

Chapter 2: Consumer Behavior in a Services Context

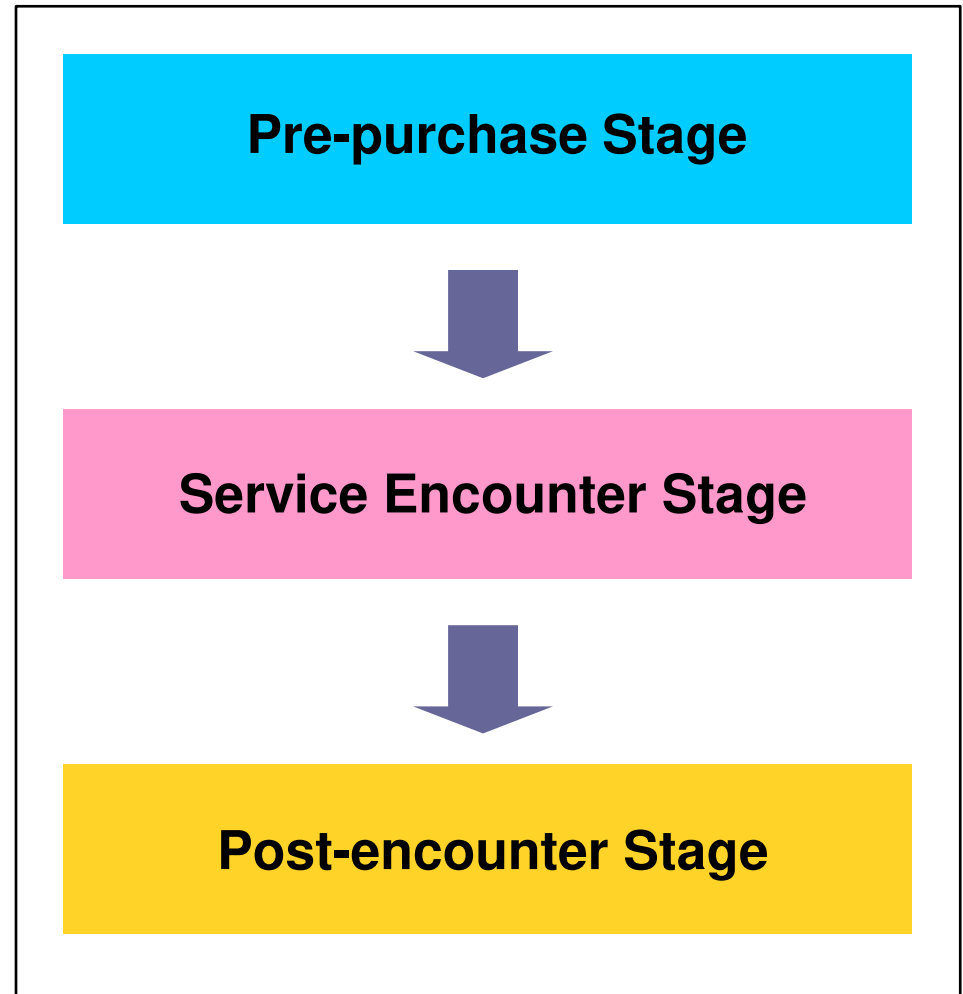


Overview Of Chapter 2



Services Marketing

Customer Decision Making: The Three-Stage Model of Service Consumption

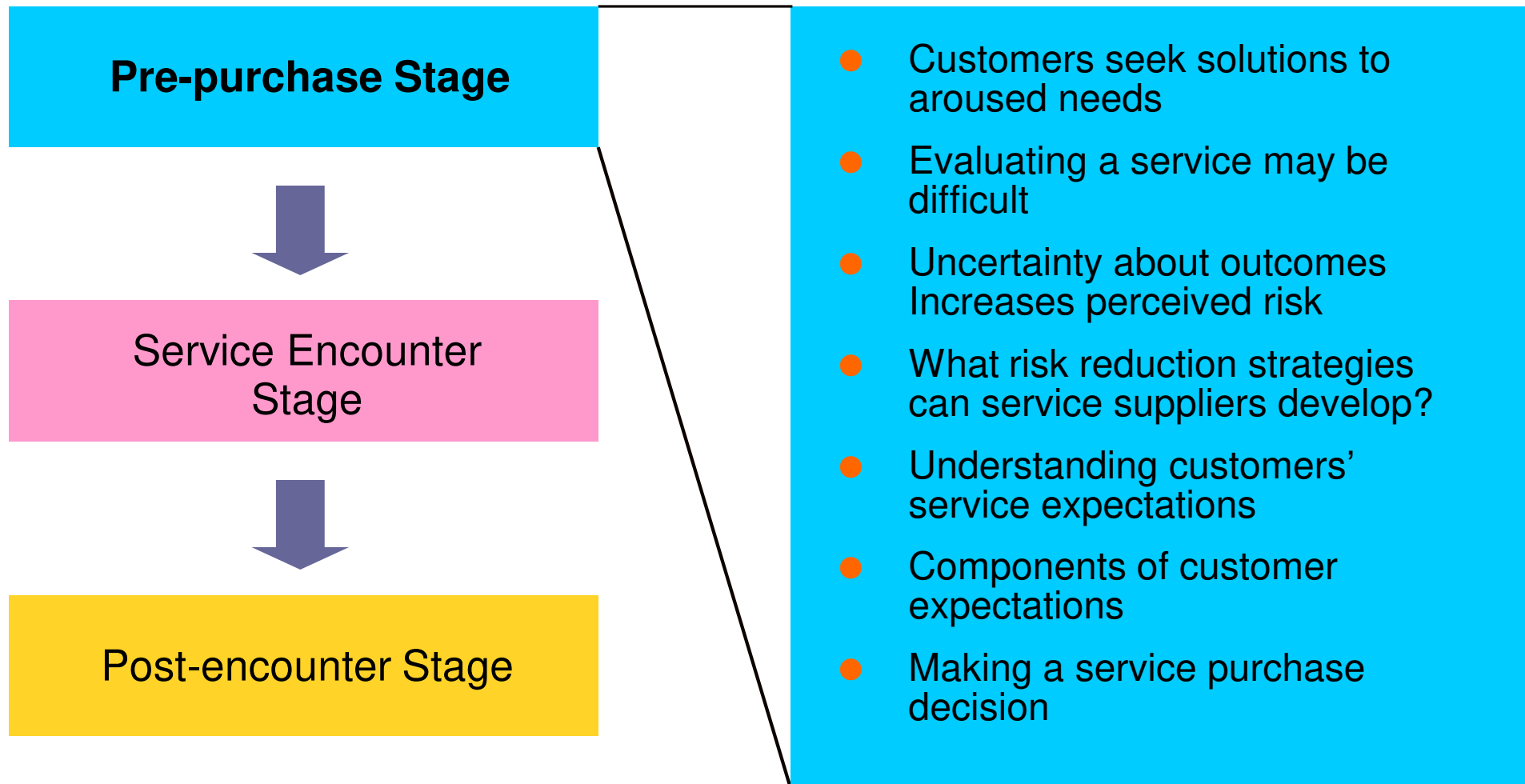


Pre-purchase Stage

Pre-purchase Stage - Overview



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Need Arousal



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- Decision to buy or use a service is triggered by **need arousal**
- Triggers of need:
 - Unconscious minds (e.g., personal identity and aspirations)
 - Physical conditions (e.g., hunger)
 - External sources (e.g., a service firm's marketing activities)
- Consumers are then motivated to find a solution for their need

Courtesy of Masterfile Corporation

Information Search



- **Need arousal leads to attempts to find a solution**
- **Evoked set** – a set of products and brands that a consumer considers during the decision-making process – that is derived from past experiences or external sources
- Alternatives then **need to be evaluated** before a final decision is made

