a) providing information and expertise to the branch offices, (b) by utilizing legal agreements (franchising). However, even with good control measures and systems for branch offices, problems can still occur. Consider the example of a large chain of legal offices. This chain found itself in an uncompromising position when two distant branch offices were discovered to be representing opposing parties in a common legal action (Kotler and Bloom 1984). Franchising is fast becoming the most practiced method of distributing services and achieving the corporate goals of market expansion. According to one report, in 1981 new outlets were opening at the rate of 47 per day (Harris 1982). However, it was also reported that many failed due to the unwillingness of the franchisees to spend sixty to eighty hours per week to make the businesses succeed. The franchise system is also plagued with occurrences of franchisers often not delivering on their promises (Harris 1982). Even though the distribution method of franchising has had some success in controlling the quality of service through the use of standardized procedures, many problems still exist. The U.S. McDonald's fast-food chain offers an outstanding example of an effort to expand the distribution nationally and internationally, and at the same time offer consistent quality. Levitt (1972) describes in detail how McDonald's has achieved this feat of quality control by utilizing a series of finely tuned standardized procedures for doing every activity by the franchisees—even detailed steps to be followed for producing consistent quality french fries. On the other hand, Sasser and Arbeit (1976) criticized this approach as being impractical in that while it may profit in the short run by using manufacturing techniques, it will also suffer the same drawbacks as manufacturing. More specifically, the authors contend that standardization of tasks will eventually contribute to job dissatisfaction and deterioration of employee performance. Since unskilled workers are usually employed in many service environments, the authors further contend that turnover will be high. Furthermore, of those employees who do stay, many will be promoted and thereby removed from the area in which they are needed the most (e.g., high customer contact positions).

Control of People and Environment

Since many service industries require the presence of the customer for service delivery (referred to as "inseparability" by many authors), two factors become important. These factors are first, the employee-customer relationship, and second, the environment of the service location. These twin problems arise whether the customer comes to the service or the service comes to the customer. (Examples include customers coming to a bank to open a new checking accounts or an insurance salesperson coming to a customer's home to sell an insurance policy.)

When such a one-to-one relationship exists between the employee and the customer, the employee's behavior becomes crucial. Service delivered in a courteous, friendly and consistent manner becomes essential for successful operation of the service organization. However, given the inadequacies of human behavior, even the most highly qualified and well-trained employees cannot produce standard, consistent and "appropriate" behavior day after day.

Proper control of the environment of the service location is also important. Kotler (1973-1974) emphasizes the overriding importance of what he calls "atmospherics" for effective marketing. Although Kotler is not limiting the importance of "atmospherics" exclusively to services marketing, it is interesting to note that several of his examples are related to service businesses. So important is the buying environment that Kotler states, "As other marketing tools become neutralized in the competitive battle, atmospherics is likely to play a growing role in the unending search of firms for differential advantage." (Kotler 1973-1974, p.64).

How can the buying environment create problems? One would assume that by designing an environment that is conducive to the service business, this conflict would be resolved. However, two problems arise when customers come to such a carefully designed environment. These problems are related to the interaction of customers with each other and with the environment. Often many customers are at the service location at the same time, and frequently, they must wait for the service to be provided (for example, in a doctor's office). Here lies the potential trouble—unfavorable word-of-mouth can be readily spread by one dissatisfied customer. While unfavorable word-of-mouth advertising can spread at other locations, the service location simply provides a better environment for dissemination.

Moreover, customers who interact with the environment (or service location) do not always show respect for the environment and often destroy or damage the "atmospherics" intended by the service provider. For example, consider a medical specialist's office. Perhaps the specialist desires to have his/her office waiting area to be quiet, dignified, and clean. If patients are loud, unkempt, and messy in the waiting room, the entire image is ruined and patients who otherwise may be satisfied with the services of the medical specialist, may discontinue their patronage because of the environmental threats.

DISTRIBUTION STRATEGIC OPTIONS FOR SERVICES MARKETING

After identifying some of the critical distribution problems facing service oriented firms, some suggestions for effective distribution network development by services marketing managers will be discussed below.

Hard and Soft Technologies

Perhaps practitioners could better grasp the problems of service distribution if the academicians and researchers agreed on the optimum method of solving the distribution problems in service sectors. Suggestions range from using high-quality and well-trained employees to using "hard" and "soft" technologies. Sasser, Arbeit, George, Kelly, Cook, and Bessom are some of the experts who believe that employing well-trained, customer-contact personnel is the answer to the distribution problems of service businesses. On the other hand, Levitt believes technological systems are the solution. Perhaps, the optimum method is not one method, but a combination of methods depending upon the type of service being offered, as suggested by Langeard, et. al. (Langeard, Bateson, Lovelock, and Eiglier 1981).

Multimarketing

When a service firm varies its service, intermediary, and/or customer, multimarketing takes place. There are five major forms of multimarketing (Light 1986). The first form is termed the "all roads lead to Rome" approach. This approach comprises of providing the same service through different types of intermediaries to the same type customers (i.e., intensive channel).

Furthermore, through the implementation of this approach the firm's attempt is to target a set of customers and reach them by every possible means. However, there are two drawbacks to this approach: 1) some of the intermediaries may be inefficient, and 2) the distribution system may be difficult to comprehend and manage due to its many different "roads" (i.e., channels).

The second multimarketing approach is termed "different strokes for different folks." The idea behind this approach is that a firm provides the same service through different intermediaries to different consumer segments. The firm's objective is that each intermediary involved possesses a competitive advantage and is in a better position to reach more customers. Furthermore, because each intermediary is knowledgeable about his/her customers, he/she is able to serve them more effectively. However, this approach also faces the same drawbacks as the "all roads lead to Rome" method. In addition, the problem of understanding several distinct market segments also arises.

