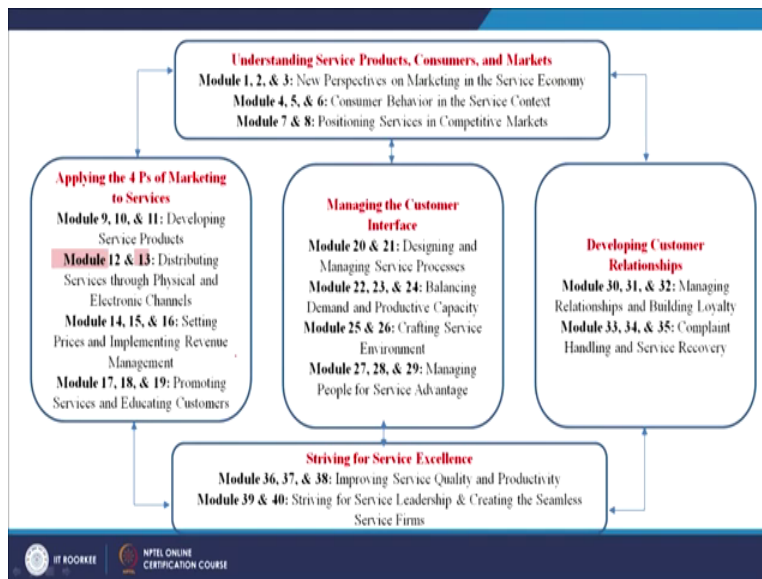


Services Marketing: Integrating People, Technology, Strategy
Professor Zillur Rahman
Department of Management Studies
Indian Institute of Technology, Roorkee
Lecture 13

Distributing Services through Physical and Electronic Channels- Part II

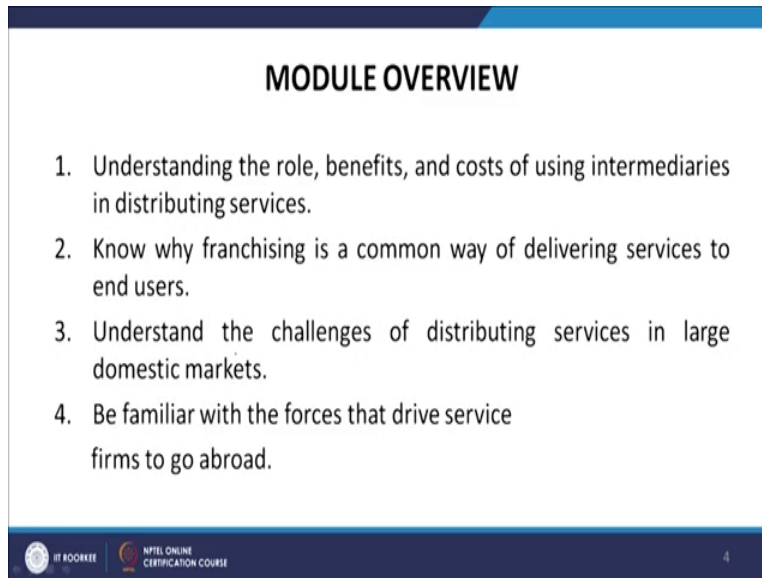
Welcome to this course of Services Marketing. We are talking about distributing services through physical and electronic channels.

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And module 12 and 13 are dedicated to this topic. We have talked about the module 12, now we will talk about module 13.

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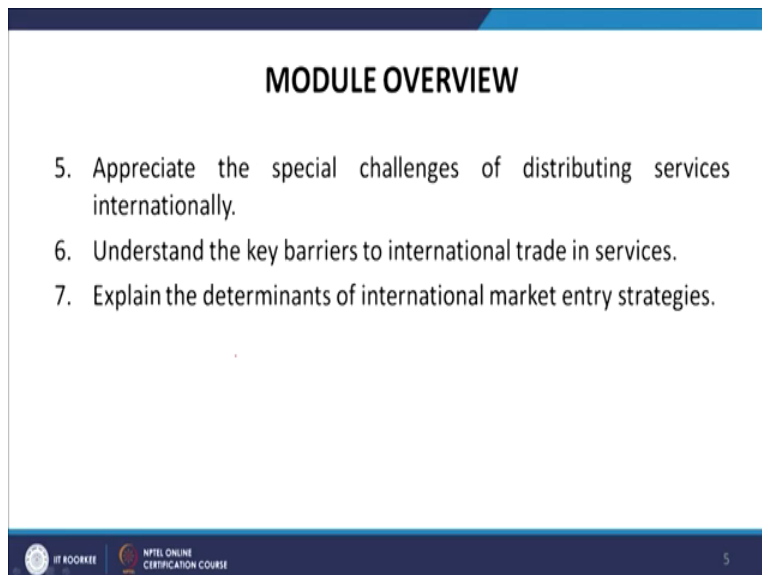
MODULE OVERVIEW

1. Understanding the role, benefits, and costs of using intermediaries in distributing services.
2. Know why franchising is a common way of delivering services to end users.
3. Understand the challenges of distributing services in large domestic markets.
4. Be familiar with the forces that drive service firms to go abroad.

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Now, in this module, we will understand the role, benefits and cost of using intermediaries in distribution of services. We will try to understand why franchising is a common way of delivering services to the end user. Understand the challenges of distributing services in large domestic markets and will familiarize with the forces that drive service firms to go abroad.

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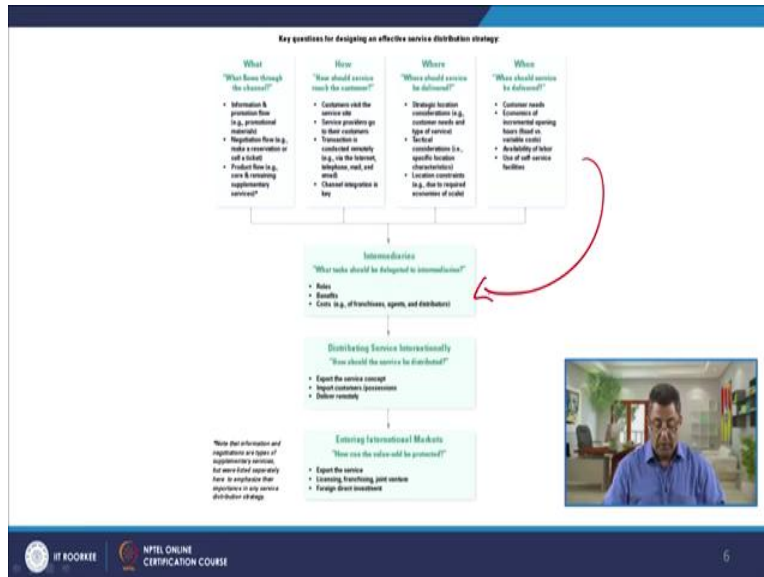
MODULE OVERVIEW

5. Appreciate the special challenges of distributing services internationally.
6. Understand the key barriers to international trade in services.
7. Explain the determinants of international market entry strategies.

