

# 5

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## OPTIMIZING DISTRIBUTION CHANNELS

*“When I first arrived in Nepal just over three years ago, I was told by everyone I met that condoms were available everywhere. I wondered why I had been asked to come to Nepal and expand the depth and reach of condom availability for HIV/AIDS prevention and family planning purposes. However, when I myself went to try and find condoms in the marketplace I found that outlets carrying condoms were few and far between and that there were even fewer condoms available in late night establishments that are often linked with risky sexual behavior. Even though condoms had been promoted and distributed by His Majesty’s Government and social distribution companies for over 25 years, we decided to commission a national condom retail outlet audit to find out if the perceptions of condom availability matched the actual availability of condoms in the private sector. The results of the national survey stunned everyone. Out of all potential condom outlets surveyed that could carry condoms, 77% had never sold a condom. This finding shouted ‘opportunity.’ ”*

Steven W. Honeyman, Country Representative  
Population Services International

For a moment, if you will, put on your citizen hat, assume you have a need or desire for the services listed here, and then answer freely these related questions:

- Where would you like to get your passport? Renew it?
- How would you like to return a library book?
- When would you like to be able to talk with your child's teacher?
- What would you really like the lobby of the post office to look like?
- How long is it reasonable to wait on hold when you call the IRS?

Now, return to the role of a public sector manager. Do you believe you should strive to provide the level of access that citizens want, levels that have been raised by our everyday experiences when shopping, dining, banking, and traveling? Or do you believe instead that the public sector is different, that citizens don't really expect the same levels of convenience from you, and that they might even think you were being frivolous if you mimicked the commercial sector?

We think the answer is that it depends on your agency's objectives and goals. What is certain, and a given, is that convenience of access does influence behaviors, and related decisions require a rigorous analysis of anticipated gains from increases in targeted citizen behaviors stacked against your costs for increasing convenience. We further suggest, as illustrated in the following story, that the rigor is worthwhile.

## **Opening Story: HIV/AIDS in Nepal— Sarita is Empowered to Buy Condoms When and Where She Needs Them**

### ***Challenges***

The challenges facing condom distribution activities in Nepal in 2002 were many: an estimated 60,000 individuals had already contracted HIV/AIDS; there were large unmet needs for modern family planning methods, including use of condoms; and nearly eight years of civil war had racked the countryside.

Condom promotion and distribution, which started 25 years earlier, had seen only limited growth and was primarily aimed at family planning. Little was being done to promote condom use as a barrier against HIV and sexually transmitted infections. Because of this primary emphasis on condom use for contraception, condoms were not easily available at “hotspot” locations where high-risk sexual activity was known to take place.

Putting a face to the problem, Sarita tells her story, one that is not unique—thousands of women throughout Nepal have very similar stories to share. After the death of her husband and the loss of two brothers in the ongoing civil conflict, she decided to take a risk and move with her young son from their village to Kathmandu in search of a better life. She soon found work in a dance restaurant, and although she had several customers who gave her cash and gifts in exchange for sex, she did not consider herself to be a sex worker. “I only have sex with good men that become my friends,” she explains.

She and women like her face enormous challenges: “When I first arrived in Kathmandu, it was difficult to buy condoms late at night or around the dance restaurant where I work. I was afraid to buy condoms at the local pharmacy because I knew the man who worked there and I was embarrassed. If I was caught by either the authorities or my boyfriends carrying condoms, they would assume I was a prostitute and this would create a lot of problems.”

## ***Strategies***

For women like Sarita, increased availability of and accessibility to condoms was literally a matter of life and death. It became imperative to develop new channels of distribution, focused not just on “supplying” condoms but also on improving access in relevant locations and at convenient times. In order to do this, the central government, in collaboration with Population Services International (PSI)/Nepal, turned to the private sector as a vibrant, exciting, and newly revitalized partner in the overall delivery of condoms to consumers. As in many countries, condoms in Nepal were already available from government health units free of charge—the problem lay instead with accessibility. After examining weaknesses in the current distribution

system, PSI/Nepal helped develop new and innovative strategies for the government to reach high-risk target groups.