Evaluating Alternatives – Service Attributes

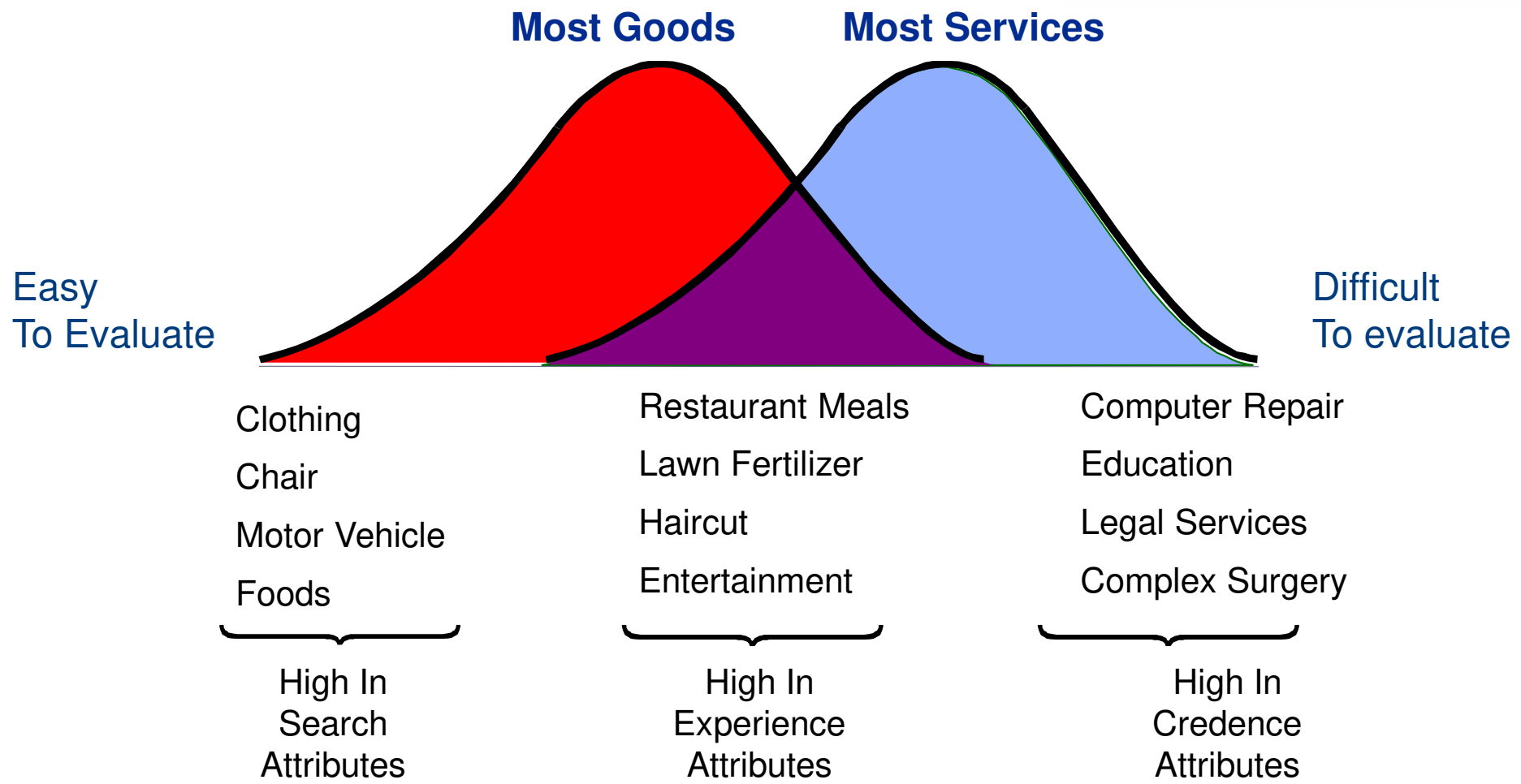


- **Search attributes help customers evaluate a product before purchase**
 - E.g., type of food, location, type of restaurant and price
- **Experience attributes cannot be evaluated before purchase**
 - The consumer will not know how much s/he will enjoy the food, the service, and the atmosphere until the actual experience
- **Credence attributes are those that customers find impossible to evaluate confidently even after purchase and consumption**
 - E.g., hygiene conditions of the kitchen and the healthiness of the cooking ingredients

How Product Attributes Affect Ease of Evaluation



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Source: Adapted from Valarie A. Zeithaml, "How Consumer Evaluation Processes Differ Between Goods & Services," in J.H. Donnelly and W. R. George, Marketing of Services (Chicago: American Marketing Association, 1981)

Perceived Risks of Purchasing and Using Services



- ***Functional*** – unsatisfactory performance outcomes
- ***Financial*** – monetary loss, unexpected extra costs
- ***Temporal*** – wasted time, delays leading to problems
- ***Physical*** – personal injury, damage to possessions
- ***Psychological*** – fears and negative emotions
- ***Social*** – how others may think and react
- ***Sensory*** – unwanted impact on any of five senses

How Might Consumers Handle Perceived Risk?



- **Seek information from respected personal sources**
- **Compare service offerings and search for independent reviews and ratings via the Internet**
- **Relying on a firm with good reputation**
- **Looking for guarantees and warranties**
- **Visiting service facilities or going for trials before purchase and examining tangible cues or other physical evidence**
- **Asking knowledgeable employees about competing services**

Strategic Responses to Managing Customer Perceptions of Risk



Free trial (for services with high experience attributes)

Advertise (helps to visualize)

Display credentials

Use evidence management (e.g., furnishing, equipment etc.)