ST ROORKEE NPTEL ONLINE CERTIFICATION COURSE 5

Appreciate the special challenges of distributing services internationally. Understand the key barriers to international trade in services and explain the determinants of international market entry strategies.

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Now, this is the model that we started talking about and it deals with the key questions for designing an effective service distribution strategy. So, we have talked about what, how, where, when, now we will move on to the second thing that is the intermediaries. What task should be dedicated to intermediaries, the roles, the benefits and the cost. So, this is what we are currently talking about and then we will move on to the other sections in this module.

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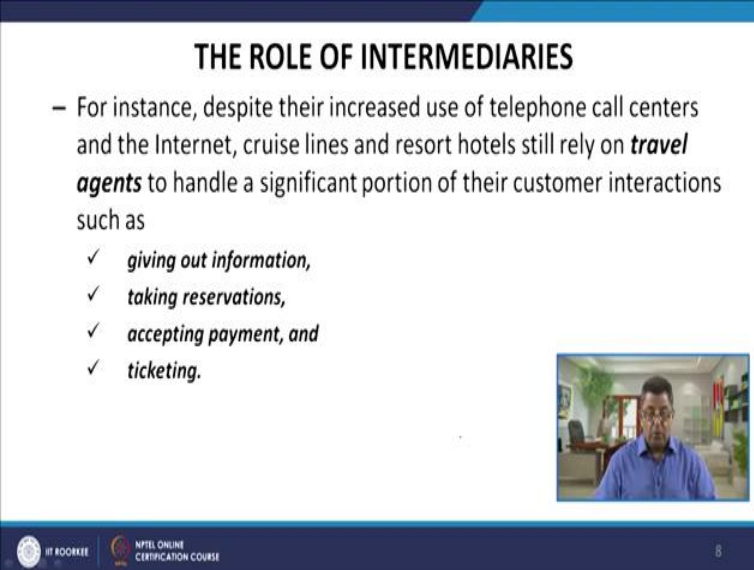
THE ROLE OF INTERMEDIARIES

- Having discussed **what** and **how**, of distribution let us see
- **Who** should be involved in delivering which parts of the service (i.e., information, negotiation, and the core and remaining supplementary services) to the customer.
- Should a service organization deliver all aspects of its service itself?
- Should it involve intermediaries to take on certain parts of service delivery?
- Many service organizations find it cost-effective to outsource certain aspects of distribution. (i.e. **supplementary service elements**)

So, what is the role of intermediaries. Having discussed what and how of distribution, let us see, who should be involved in delivering which part of the service, that is, information, negotiation

and the core and remaining supplementary services to the customers. Should a service organization deliver all aspects of its service itself? Should it involve intermediaries to take on certain parts of service delivery? And many service organization find it cost-effective to outsource certain aspects of distribution. For example, the supplementary service elements.

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THE ROLE OF INTERMEDIARIES

- For instance, despite their increased use of telephone call centers and the Internet, cruise lines and resort hotels still rely on **travel agents** to handle a significant portion of their customer interactions such as
 - ✓ *giving out information,*
 - ✓ *taking reservations,*
 - ✓ *accepting payment, and*
 - ✓ *ticketing.*


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For instance, despite their increased use of telephone call centres and the Internet, cruise lines and resort hotels still rely on travel agents to handle a significant portion of their customer interaction such as, first is giving out information to the customers, second is taking the reservations from the customers, accepting payments, and then ticketing. So, we have all those websites like Make My Trip et cetera, so although individual hotels and airlines, they also have their websites and we can go and book there also, but then these are the intermediaries and service delivery.

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THE ROLE OF INTERMEDIARIES
Benefits and Costs of Alternative Distribution Channels

- How should a service provider work in partnership with one or more intermediaries to deliver a complete service package to customers?
- Using *Flower of Service* framework we show how the core product and certain supplementary elements such as information, consultation, are delivered by the original supplier.
- Delivery of other supplementary services is delegated to an intermediary to complete the offering as *experienced by the customer*.

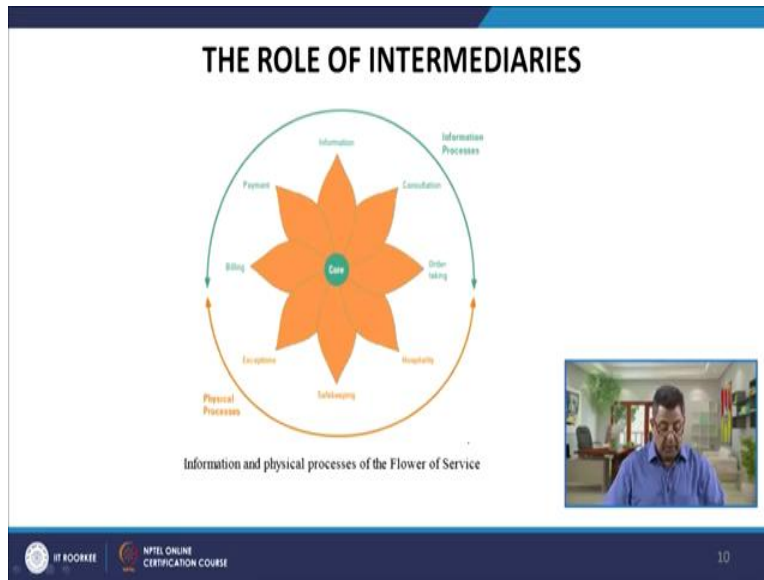


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Now, let us look at the benefits and cost of alternative distribution channels, so only then it makes sense to include a distribution channel when it is adding certain kind of benefits and obviously that will also lead to increasing cost. So, how should a service provider work in partnership with one or more intermediaries to deliver a complete service package to the customer?