New partnerships were formed with private sector trade associations, trade unions, non-governmental organizations (NGOs), and companies that began directly marketing condoms to their members. This generated income for the associations while also keeping their members free of sexually transmitted diseases and allowing them to better plan their families.

New distribution channels were created, ones linked to target groups like the fast-moving consumer goods company, which normally sold sweets and dried noodles, that was contracted to make condoms much more widely available across the country by opening convenient new condom outlets. NGOs with links to late-night establishments (dance and cabin restaurants, pubs, singing bars, and massage parlors) were contracted to open HIV/AIDS-focused condom outlets near high-risk meeting places, and mass media let the market know about it (see Figure 5.1).

To expand into new territories, private sector companies with networks across the country began to supplement the limited existing



**FIGURE 5.1** Number One condoms on sale in a bar known to be frequented by sex workers late at night (Note the promotional sign on the wall between the liquor cabinets.)

family planning distribution and added over 30,000 new outlets to the existing network. Using companies that normally handled only fast food to distribute condoms for the first time resulted in sharp increases in efficiency, more effective targeting of distribution activities, and greatly reduced costs (see Figure 5.2).



**FIGURE 5.2** A neighborhood convenience store where Number One condoms are sold on the front counter and promotional banners are prominently displayed across the front of the store and in each display case

## *Rewards*

There has been a dramatic improvement in condom distribution over the past few years (since 2003). The number of socially marketed condoms (that is, condoms sold to distributors at a subsidized price for public health benefit) increased 43 percent the first year and 34 percent in the second year, compared with an 8 percent average growth over the prior three years. The market for subsidized condoms has now doubled in size from 11 million units to 22 million units per year.

High-risk HIV/AIDS condom consumers, such as female sex workers, have become more effectively and efficiently targeted. These days, Sarita no longer feels that she is at the same level of risk

as before. “Now that condoms are available right inside the dance restaurant where I work, as well as at the cigarette stand outside, I can buy them when and where I need. I don’t need to carry them in my purse all day because I can get them late at night instead.” Sarita even reports that her boyfriends are increasingly bringing their own condoms with them because they are easy to buy on the spot.<sup>1</sup>

## Place: The Third “P”

*Distribution channels*, simply stated, are the means you use to deliver your offerings and the means that citizens have to access them. In the marketing mix, this is the **Place “P”**, considered one of the most critical decisions facing management. Your choices profoundly affect citizen response:

- *Participation* in programs (e.g., where and when CPR trainings are offered)
- *Utilization* of services (e.g., ambiance of a community center)
- *Compliance* with rules and regulations (e.g., where trash and recycling receptacles are placed at a city park)
- *Purchase* of products (e.g., where a university’s branch campuses are located)
- *Satisfaction* (e.g., how early a business traveler has to get to the airport in order to get through security lines)

Your choices will obviously also profoundly affect your costs, setting in motion the balancing act you no doubt must manage. In the next section of this chapter, you will consider the numerous channel-related decisions facing public sector managers. It is intended to broaden your perspective of channel components. Later, there is a discussion of criteria for decision-making, intended to add rigor and stability to the process.

## Channel Decisions

Distribution channel decisions impact where, how, and when your offerings will be delivered and accessed. They also include the “atmospherics” surrounding the exchange process, whether it is a

physical location (e.g., your gate at a flight terminal), a Web site (e.g., the site's ease of navigation), or a phone call (e.g., the amount of time you are on hold). Looking at it from the customer's perspective, your decisions impact how much time, effort, and joy the exchange will "cost" them—or not!

These decisions not only impact citizens but also often involve long-term commitments to others (e.g., a public sector partnership with the Red Cross to deliver CPR classes). Therefore, you'll want to design your channels carefully, with an eye on tomorrow's marketing environment as well as today's.