The third multimarketing approach is termed "the customer is king." In this method, the firm offers different services through different intermediaries to one set of customers. A firm using this approach may be trying to leverage its current customer base by selling new kinds of services to them. The firm must know the customer very well for this approach to work. The disadvantages of inefficiency and complexity are also drawbacks being associated with this method.

The fourth multimarketing approach is termed "fill up the pipeline." In this case, the firm sells different services through one intermediary to different sets of customers. A firm using this approach may be trying to accomplish one of two things. The firm may be trying to use all of the available capacity profitably and/or it may be seeking synergy. For this approach to be successful, the intermediary is of extreme importance and thus must be very qualified and knowledgeable.

The final multimarketing approach is termed "all things to all people." This method involves different services being sold through different intermediaries to different sets of customers. The major drawback of this approach is attempting to organize all of the different participants in the channels.

Horizontal Intraorganizational Integrated Strategy

The major barrier in the service industry is making a service, which is an intangible item, into a product that is as tangible as possible. In the process of doing this, participants are added to the distribution channel. The lengthening of the distribution channel often results in complexity, confusion, and inefficiency. Low productivity in the service industry can be attributed to the labor intensive nature of services, little change in the quality of labor, fewer opportunities for labor-saving devices, and the immediate perishablity of unused service capacity (Upah 1980).

If a marketing channel is to work, the participants must cooperate. Conflict in the channel can be generated internally or externally. Internally, conflict is caused by uneven distribution of power among the channel participants. Externally, conflict is caused by competitive or environmental threats.

There are four steps involved in the management of channel conflict. First, the firm must know when the conflict is occurring. Second, the cause of the channel conflict must be understood. Third, the consequences of the conflict must also be understood. Finally, a decision must be made as to whether to take action or to do nothing.

Power also plays a very important role in the daily operations of service firm managers and planners. Power can be defined as the ability of one participant to influence another's actions (Light 1986). While power is usually shared by the channel participants, one participant typically has more power than the others (i.e., dominant channel member). However, this dominant channel participant has limited power since there is always a chance that the other participants might decide to go elsewhere to sell or obtain the desired service (i.e., selecting another supplier or distributor).

As services become more dispersed and decentralized cooperation among service firms becomes more significant to their survival in the marketplace. For example, cooperation is essential in the public service sector. Coordination is critical with regard to most social welfare concerns. Horizontal interorganization cooperation or conflict occurs between competing firms in the same channel level seeking business in the same market. Vertical interorganizational relations management is typically not a problem as it is generally not necessary to use intermediaries (Stern and El-Ansary 1977). Attempts are being made by a number of regionally based European financial institutions to achieve an effective single European financial market. The adaptation of regional alliances (i.e., vertical integration) as a planning strategy is an effort in achieving a unified financial market (Shaw 1990). Vertical integration guides also ocean shipping business operations. Vertical integration is used by ocean shipping companies to provide linked service door to door. This is already occurring in the U.S. and will increase globally, specially in Europe and the Far East (Richardson 1990). Furthermore, the Eurocheque network is being developed to serve as a means of cooperation between banking institutions in the EC countries (Walman 1986).

As it was stated that horizontal interorganization cooperation/conflict occurs between member firms at the same channel level—for example, conflict between different franchise managers. Vertical intratype channel cooperation/conflict occurs between different levels of the same channel (Kotler 1988). An appropriate organizational structure and common goals are essential to reduce the risk of vertical intraorganizational conflict.

Furthermore, to overcome the decentralization of services, some service firms combine to offer "packaged deals." An example of a packaged deal is a transportation and a lodging firm getting together to offer incentives to customers who use both of these services. The process used by "a company searching for new products/services that could appeal to its current customers through technologically unrelated to its current product/service line is labeled horizontal diversification strategy" (Kotler 1988, p.49). (For a detailed discussion on diversification growth strategies see Kotler [1988], pp. 46-49.)

CONCLUSIONS AND SUGGESTIONS

As the service industry continues to grow and competition increases, there will no doubt be a more concerted effort to resolve the conflicts found in services distribution. At present, however, no concrete answers have been found. In the mean time, let us hope the following comment by a disgruntled service customer is not indicative of the state of affairs in the marketing of services in the country (Mitchell 1984): "We want you, unless we have to be creative or courteous or better than barely adequate. In that case, get lost."

For the services marketing manager, this is a time of caveat venditorum. Management complacency today can deliver a fatal blow and the astute services marketing manager will prepare tomorrow by tackling the challenges of service distribution today. Based on the literature reviewed in this paper, the authors identified the following research gaps pertaining to the area of services marketing: Some nonprofit firms (e.g., Goodwill Industries in the U.S.) are important intermediaries in extended channels for used merchandise. Research effort is needed to illustrate that the same principles pertaining to reverse and extended channels management in the context of tangible goods can also be applied to services marketing.

How does the services encounter impact effective marketing of services? What general principles can be formulated with respect to the interaction process between the service provider and receiver which are important for effective service marketing channels?

How the consumer perceives the benefits derived from the service purchased, as long term or immediate, demarcates the marketing strategy to be pursued by a firm. Research on channel strategy for services marketing needs to be focused on this issue.

Research on channel power has focused mainly on the manufacturer-middlemen dyad. In the context of services marketing, consumer power is not constant. There is a need to extend research on channel power to explicitly consider the role of perceived customer market power and service provider market power.

Marketing trends in all service areas will continue to lead service providers into a more competitive arena. Adoption of innovative techniques in channels management by service organizations can assure their long term survival and lead to their continuing future success.

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