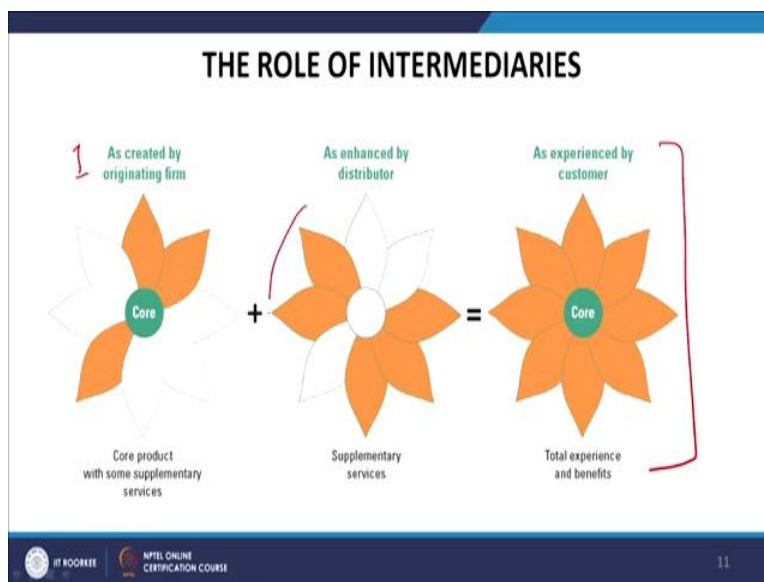
Now, recall we have talked about Flower of Services earlier, so using Flower of Service framework, we will show how the core product and certain element, supplementary elements such as information, consultation are delivered by the original supplier. Delivery of other supplementary service is delegated to an intermediary to complete the offering as experienced by the customer.

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Now, this is the Flower of Service that we have talked about earlier. So, in this this yellow thing, it denotes the physical processes, while this green things that denote the information processes. So, the physical processes and information processes, it completes the service delivery. Now in, at the center is the core of the service and there are several petals of this flower. The orange petals that include exceptions and safekeeping and hospitality, while the green petals they talk about billing, payment, information and consultation. So these four they constitute information processes and these three they constitute the physical processes.

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Now, let us look at how these things happen. Let us start with from the extreme left hand side. So, this is as created by the originating firm. So, it creates the core of the service and the three petals. So, some supplementary services plus core is given by the originating firm. Then comes a distributor and he adds another five petals of supplementary services. And at the end, the whole of the service will include the core and all the petals will be experienced by the customer, so that is the total experience and benefit, so the outcome is this.

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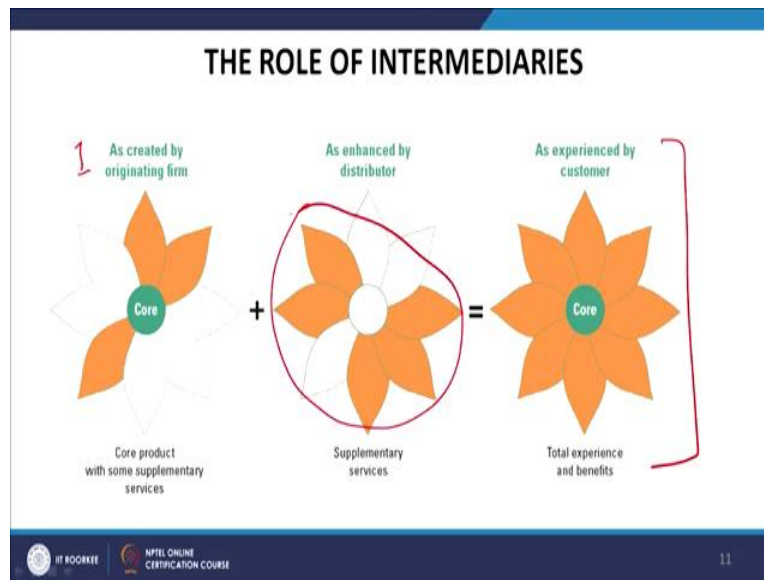
THE ROLE OF INTERMEDIARIES
Benefits and Costs of Alternative Distribution Channels

- In other instances, several specialist outsourcers might be involved as intermediaries for specific elements.
- The challenge for the original supplier is to act as the guardian of the overall process, and
- Ensure that each element offered by the intermediaries fits the overall service concept, thereby leading to ***consistent*** and ***seamless branded service experience***.

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So, in some other instances, several specialist outsourcers might be involved as intermediary of specific elements. The challenge for the original supplier is to act as the guardian of the overall process. So, we have seen that services are rolled these processes and performances. So, the challenge of the original supplier is to act as the guardian of the overall process, the process of service delivery. And ensure that each element offered by the intermediary fits the overall service concept, thereby leading to consistent and seamless branded service experience.

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So, his task is to see that these petals they are in harmony. They are synchronized. The petals or the services that are offered by the intermediary, so that it gives a complete picture to the customer, a good picture to the customer.

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THE ROLE OF INTERMEDIARIES
Benefits and Costs of Alternative Distribution Channels

- In other instances, several specialist outsourcers might be involved as intermediaries for specific elements.
- The challenge for the original supplier is to act as the guardian of the overall process, and
- Ensure that each element offered by the intermediaries fits the overall service concept, thereby leading to **consistent** and **seamless branded service experience**.

Logos for IIT ROORKEE and NPTEL ONLINE CERTIFICATION COURSE are visible at the bottom, along with the number 12.

So that is why he acts a, the original supplier is the guardian of the overall processes. So, that will ensure that each element offered by the intermediary fits the overall service concept and that will lead to consistent and seamless branded service experience.

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THE ROLE OF INTERMEDIARIES

Benefits and Costs of Alternative Distribution Channels

- The role and value-add (i.e., benefits) and costs of every intermediary has to be carefully considered when designing a firm's distribution strategy.
- Many service firms have achieved brand equity by migrating their customers and sales to lower cost channels to remove intermediaries, a process also called *disintermediation*.

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The role and value added that is the benefits and cost of every intermediary has to be carefully considered while designing a firm's distribution strategy. So, we will see how important these cost in some other module. But then here it is important that the original firm should look at the role and the value added as well as the cost of the intermediary. So, many service firms have achieved brand equity by migrating their customers and sales to low cost channels to remove intermediaries, a process that is called as disintermediation.