### *Decisions on Where and How Citizens Access Your Programs and Services*

We live in a convenience-oriented world in which many of us place an extremely high value on our time, trying to save some of it for our families, friends, and favorite leisure activities. This list of components related to where and how programs and services are accessed includes of course the "brick and mortar" option that has dominated the distribution channel landscape of the past, but it also includes a mix of newer channels that are growing in stature.

*Physical Location.* This channel is most familiar to those agencies providing direct, face-to-face delivery of programs and services, making decisions regarding where to locate public schools, fire stations, voting booths, playgrounds, university branch campuses, community health clinics, post offices, ports, and so on. Major decisions focus on location. Consider, for example, the attention Minneapolis-St. Paul, Minnesota gives to Park and Ride locations. As of 2005, they can proudly boast on their Web site that there are "free parking lots all over the metro area." In fact, they list over 130, including ones that appear to be standalones as well as ones located in a variety of familiar locations such as shopping malls, city halls, Target store parking lots, and, of course, Lutheran churches. In addition to street address, they note for each location the numbers for bus routes serving the lot, any tips on parking instructions, and even whether the location includes a bike locker.<sup>2</sup>

*Phone.* Of most interest to the marketer when choosing and managing this distribution channel is its potential use by citizens for *placing orders* (e.g., signing up for an exercise class offered at a community

center), *performing transactions* (e.g., participating in a citizen survey), and actually *receiving services* (e.g., calling 911). Putting back on your citizen hat, you know this customer contact point can “make or break” your image of a governmental agency as well as the deal. Although the phone is a convenient option in the mix, decisions to develop and utilize this option need to be made with assurance that the customer’s experience will be a pleasant one. Tobacco quitlines are widespread because of their proven ability to offer universal access; address ethnic, gender, and age disparities; meet smokers’ strong preference to be counseled on the phone instead of face-to-face; and most importantly, help smokers quit. Convenience features offered by many include toll-free numbers, “live” counselors answering the phone, and availability seven days a week, early in the morning (when having that first cigarette with a cup of coffee) to late at night (when a long, hard day creates a new resolve).

*Fax.* Before we unplug this option and store it in the closet, consider this unique potential role for a fax machine. In Wisconsin, an innovative, effective, evidence-based tobacco cessation program has added an additional component to their mix, “The Fax to Quit Program.” When a smoker is identified in a healthcare setting and indicates that he or she wants to make a quit attempt, the patient is asked to agree to have his or her name and number faxed to the Quitline and then signs a consent form. The state-sponsored Quitline then makes the initial call to the patient to begin the counseling program. Smokers who speak little or no English can request an interpreter on the enrollment form. In the end, the burden and barrier of making the initial call has been shifted from the smoker to the Quitline counselor.<sup>3</sup>

*Mail.* As with the phone, it is clear this option is also still regarded as highly convenient by many citizens and is one that can be cost effective for the government. In 1998, to attest, voters in Oregon passed a ballot measure directing all elections to be conducted by mail. A ballot is mailed to each registered voter and then returned to the county elections office. Statistics show that this convenience angle can make a difference, with voter turnout in Oregon for the 2004 general election at 74 percent of eligible citizens, compared with 64 percent nationwide.<sup>4</sup> Consider as well the cost savings for the government, discussed in the Federal Election Commission book “Innovations in Election Administration 11: All-Mail Ballot Elections”—“No poll workers



includes: no recruitment; no notices to be sent; no classes to conduct; no distribution and retrieval of election day supplies; no last-minute cancellations from workers who had agreed to serve; no paychecks to cut and mail; no W-2's to send; no pre-dawn election-day hours to line up replacement workers. No polling places includes no polling place leases, telephones, utilities; no searching for or preparation of accessible locations; no frantic phone calls about locked doors; no preparation, set-up, tear-down, or emergency repairs of voting machines or devices; no confusion about where people must go to vote."<sup>5</sup>