Offer guarantees

Encourage visit to service facilities

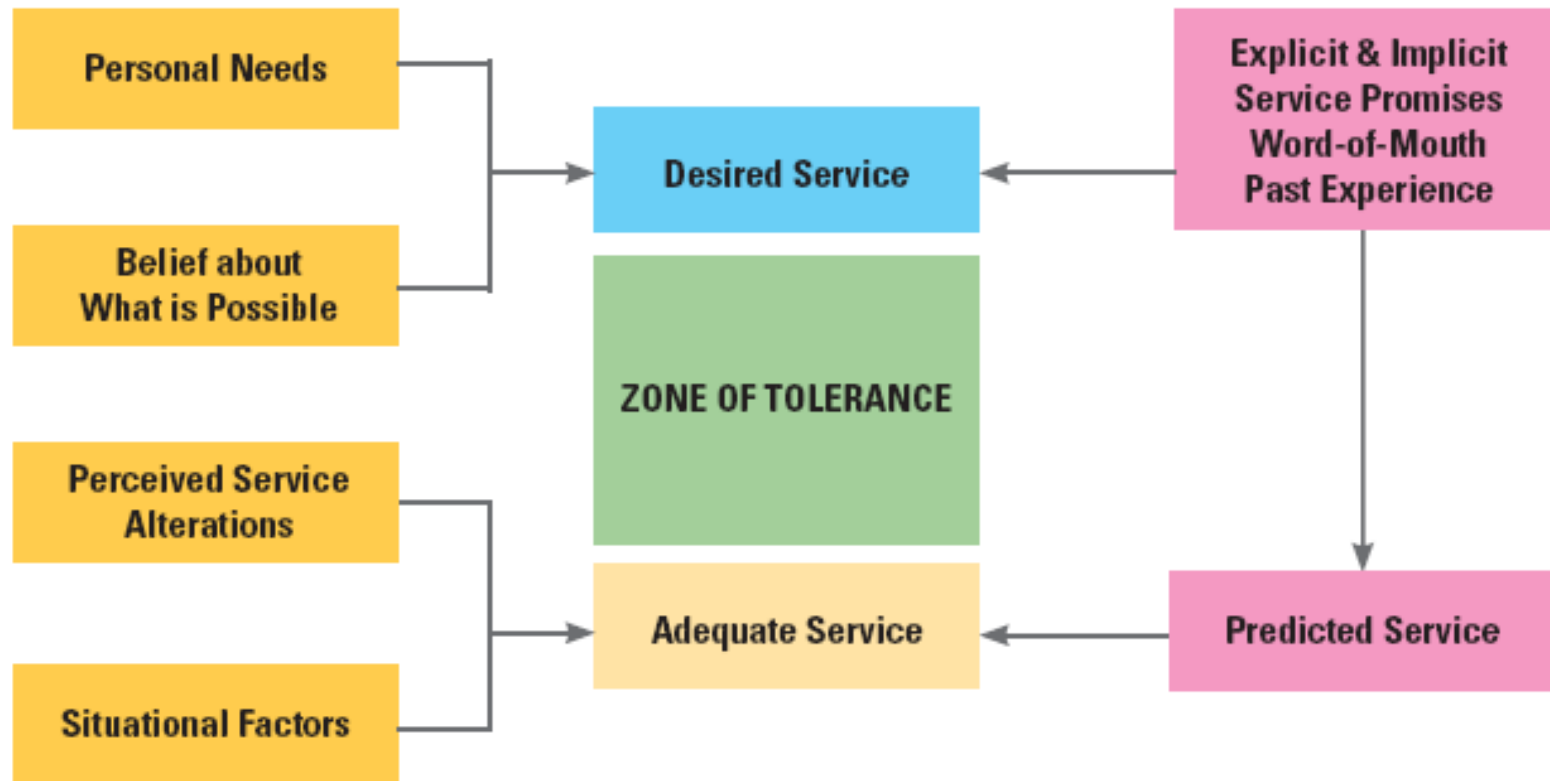
Give customers online access about order status

Understanding Customers' Service Expectations



- Customers evaluate service quality by **comparing** what they expect against what they perceive
 - Situational and personal factors also considered
- Expectations of good service vary from one business to another, and differently positioned service providers in same industry
- Expectations change over time

Factors Influencing Customer Expectations of Service



Source: Adapted from Valarie A. Zeithaml, Leonard A. Berry, and A. Parasuraman, "The Nature and Determinants of Customer Expectations of Service," *Journal of the Academy of Marketing Science* 21, no. 1 (1993): 1-12