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Let us look at an example. So, this slide shows alternative sales channels in the hospitality industry. Now, on the extreme left we have key hospitality industries that include hotels, and cruise, airlines, car rentals, theme parks, entertainment, restaurants and other things. Now, comes alternative sales channels. So there are tour operators and travel agents, some may include only the travel agents, some may include only tour operators, then there can be online intermediaries, and in some services can be delivered directly to the customer, the direct sales.

So, you see that restaurant may deliver a service directly to the customer or they may be selling through the various apps like Zomato and Swiggy et cetera. So, they may include some online subsidiary or they may do, they may sell directly to the customer. So, the different industries they have different alternative sales channels to deliver the service to the customer.

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FRANCHISING

According to **International Franchise Association** *franchise as an agreement or license between two legally independent parties which gives:*

- (a) a person or group of people (franchisee) the right to market a product or service using the trademark or trade name of another business.*
- (b) the franchisee the right to market a product or service using the operating methods of the franchisor;*

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Let us look at what is franchising, that is one popular way of delivering services through intermediary. So, according to International Franchise Association, franchise is an agreement or license between two legally independent parties which gives, first, a person or a group of people franchisee, the right to market a product or service using the trademark or trade name of another business.

And second is the franchisee, the right to market a product or service using the operating methods of the franchisor. So, the franchisor gives the right to the franchisee to use their

trademarks and trade names, one. And second, the franchisee has this right to market a product or a service but using the operating methods of the franchisor.

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FRANCHISING

(c) the franchisee the obligation to pay the franchisor fees for these rights and,

(d) the franchisor the obligation to provide rights and support to franchisees.


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The franchisee has the obligation to pay the franchisor fees for these rights. So, what he is taking from the franchisor for that the franchisee has to pay a fee. The franchisor, the obligation to provide rights and support to franchisee, and the franchisor will has this obligation to provide the rights and a continuous support to the franchisee.

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FRANCHISING

- Franchising has become a popular way to expand delivery of an effective service concept, embracing all of the **7 'P's** to multiple sites.
- A franchisor recruits entrepreneurs who are willing to invest their time, effort, and equity in managing a previously developed service concept.
- In return, the franchisor
 - Provides training on how to operate and market the business,
 - Sells necessary supplies, and
 - Provides promotional support at a national or regional level



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Franchising has become a popular way to expand delivery of an effective service concept, and embracing all of the 7 Ps at multiple sites. A franchisor may recruit entrepreneurs who are willing to invest their time, effort and equity in managing previously developed service concept. In return, the franchisor provides training on how to operate and market the businesses, sell necessary supplies and provide proportional support at a national or a regional level.

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FRANCHISING

- Local marketing activities are typically paid for by the franchisee, but they must adhere to the guidelines prescribed by the franchisor.
- Thus franchising is a common way of delivering services to end users. Without the level of monetary investment needed for rapid expansion of company-owned and managed sites.



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Local marketing activities are typically paid for by the franchisee but they must adhere to the guidelines prescribed by the franchisor. Thus franchising is a common way of delivering services to end users without the level of monetary investment needed for rapid expansion of company-owned and managed sites.

So, these some petals of this Flower of Service, they are given to a franchisee and the rest are done by the franchisor. The franchisee pays the fees to the franchisor and the franchisor administer the whole system. And in this way it is marriage of convenience so the company can go in for rapid expansion without doing lots of investments on company-owned and managed sites.

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WHAT MAKES FRANCHISING ATTRACTIVE?

It is a attractive strategy for service firms when:

- The firm has limited resources and fast growth is necessary to preempt competition.
- Franchisees tend to be highly motivated thus ensuring high customer satisfaction, customer loyalty, and high-quality service operations.
- Franchisees tend to be from the local community and therefore can be highly effective in dealing with local authorities(e.g., during the construction and renovation of facilities), labor markets, media, and customers.



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So, what makes this franchising attractive? So, it is a attractive strategy for service firms when, the first, the firm has limited resources and fast growth is necessary to preempt competition. Therefore, the company does not have the resources to establish their own sites, but it is also important to establish the sites at several places because of the fast growing industry and that will preempt the competition.

Franchisees tend to be highly motivated thus ensuring high customer satisfaction, customer loyalty and high quality service operations. Franchisee tend to be from the local community and therefore can be highly effective in dealing with local authorities, for example, during the construction and renovation of facilities, the labor markets, media and the customers. Because they are more, they are local in nature therefore it is assumed that they will be able to manage and deal with these kind of problems, if and when they come up.

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WHAT MAKES FRANCHISING ATTRACTIVE?

Franchisor Success Factors include

- The ability to achieve a larger size with a more recognizable brand name.
- Offering franchisees fewer supporting services but longer-term contracts.
- Having lower overhead per outlet.
- Providing accurate and realistic information about expected characteristics of franchise operations, and support given.
- Building a cooperative rather than controlling relations.



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The franchisor success factor include, the ability to achieve a larger size with a more recognizable brand name. Offering franchisee fewer supporting services but long-term contracts. Having lower overhead per outlet. Providing accurate and realistic information about expected characteristics of franchise operations and support given. And build a cooperative rather than the controlling relationship.

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MASTER FRANCHISING

- Because growth is very important to achieve an efficient scale, some franchisors adopt a strategy known as “*master franchising*”
- It involves delegating the responsibility for recruiting, training, and supporting franchisees within a given geographic area.
- Master franchisees are often individuals who have already succeeded as operators of one or several individual franchise outlets.




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So, there is a master franchisor. Because growth is very important to achieve an efficient scale, some franchisor adopt a strategy known as master franchising. It involves delegating the

responsibility for recruiting, training and supporting franchisees within a given geographic area. Master franchisor are often individuals who have already succeeded as operators of one or several individual franchisee outlet. So, because they already have some kind of experience in this kind of arrangement, so they are made into a master franchisor.

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DISADVANTAGES OF FRANCHISING

- It entails some **loss of control** over the delivery system and, consequently, over how customers experience the actual service.
- Ensuring that an intermediary adopts exactly the same priorities and procedures as prescribed by the franchisor is difficult, yet it's vital for effective quality control.
- An ongoing problem is that as franchisees gain experience, begin to believe they can operate the business better without the constraints imposed by the agreement, often resulting in **legal disputes** between the two parties.