*Mobile Units.* It is probably obvious that this distribution channel is usually more convenient for citizens, typically arriving closer to their homes, work, school, and shopping. Less obvious is that it can also be a winning economic strategy for the government as well. In New Zealand, the MidCentral District Health Board figured out a way to use mobile dental clinics to improve access to services as well as to reduce onsite clinics and related costs. When clinics were closed at 15 schools, children had to overcome barriers of making appointments and arranging for a parent or guardian to transport them. The purchase of two new mobile units in 2004 meant services could again be provided onsite to those 15 schools. Mobile units painted with oral health messages were expected to be a highly visible focal point when visiting schools and traveling through communities. It is estimated that up to 4,000 children will receive services in the two new mobile units each year.<sup>6</sup>

*Drive-thrus.* Although you can order a hamburger, make a bank deposit, pick up prescriptions, pay your respects at a funeral parlor—even get married—all from the front seat of your car, this is a fairly new option in the public sector. Libraries, however, are apparently hot on the trail. In Harford County, Maryland, for example, the Bel Air Branch Library drive-thru lanes resemble those at fast food restaurants. At 8 a.m., customers can return books, pay late fees, and pick up items they requested in advance, all before the building's doors open at 10 a.m. It is reported that when the service was first offered in 1998, 670 people drove through the first month. Two years later, that number had risen to 4,300 users per month and the window stays open until 8 p.m.<sup>7</sup>

*Internet.* Gaining information about governmental programs and services through the Internet is of course commonplace today. In marketing terminology, however, this is using the Web as a communication channel. Of interest in this chapter is the utilization of

the Web as a distribution channel—a way for citizens to actually receive services, order products, or perform transactions. Some call this movement e-governance, and it is having a positive impact on the productivity and performance of the public sector. Examples appear to be emerging like crocuses in the spring: going “online” instead of “in line” to purchase or renew a license for your pet; joining government sponsored chat rooms for support for quitting smoking; filing tax returns; making campground reservations; getting a replacement Medicare card; ordering vital records, publications, or materials; and finding a carpool or vanpool partner. In August 2005, the North Carolina Triangle Transit Authority announced an online “store” for riders to purchase passes for bus and shuttle services, available of course 24 hours a day, 7 days a week.<sup>8</sup> This online purchase system accepts American Express, Discover, MasterCard, and Visa, charging a \$1.00 shipping and handling fee per transaction.

*Videos.* This distribution mechanism can extend the reach of efforts (e.g., connect town hall meetings at various locations being held across a state for citizen input) as well as potentially cut costs and improve citizen satisfaction. In California, the Orange County Corrections Department installed a video for visitations at its jail that houses an average of 3,800 inmates, the fifteenth largest in the country (2003). According to officials, the reasoning behind the video visitation center was straightforward. They wanted to reduce opportunities for contraband to enter the jail. Even though video visitation can’t provide a human touch, the reality was that they had to put a stop to all touching anyway in 1999 in an effort to stop contraband. The atmosphere in the visitation center is considered far more user friendly and has actually increased visitation because of its convenience. It’s not far from the actual jail, and the freestanding structure provides a more comfortable environment for visitors than any area that the compound facilities had offered. In 2003, the center was averaging 600 visitors a day during the week and 1,000 per day on weekends.<sup>9</sup>

*Home Delivery/House Calls.* Bringing services to citizens’ doorsteps may not be applicable to a majority of public sector agencies. But for a few, it can make all the difference. Public health and foster care outreach workers, for example, often need to see the home environment. Some utilities offer home energy audits or landscaping consultations and services that can only be performed onsite. Although of

course the United States Postal Service has picked up outgoing mail for decades, their Pickup On Demand service is relatively new, targeting especially business owners and those with home offices in ZIP codes with a designated post office for city delivery. For a fee of \$12.50 (2005), regardless of the number of packages, outgoing mail can be picked up in most cases within two hours of an online request or can be scheduled up to six days in advance.