Components of Customer Expectations



Desired Service Level

- wished-for level of service quality that customer believes can and should be delivered

Adequate Service Level

- minimum acceptable level of service

Predicted Service Level

- service level that customer believes firm will actually deliver

Zone of Tolerance

- Acceptable range of variations in service delivery

Purchase Decision



- **Purchase Decision: Possible alternatives are compared and evaluated, whereby the best option is selected**
 - ➔ Simple if perceived risks are low and alternatives are clear
 - ➔ Complex when trade-offs increase
- **Trade-offs are often involved**
- **After making a decision, the consumer moves into the service encounter stage**

Service Encounter Stage

Service Encounter Stage - Overview



Pre-purchase Stage



Service Encounter Stage



Post-encounter Stage

- Service encounters range from high- to low-contact
- Understanding the servuction system
- Theater as a metaphor for service delivery: An integrative perspective
 - ➔ Service facilities
 - ➔ Personnel
 - ➔ Role and script theories

Service Encounter Stage



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- **Service encounter – a period of time during which a customer interacts directly with the service provider**
 - ➔ **Might be brief or extend over a period of time (e.g., a phone call or visit to the hospital)**
- **Models and frameworks:**
 1. **“Moments of Truth” – importance of managing touchpoints**
 2. **High/low contact model – extent and nature of contact points**
 3. **Servuction model – variations of interactions**
 4. **Theater metaphor – “staging” service performances**

Moments of Truth



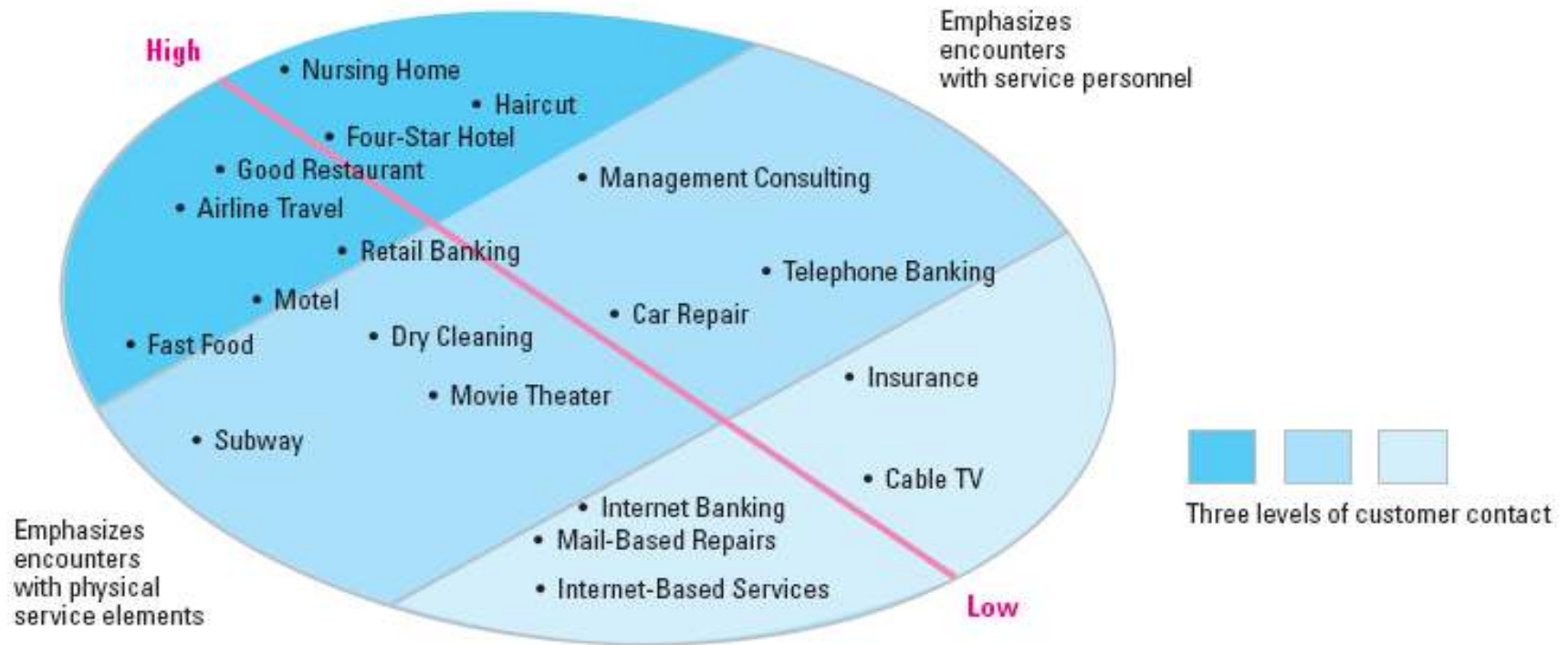
“[W]e could say that the perceived quality is realized at the moment of truth, when the service provider and the service customer confront one another in the arena. At that moment they are very much on their own... It is the skill, the motivation, and the tools employed by the firm’s representative and the expectations and behavior of the client which together will create the service delivery process.”