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But then there are several disadvantages of franchising as well. So, it entails some loss of control over the delivery system and subsequently over how customer experience the actual service. Now, because things are outsourced to someone else, that leads to certain loss of control, vis-a-vis we had the service, the full service, the Flower of Service delivery than by the original form.

Ensuring that an intermediary adopts exactly the same priorities and procedures as prescribed by the franchisor is difficult, yet it is vital for effective quality control. An ongoing problem is that as franchisee gain experience, begin to believe that they can operate the business better without the constrained imposed by the agreement, often resulting in legal disputes between the two parties.

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THE CHALLENGE OF DISTRIBUTION IN LARGE DOMESTIC MARKETS

- There are important differences between marketing services within a compact geographic area and marketing services in a federal nation covering a large geographic area, such as the US, Canada, or Australia. These include
- Physical logistics
- Multiculturalism
- Laws and tax rates



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Now, the next thing that we will talk about today is the challenge of distribution in large domestic markets. So, there are important differences between marketing services within a compact geographic area and marketing services in a federal nation covering a large geographic area, such as the U.S, Canada or Australia.

This includes, because now we are talking of large geographic area, so the problems include physical logistics, multiculturalism and laws and tax rates. So, different states will, may have different laws, they may have different tax rates, the culture maybe different across the huge geographic area and obviously the physical logistics.

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THE CHALLENGE OF DISTRIBUTION IN LARGE DOMESTIC MARKETS

- **Physical logistics:** Becomes more challenging for many types of services, because of the distances involved and the existence of multiple time zones.
- **Multiculturalism:** Due to growing proportion of immigrants and the presence of indigenous peoples.
- Firms that market across Canada have to work in two official languages, English and French.




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So, physical logistics means becoming more, it becomes more challenging for many types of services because of the distance involved and the existence of multiple time zones. Multiculturalism, due to growing proportion of immigrants and the presence of indigenous people. So, now there are two different kind of cultures they are mixing at one geographic area. So, firms that market across Canada have to work in two official languages, English and French.

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THE CHALLENGE OF DISTRIBUTION IN LARGE DOMESTIC MARKETS

- **Laws and tax rates:** There are differences within each country between the laws and tax rates of the various states or provinces.
- The challenges in Australia and Canada, however, pale in comparison to those facing service marketers in the mega-economy of the US, due to;
 - Immense size of the country,
 - Diversity of its people,
 - Climatic and topographic variety of the landscape



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Laws and tax rates, there are differences within each country between the laws and tax rates of the various states or provinces. So, the challenges in Australia and Canada, however pale in

comparison to those facing service marketers in the mega-economy of U.S. due to the immense size of the country, the huge diversity of its people, climatic and topographic variety of the landscape.


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FACTORS FAVORING ADOPTION OF TRANSNATIONAL STRATEGIES

Several forces or industry drivers influence the trend toward globalization and the creation of transnationally integrated strategy.

- **Market Drivers**
- **Competition Drivers**
- **Technology Drivers**
- **Cost Drivers**
- **Government Drivers**

Their relative significance may vary by type of service.



NPTEL ONLINE CERTIFICATION COURSE 26

So, what are the factors that favour adoption of transnational strategies. So, several forces or industry driver influence the trend towards globalization and the creation of transnationally integrated strategy. So, these factors are the first are the market drivers, the competition drivers, technology drivers, the cost drivers and the government drivers. So these, their relative significance may vary by the type of service. So in one type of service some factors, some drivers maybe more important and in another kind of service another set of drivers maybe more important.

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FACTORS FAVORING ADOPTION OF TRANSNATIONAL STRATEGIES

- **Market Drivers:** Market factors stimulating the move toward transnational strategies include
 - Common consumer needs across many countries,
 - Global customers who demand consistent services from suppliers,
 - Availability of international channels.
- As large corporate customers become *global*, they often seek to *standardize* and *simplify* the suppliers used in different countries for a wide array of B2B services.



IT ROOBBEE NPTEL ONLINE CERTIFICATION COURSE 27

Now, let us look at each of these driver. So, what are market drivers? Market factors stimulating the move towards transnational strategy include, the common customer needs across many countries. So, because customer needs are converging across the countries, so there is a need for the, similar kind of services across the world. Global customer who demand consistent services from suppliers. So, there are global customers or the customers who are there across several countries, so they want consistent services from their suppliers. And then there are, there is an availability of international channels.

As large corporate customers become global, they often seek to standardize and simplify the suppliers used in different countries for a wide array of B2B services. So, now when the companies, the corporate customers they become global, so they are at several places. Then they want their suppliers to be available at several places, so that these suppliers can provide them B2B services. So, that is why these companies they, several companies they also become global in nature.

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FACTORS FAVORING ADOPTION OF TRANSNATIONAL STRATEGIES

- For example they may seek to *minimize* the number of auditors they use around the world expressing a preference for the “**Big Four**” accounting firms (i.e., **PricewaterhouseCoopers**, **Deloitte Touche Tohmatsu**, **Ernst & Young**, and **KPMG**) that can apply a consistent approach (within the context of the national rules prevailing within each country of operation).
- The use of globalized corporate banking, insurance, and management consulting are further examples.



NPTEL ONLINE CERTIFICATION COURSE 28

For example, they may seek to minimize the number of auditors, they use around the world, expressing a preference for the big four accounting firms. And these big fours are the PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst and Young, KPMG. So, now because they do not want, the companies do not want to be dealing with several different entities across the world, so they just, because of obviously the problems in dealing with several different companies. So, they want the companies to move or become global as they become global.

So, again for example the auditors. So, if a company is going global and it may be present in 15 different countries, and if suppose they deal with 15 different auditors across the countries, then that incurs a huge cost. So, then they want that the auditors, they should be using the same auditors across the world, because then dealing with them becomes easier. And these are the four big auditors that are there at several places, so the global companies they continue to do, continue with these four big auditors.

The use of globalized corporate banking, insurance and management consulting are further examples. So, there are global banks, so these global companies they tend to continue with the global banks, instead of dealing with several different banks across the globe. Similar is the case with insurance companies and the management consulting.

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FACTORS FAVORING ADOPTION OF TRANSNATIONAL STRATEGIES

- **Competition Drivers:** The key competition drivers that exercise a powerful force in many service industries include,
 - Presence of competitors from different countries,
 - Interdependence of countries, and
 - The transnational policies of competitors themselves
- Firms may be obliged to follow their competitors into new markets in order to protect their positions elsewhere.