*Where Customers Shop, Dine, and Hang Out.* In keeping with the spirit of bringing programs and services to customers (instead of asking them to come to you), it may be advantageous to consider locations that your target audience already frequents, such as grocery stores for flu shots, street corners for needle exchange programs, and gas stations for litter bags. In this case, we are considering these channels as more than an option for communications. They become distribution channels for programs, products, and services. Consider this headline in the *Chicago Tribune* on January 2, 2004: “Rapid HIV tests offered where those at risk gather: Seattle health officials get aggressive in AIDS battle by heading into gay clubs, taking a drop of blood and providing answers in 20 minutes.” The article reported that Public Health-Seattle & King County had begun administering rapid-result HIV tests in bathhouses and gay sex clubs. It was seen at the time as one of the most aggressive efforts in the nation. Sending health counselors to bathhouses for standard HIV testing was fairly common. But this meant that the client would then need to make an appointment at a medical clinic and typically wait at least a week to get results, a critical step in the prevention process that was not always taken. With this new solution, questions were raised about whether people carousing in a nightclub could handle the sudden news if it turned out they were HIV-positive. But health officials seemed prepared with answers. Counselors were to meet with clients to present results. They would refuse to test people who were drunk or high or who appeared emotionally unstable. Initially, sex club and bathhouse owners seemed concerned about whether this effort would drive away customers. Perhaps the fact that one of the clubs—a year and a half later (August 2005)—touts the availability of rapid tests every Friday night from 10 p.m. to 2 a.m. on their Web site reflects how things actually turned out.<sup>10</sup>

*Kiosks/Vending Machines.* As financial institutions discovered in the '80s, standalone ATM machines can substitute for some “brick

and mortar” facilities and face-to-face services and at the same time increase customer satisfaction and perceived value. After all, they provide banking customers with added convenience of location, extended (24/7) hours, and typically less processing time. Governmental agencies have discovered the same benefits for their organizations as well as their customers. Travelers on Washington D.C.’s Metro can use automated systems to purchase a computerized fare card based on the anticipated number of trips and destinations, similar to the purchase of a phone card. The machine takes nickels, dimes, quarters, and bills from \$1 to \$20 and returns up to \$4.95 in change. It also accepts credit cards. When the card is inserted in the entrance gate, the time and location are recorded on its magnetic tape, and the card is returned. When exiting, the fare is automatically deducted based on the destination and returned if any value is left on it. Should you arrive at a destination and find that your fare card doesn’t have value, you can add the necessary amount at the Exitfare machines near the gate.

### *Decisions on When Citizens Can Access*

Distribution planning also includes consideration of the impact of hours and days of the week you are “open for business” (or not) on both your agency’s costs as well as your citizens’ participation and satisfaction.

The state of Utah found a way to provide 24/7 service without buildings or phone centers. They call it their “24/7 Live Help” and tout the ability to “chat live” with a customer service representative with a simple click on the Live Help button. Customer service representatives in the “chat room” can address a variety of citizen questions ranging from how to start a business in Utah to finding employment or checking on weather conditions or the status of construction projects on specific roads. Should the representative be “assisting other customers,” a dialog box for sending an email is offered as a substitute.<sup>11</sup>

Availability seven days a week may be a serious consideration for some agencies. In September 2005, Washington State launched a two-year pilot program to determine whether opening state-managed liquor stores on Sunday from noon to 5 p.m. was economically feasible. Twenty state liquor stores were chosen for the pilot, ones with the greatest projected Sunday revenue potential based on current retail sales levels, population density, proximity to shopping centers, and

proximity to other businesses open on Sundays. It was estimated at the time that the pilot would generate an additional \$9.55 million in gross revenue and about \$3.7 million in net revenue with about 25 percent of this to be sent directly to health and prevention programs. In determining whether to open additional stores, managers will compare the expenses to the amount of additional sales generated. It also will measure whether Sunday sales negatively impact sales in state and contract stores near the 20 pilot stores.<sup>12</sup>

### *Decisions on Wait Times*

An additional convenience variable to manage is wait time, experienced by your customer in a variety of ways. It can be the amount of time between their arrival at a facility and actual receipt of services (e.g., time waiting in line at a customs clearance station). It also includes the amount of time elapsed between applying for or requesting services and actual receiving them (e.g., a callback in response to a request for back tax information). It applies to time spent on hold waiting for assistance on a phone line (e.g., an information line providing detailed restrictions and guidelines on goods that can be brought into a country and will need to be inspected at a border crossing), and it is compounded when callers need to be transferred to a different person or department.