BY ROOKEE NPTEL ONLINE CERTIFICATION COURSE 29


Another set of drivers are competition drivers. The key competition drivers that exercise a powerful force in many service industry include, presence of competitors from different countries. So, now when we are only domestic market, we may have, or when we were a small company and we were operating in a domestic market, so there would have been a case whereby only domestic competitors are there. But now, with globalization, the competition, the competitors can be from any part of the world or they may be from different parts of the world.

And because of interdependence of countries and the transnational policies of competitors themselves. So, competitors are also going global, so therefore you may face different kind of competitors from different countries. The firm may be obliged to follow their competitors into new markets in order to protect their positions elsewhere. So, with one company the competitors, they also become, they are also go to other countries. So, one company and the rest of the competitors, they all become global in this pursuit.

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FACTORS FAVORING ADOPTION OF TRANSNATIONAL STRATEGIES

- **Technology Drivers:** To center around advances in IT such as
 - enhanced performance and capabilities in telecommunications, computerization, and software;
 - miniaturization of equipment; and
 - the digitization of voice, video, and text
- For information-based services, the growing availability of broadband telecommunication channels with their capability of moving vast amounts of data at great speed is playing a major role in opening up new markets.



NPTEL ONLINE CERTIFICATION COURSE 30

Then there are some technology factors. To centre around advances in IT such as one, enhanced performance and capability in telecommunications, computerization and software. Miniaturization of equipment and the digitization of voice, video and text. For information-based services, the growing availability of broadband telecommunication channels with their capability of moving vast amount of data at great speed is playing a major role in opening up new markets.

So, technology is another driver that has enabled the companies or the service companies to adopt a transnational strategy. Because several things that were not possible earlier because of the new technologies coming in, computerization and miniaturization, so delivering of services internationally has become easier.

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FACTORS FAVORING ADOPTION OF TRANSNATIONAL STRATEGIES

- **Cost Drivers:** The common drivers include
 - economies of scale,
 - sourcing efficiencies as a result of favorable logistics,
 - lower operating costs for telecommunications and transportation
- The effects of these drivers vary according to the level of fixed costs required to enter an industry and the potential for cost savings.
- However, cost drivers may be less applicable for services that are primarily people-based.



BY ROOKEE NPTEL ONLINE CERTIFICATION COURSE 31

Then there are some cost drivers. The common drivers include economies of scales, sourcing efficiency as a result of favourable logistics, lower operating cost for telecommunication and transportation. The effect of these driver vary according to the level of fixed cost required to enter an industry and the potential of cost saving. So, because there is a scope for a reducing cost that is another incentive for a company to become transnational.

However, cost driver maybe less applicable for services that are primarily people-based. So, in that case, the price and cost may not match. So, in that case, the cost drivers may not be so important, when we are talking of primarily people-based services.

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FACTORS FAVORING ADOPTION OF TRANSNATIONAL STRATEGIES

- **Government Drivers:** Serve to encourage or discourage the development of a transnationally integrated strategy. It includes
 - favorable trade policies,
 - compatible technical standards, and
 - common marketing regulations
- Actions taken by the European Commission to create a single market throughout the EU is a stimulus to the creation of pan-European service strategies in numerous industries.



BY ROOKEE NPTEL ONLINE CERTIFICATION COURSE 32

Another set of drivers that help companies, service companies to become international or transnational or global are the government drivers. They serve to encourage or discourage the development of a transnationally integrated strategy. It includes, favourable trade policies, compatible technical standards and common marketing regulations. So government, they enable the business environment to become in sync with other countries and that makes it possible for companies and service companies to adopt a transnational strategy.

So, action taken by the European Commission to create a single market throughout the EU is a stimulus to the creation of pan-European service strategy in numerous industry. So now, any company which is a country-based because of this formation of EU, they can now operate across the European Union instead of just working in one country.

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IMPACT OF GLOBALIZATION DRIVERS ON VARIOUS SERVICE CATEGORIES

Globalization Drivers	People Processing	Possession Processing	Information based
Competition	Simultaneity of production and consumption limits leverage of foreign-based competitive advantage in front stage of service factory, but advantage in management systems can be basis for globalization.	Lead role of technology creates driver for globalization of competitors with technical edge (e.g., Singapore Airlines' technical servicing for other carriers' aircraft).	Highly vulnerable to global dominance by competitors with monopoly or competitive advantage in information (e.g., BBC, Hollywood, CNN), unless restricted by governments.
Market	People differ economically and culturally, so needs for service and ability to pay may vary. Culture and education may affect willingness to do self service.	Less variation for service to corporate possessions, but level of economic development affects demands for services to individually-owned goods.	Demand for many services is derived to a significant degree from economic and educational levels. Cultural issues may affect demand for entertainment.
Technology	Use of IT for delivery of supplementary services may be a function of ownership and familiarity with technology, including telecommunications and intelligent terminals.	Need for technology-based service delivery systems is a function of the types of possessions requiring service and the cost tradeoffs in labor substitution.	Ability to deliver core services through remote terminals may be a function of investments in computerization, quality of telecommunications infrastructure and education levels.
Cost	Variable labor rates may affect pricing in labor-intensive services (consider self-service in high-cost locations).	Variable labor rates may favor low-cost locations if not offset by alignment costs. Consider substituting equipment for labor.	Major cost elements can be centralized and minor cost elements localized.
Government	Social policies (e.g., healthcare) vary widely and may affect labor costs, rate of women in front-stage jobs, and hours/days on which work can be performed.	Tax laws, environmental regulations, and technical standards may decrease/increase costs and encourage/discourage certain types of activity.	Policies on education, censorship, public ownership of communications, and infrastructure standards may affect demand and supply and distort pricing.

Now, let us look at the impact of globalization drivers on various service categories. So, on the left-hand side, we have globalization drivers, competition, market, technology, cost and government that we have talked about in earlier slides. Then there are different types of services, services where people are processed, services where possessions are processed, and services where information is processed.

So, what happens when the globalization driver is competition and people are processed? So, simultaneity of production and consumption limits leverage a foreign based competitive advantage in front stage of service factory. But advantage in management system can be basis of globalization.