Consider the following service improvements undertaken by Hong Kong's Immigration Department with an objective to reduce time customers need to spend waiting for department services. You can imagine that these improvements probably met additional agency objectives as well, including decreasing costs and increasing service usage levels.<sup>13</sup>

- To decrease wait time at the Lok Ma Chau boundary-crossing point, the number of immigration clearance counters was increased in 2003 from 28 to 50, and passenger queuing areas were enlarged.
- To develop and promote Hong Kong's position as a preferred international and regional transportation and logistics hub and to remain competitive in the shipping industry, a "one-stop" office was set up to handle a variety of formalities for vessels arriving in and departing from Hong Kong. As a part of this

effort, one initiative, which was launched in 2000, included acceptance of pre-arrival clearance applications for ocean-going vessels through electronic mail and the use of electronic digital signatures. Furthermore, those with prearrival clearance were able to proceed directly to a berth or terminal without the need to wait for immigration clearance while anchored.

- A Queuing Information System was installed at major immigration offices to assist customers by letting them know when they could expect to be interviewed. Tags are issued to visitors from a computer, which also prints out the estimated time for their interview. Updated information on the queuing situation can also be monitored on an electronic digital display board in the public waiting halls.

One final recommendation on wait times is to explore ways to manage perceived, as well as actual, wait times. If you've been to Disneyland, you have no doubt experienced the masters of perception at work, with lines that look shorter because they are queued in zigzags rather than straight and offer entertainment while you wait, distracting you and making the time standing seem shorter. In a similar vein, it may be beneficial to give your clients an expected amount of time they will need to be on hold or stand in line. In many cases, it may not be as long as they may be imagining, making it more likely they will wait instead of hanging up or leaving because they did not know how long (or short) the wait would be. (An obvious, but important, caveat for providing an anticipated wait time is ensuring that it is accurate as customer satisfaction is highly correlated with expectations, and you have just created one you'll need to meet.)

### *Decisions on Ambiance*

Decisions regarding the "look and feel" of distribution channels should also have marketing input. Remember, marketing consists of influencing behaviors, and factors such as cleanliness, comfort, and aesthetic pleasure (or the absence thereof) have an impact on customer decisions. A couple conditions make it more likely you should give this facet your attention.

It is probably safe to assume that if your customers are going to spend a significant amount of time at your place, it matters more than

when they just go in and out, with implications for those managing buses, subways, ferry terminals, airports, streets, parks, schools, libraries, community centers, museums, and the like. By comparison, it is probably less important at utility customer service windows, the post office, license renewal offices, and police departments, to name a few.

It is also more important as an area of focus when your customers have competitive alternatives, as commuters do to take their own (clean) car to work, as readers do to go to Barnes & Noble and sit in a cushy chair with a latte, and as exercisers do to join a hip athletic club rather than a community center aerobic class.

## ***Channel Decision Criteria***

The vast array of distribution channel options and components that you can and often should influence are out on the table for you now, waiting for your consideration. You are ready to judge serious options for their potential to impact two sides of the scale: the economic value to your agency and the convenience value for your customers. It is a balancing act, with the name of the game being to find the optimal convenience level, one where to go any further would have a diminishing rate of return on your investment or to stop short would be a missed opportunity.

## ***Assessing Economic Value to the Governmental Agency***

Answers to a few basic business questions will assist you in sorting through ideas for choosing distribution channels for new programs or making improvements to current ones, creating a short list to take to the next analytical platform.

Does the idea being considered have the potential to *decrease delivery costs* for your agency? Decreased costs might be realized through savings from reduced staffing levels, facility requirements, or other operational costs. Kiosks in post office lobbies and renewal of driver's licenses online are fair representations of this potential.

Does the idea have potential for *reducing other costs*, ones not directly associated with service delivery, but ones with significant budget implications for your agency or a "sister" agency?

Assume, for example, that you are a manager of a state tobacco prevention and control program, and you have been asked by a legislative committee whether you should consider extending the hours of your tobacco Quitline from 8 p.m. until midnight. Assume as well that you have a counterpart in another state that extended the hours of their Quitline to midnight a year ago. You would probably be interested in knowing the answers to several questions to help fill in the first blanks in Table 5.1. How many more calls did they get? What percent increase did this represent for them? What do they know about the age and other demographics of those who called during those hours?

Based on this, you would then estimate how many more citizens in your state you could expect (roughly) to call. And based on experience with your own Quitline, what percent of those callers are likely to quit successfully—for good? After that number is estimated, you would want to know the costs savings “per quit.” What does your agency consider to be the state’s medical-related costs for a tobacco user per year, averaged over a lifetime? You would then project a gross potential savings, an amount that would then be reduced by the annual costs for those four additional hours per day, including staff, phones, promotions, and other incremental costs. In Table 5.1, a hypothetical scenario is presented. In reality, a more sophisticated financial model would most likely be employed, one projecting cost savings based on a variety of scenarios, variables, and assumptions.

**TABLE 5.1 Hypothetical Estimate of Projected Savings from Extended Hours to a Tobacco Quitline**

|   |               |
|---|---------------|
| Number of current calls to the Quitline annually              | 20,000        |
| Percent increase assumed by extending from 8 p.m. to midnight | 10%           |
| Number of new callers   | 2,000         |
| Percent of those callers expected to quit “for good”          | 20%           |
| Number of additional citizens who quit                        | 400           |
| Average state-related cost savings “per quit” per year        | \$3,000       |
| Annual gross cost savings (400 × \$3,000)                     | \$1.2 million |
| Annual costs associated with extended hours                   | \$200,000     |
| Net cost savings  | \$1 million   |
| Return on investment (\$200,000 to \$1 million)               | 500%          |



Does the idea instead (or even better yet, in addition) have the potential for *increasing revenues* as a result of increases in purchases or participation? And will these additional revenues recover the costs, and maybe then some, for the new or improved distribution channel? A more conveniently located park and ride or bus stop or an improved bus schedule, for example, has the potential to increase ridership, likely just filling excess capacity. Improved atmospherics and parking availability for a community center might win the business of some organizations that are shopping around and interested in renting your facility for a management retreat. Removing graffiti from walls in a subway may increase feelings of safety and convenience, making a taxi ride seem less justifiable.

### *Assessing Convenience Value for Citizens*

Now you move to the other side of the equation, the customer's likely response to the idea. Notice in each of the business considerations just mentioned, the consistent use of the word potential. Potential economic gains (decreased costs, increased revenues) for the most part will rely on a positive citizen response. That response must now be assessed.

Will the increased convenience or improvement to the distribution channel actually *increase purchases and/or participation*? Enough to cover your costs? How do you know? Several measurement techniques can assist you, ones that will be discussed more fully in Chapter 11, "Gathering Citizen Inputs and Feedback," but that are worthy of brief mention here. First, find out what other agencies (even ones around the world) have experienced when they introduced this or a similar idea. One of the benefits you have when working in the public sector is that you can ask this question of other similar agencies. This doesn't happen in the private sector. A bank marketing director, for example, can't call their counterpart at a competing bank and ask how their new online banking is working for them. If it's a new idea that has never been tried before as far as you know, you could do a pilot, measure results, and then conduct the cost benefit analysis. In the library example mentioned earlier, the drive-thru lane was tried in one branch first, prior to expansion to other branches in the state. One additional strategy to project citizen response would be to conduct survey research, testing the potential

idea with citizens, measuring their interest levels and likelihood of purchase and/or participation.