When possessions are processed, and we are talking of competition based globalization factor, so the lead role of technology creates drivers for globalization of competitors with technical edge. For example, Singapore Airlines, technical servicing for other carriers aircraft. When information is processed, highly vulnerable to global dominance by competitors with monopoly or competitive advantage in information. For example BBC, Hollywood and CNN, unless restricted by the government.

Another globalization driver is the market. So, when people processing is done, then let us see what happens. So, people differ economically and culturally. So, needs for service and ability to pay may vary. Cultural education may affect willingness to do self service. When possession

processing happens, then there is less variation for service to corporate possessions, but level of economic development affect demand for services to individually owned goods.

When information-based processing is done, then the demand for many services derived to a significant degree from economic and educational levels. Cultural issues may affect demand for entertainment. When the technology drivers globalization and people are processed, then use of IT for delivery of supplementary services maybe a function of ownership and familiarity with technology, including telecommunications and intelligent terminals.

When possessions are processed, so there is a need for technology-based services, delivery system is a function of the type of possessions requiring service and the cost trade-offs in labour substitution. When it is information-based, then ability to deliver core services through remote terminals maybe a function of investments in computerization, quality of telecommunication, infrastructure and educational levels.

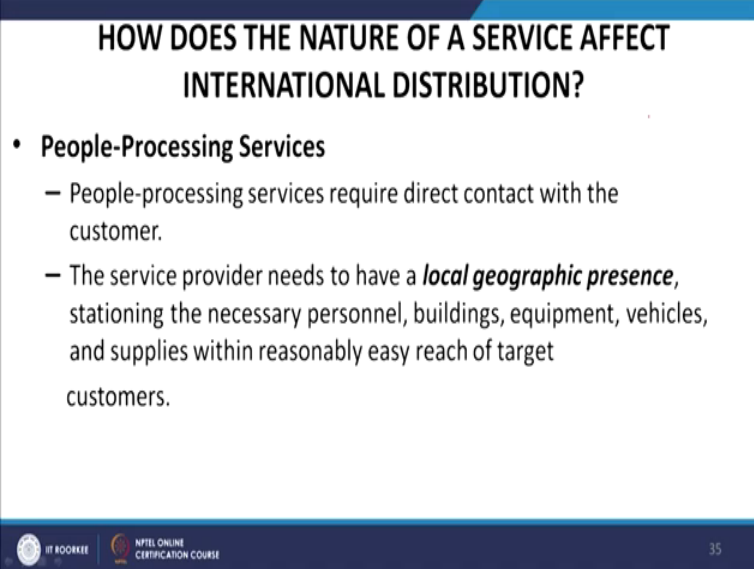
When the cost is the globalization driver, variable labour rates may affect, services and labour intensive services, consider self service in high cost locations. When possessions are processed, variable labour rates may favour lost cost locations if not offset by shipment cost. Consider substituting equipment for labour. When there is information-based processing, so major cost element can be centralized and minor cost elements can be localized.

When there is government globalization drivers, so social policies and when we are talking of government-based globalization drivers and we are talking of people processing, then social policies for example, healthcare, very widely and may affect labour cost, role of women in front stage jobs, and the hours, days on which work can be performed. When possessions are processed, tax laws, environmental regulations and technical standards may decrease or increase cost and encourage or discourage certain type of activity.

When the processing is information-based, then policies on education, censorship, public ownership of communication and infrastructure standard may affect demand and the supply and distort pricing. So, this is so on the extreme left we have these globalization drivers that we have talked about earlier, the competition, market, technology, cost and government.

And on the right we talk of the three types of processing, when people are processed, when possessions are processed, and when the processing is information-based. And then we have seen that in the, in each of these cases what happens.

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HOW DOES THE NATURE OF A SERVICE AFFECT INTERNATIONAL DISTRIBUTION?

- **People-Processing Services**
 - People-processing services require direct contact with the customer.
 - The service provider needs to have a *local geographic presence*, stationing the necessary personnel, buildings, equipment, vehicles, and supplies within reasonably easy reach of target customers.

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Now, let us look at how does the nature of a service affect international distribution. So, when people-processing of services is happening, then people-processing service require direct contact with the customer. So, that is the problem with people-processing, because the customer and the employees they come together. The service provider needs to have a local geographic presence, stationing the necessary personnel, buildings, equipments, vehicles and supplies within reasonably easy reach of the target customers.

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HOW DOES THE NATURE OF A SERVICE AFFECT INTERNATIONAL DISTRIBUTION?

- **People-Processing Services**
- **There are two options for people-processing services:**
 - **Export the service concept.** Acting alone or in partnership with local suppliers, the firm establishes a service factory in another country
 - **Import customers.** Customers from other countries are invited to come to a service factory with distinctive appeal or competences in the firm's home country

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Now, there are two options for people-processing services. The first is to export the service concept, acting alone or in partnership with local suppliers, the firm establishes a service factory in another country. So, now whether they may be having their own outlets or they may have a partnership with some local supplier. Or you import the customers. Customer from other countries are invited to come to our service factory with distinctive appeal or competencies in the firms home country. So, this maybe more applicable in B2B rather than B2C services.

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HOW DOES THE NATURE OF A SERVICE AFFECT INTERNATIONAL DISTRIBUTION?

- **Possession-processing Services**

Possession-processing services may also be geographically constrained in many instances.

Involves services to the customer's physical possessions and includes repair and maintenance, freight transport, cleaning and warehousing.

Most services require an ongoing local presence, regardless of whether customers drop off items at a service facility or having a personnel visit the customer's site.

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When possessions are processed, so possession-processing services may also be geographically constrained in many instances. So, that involves services to the customer's physical possessions and include repair and maintenance, freight transport, cleaning and warehousing. Most services require an ongoing local presence regardless of whether customers drop off items at a service facility or having a personnel visit to the customer site.

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HOW DOES THE NATURE OF A SERVICE AFFECT INTERNATIONAL DISTRIBUTION?

- **Information-based Services**
 - **Export the service to a local service factory.** The service can be made available in a local facility that customers visit.
 - **Import customers.** Customers may travel abroad to visit a specialist facility, in which case the service takes on the characteristics of a people-processing service.
 - **Export the information via telecommunications and transform it locally**

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Now, when the information, when we are talking of information-based services, so the first option is export the service to the local service factory. The services can be made available in a local facility that customer may visit. Import customers, customer may travel abroad to visit a specialist facility in which case the service takers on the characteristics of a people-processing service and export the information via telecommunication and transform it locally.

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BARRIERS TO INTERNATIONAL TRADE IN SERVICES

- The marketing of services internationally has been the fastest-growing segment of international trade.
- Barriers to entry, historically a serious problem for foreign firms wishing to do business abroad, are slowly diminishing.
- However despite the efforts of the WTO, there are many hurdles to overcome.



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Now, we will look at the barriers to international trade in services. So, marketing of services internationally has been the fastest growing segment of international trade. So, earlier it was more, the trade was more in goods, now it is more in services. So, barriers to entry historically a serious problem for foreign firms wishing to do business abroad are now slowly diminishing. However, despite the efforts of the WTO, there are many hurdles to overcome.

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BARRIERS TO INTERNATIONAL TRADE IN SERVICES

For **example**, Airline access is a sore point—

Many countries require bilateral (two-country) agreements on establishing new routes.

If one country is willing to allow entry by a new carrier, but the other is not, then access will be blocked.

Compounding government restrictions of this nature are capacity limits at certain major airports, which lead to the denial of new or additional landing rights for foreign airlines.

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For example, airline access is a sore point. Many countries require bilateral, two-country agreements on establishing new routes. If one country is willing to allow entry to a new carrier

but the other is not, then access will be blocked. Compounding government restrictions of this nature are capacity limits at certain major airports, which lead to the denial of new or additional landing rights for foreign airlines because airport capacity is limited, so therefore they may not grant landing rights to some foreign airlines.

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BARRIERS TO INTERNATIONAL TRADE IN SERVICES

Financial, healthcare and telecommunications service markets are typically also highly regulated, which makes it difficult for international players to enter those markets.

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Financially healthcare and telecommunication service markets are typically also highly regulated, which makes it difficult for international players to enter those markets.

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HOW TO ENTER INTERNATIONAL MARKETS?

A firm's ability to go international depends on

1. How a firm can protect its intellectual property (IP) and control its key sources of value creation, and
2. Whether the level of desired interaction with the customer is high or low
3. Branding, having a global customer base, and global resources, capabilities and networks
4. Tight control on local partners especially in cases of knowledge based and professional services.

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Now how to enter international markets? A firm's ability to go international depends on one, how a firm can protect its intellectual property and control its key sources of value creation. Second, whether the level of desired interaction with the customer is high or low. Branding having a global customer base and global resources capabilities and networks. And the fourth is tight control on local partners especially in cases of knowledge based and professional services.

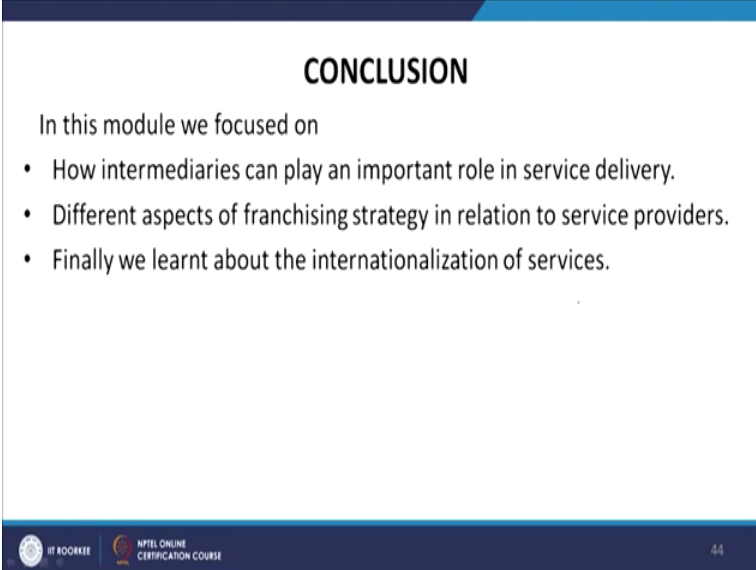
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Now, this is how we go international. On the X axis we have a degree of required customer interaction in the creation of service. So, what is a degree of interaction when the service is delivered and the control of IP and sources of value creation. So, they on the Y axis move from high to low, while X axis move from low to high.

So, now there are new software service firms, car rental, hotels, fast-food, courier service, legal services, advertising agencies, management consulting. So these here we directly export, here asset light strategy that is via licensing, franchising and joint ventures, and in this case, foreign direct investment, for example via branch, subsidiary, mergers and acquisitions. So, this is the framework of how service firms should international.

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CONCLUSION

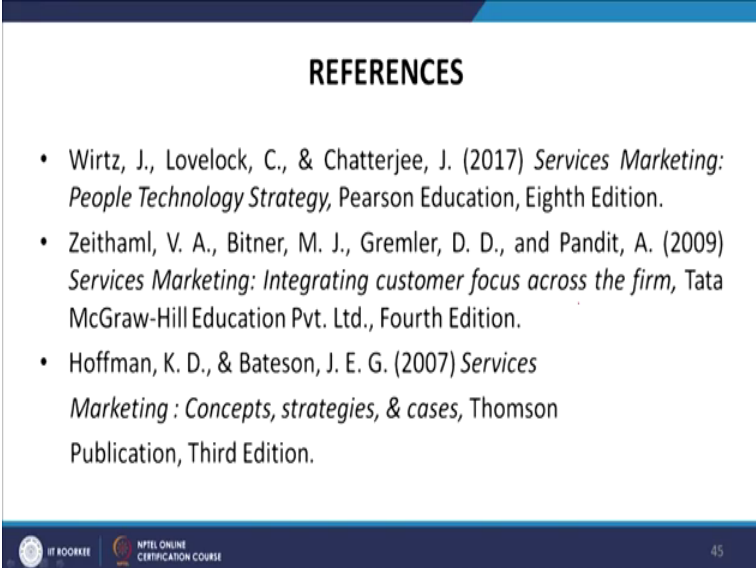
In this module we focused on

- How intermediaries can play an important role in service delivery.
- Different aspects of franchising strategy in relation to service providers.
- Finally we learnt about the internationalization of services.

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To conclude, in this module, we have focused on how intermediaries can play an important role in service delivery. Then we have talked about the different aspects of franchising strategy in relation to service provider. And finally, we have learnt about the internationalization of services.

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These are the three books from which the material for this module was taken. Thank you.