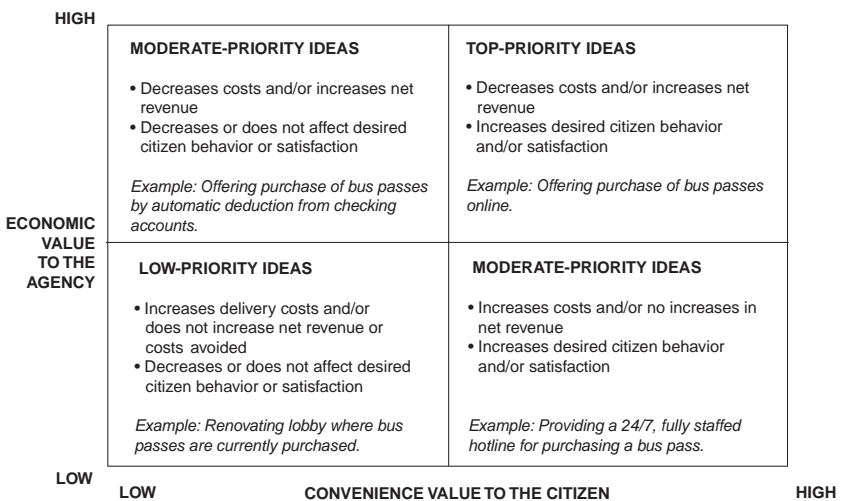
Will it *increase citizen compliance*? What if you put “drive-by” litter receptacles at weigh stations for truck drivers? Would you be able to recover your costs for this effort through savings in costs for litter pickup or related environmental cleanup? Will more homeowners get a building permit if they can apply and submit applications online and if inspectors make “house calls” on weekends rather than during business hours only?

Does the idea have the potential for *increasing citizen satisfaction*? Will parents be more likely to vote “yes” on the next school levy if they have convenient and easy access to teachers through email and to homework assignments posted online?

### ***Prioritizing Distribution Channel Options***

As stated in the title of this chapter, the goal is for you to optimize distribution channels. Figure 5.3 puts this balancing act in motion, assisting you in sorting options you have into one of four corners.

In the upper right (*Top-Priority Ideas*), there are those that are the most attractive, ones that have the greatest potential for increased economic gains for your agency as well as added convenience value



**FIGURE 5.3** Prioritizing Channel Selection and Improvement Ideas

for citizens. In the opposite corner there are those that should fall off the consideration list because they are projected to have minimal economic and convenience gains (*Low-Priority Ideas*). You are then left with ones you might consider at some future point (*Moderate-Priority Ideas*), ones that seem attractive either because of their economic promise or their potential for influencing citizen behavior or satisfaction. The problem is, it doesn't look now like they will do both, and so they should be put in their appropriate place—the back burner.

## Summary

Distribution channels are the means you have chosen, or could choose, to deliver your offerings to citizens. It was pointed out in your readings that this is not about delivering messages or information; this is about delivering your product. In managing these channels, you are faced with multiple decisions regarding where, how, and when citizens will access your offer and whether the experience will be pleasant—or not. Options for delivery include physical locations, phone, fax, mail, mobile units, drive-thrus, the Internet, e-governance, videos, home delivery/house calls, where citizens currently shop, dine, or hang out, and kiosks or vending machines. A typical channel manager also has an impact on hours and days of the week you are open for business, how long citizens need to wait, and the atmospherics surrounding the exchange, decisions that are especially important when customers spend time at your place and when they have option to go somewhere else.

These are decisions that warrant marketing input as the marketer can provide insight on what is needed (or not) to achieve desired citizen response levels. The marketing perspective can help the agency monitor and manage the exchange to gauge and meet established agency objectives for desired participation rates, purchase levels, compliance, and/or satisfaction.

This market analysis can then be combined with the financial implications of a new or improved distribution channel idea to assist in prioritizing and focusing on those with the most promise for increased economic benefits as well as citizen value.