Richard Normann

Service Encounters Range from High-Contact to Low-Contact



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Distinctions between High-Contact and Low-Contact Services



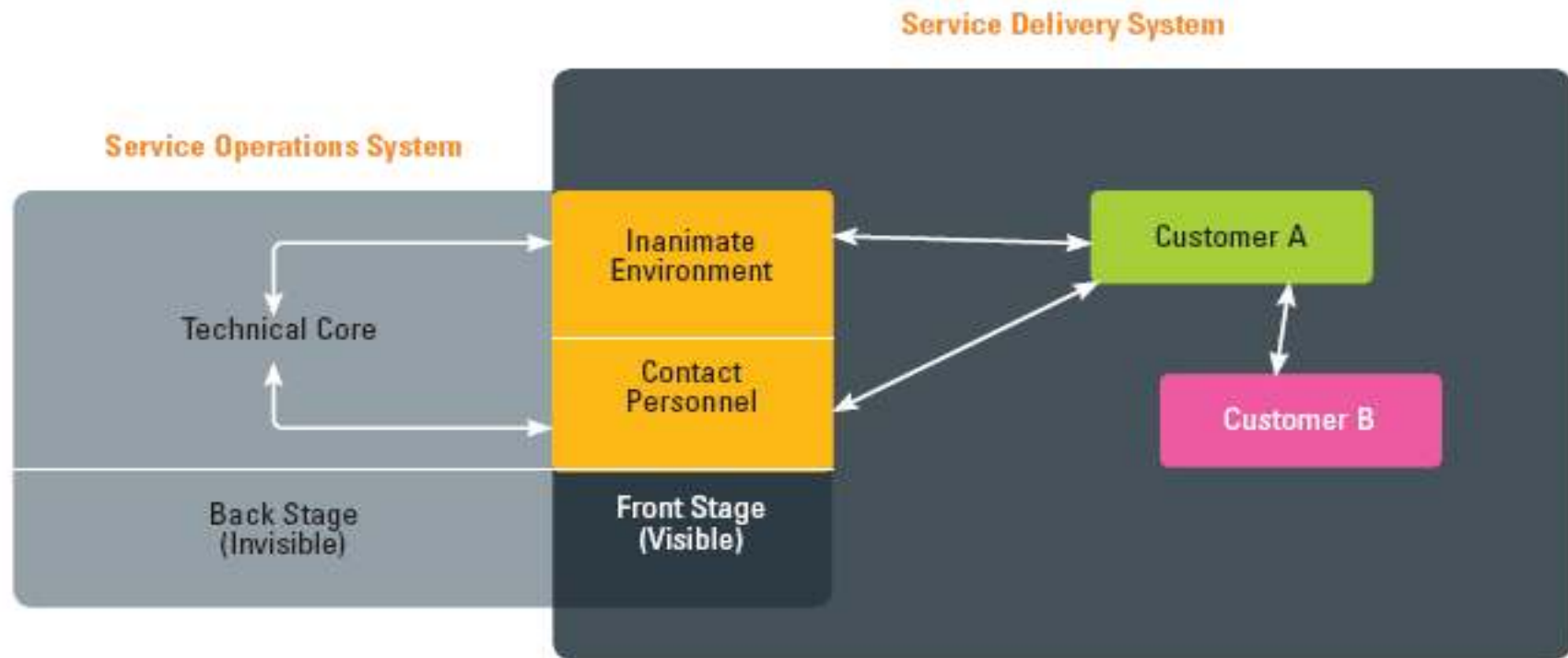
● High-Contact Services

- Customers visit service facility and remain throughout service delivery
- Active contact
- Includes most people-processing services

● Low-Contact Services

- Little or no physical contact
- Contact usually at arm's length through electronic or physical distribution channels
- Facilitated by new technologies

The Servuction System



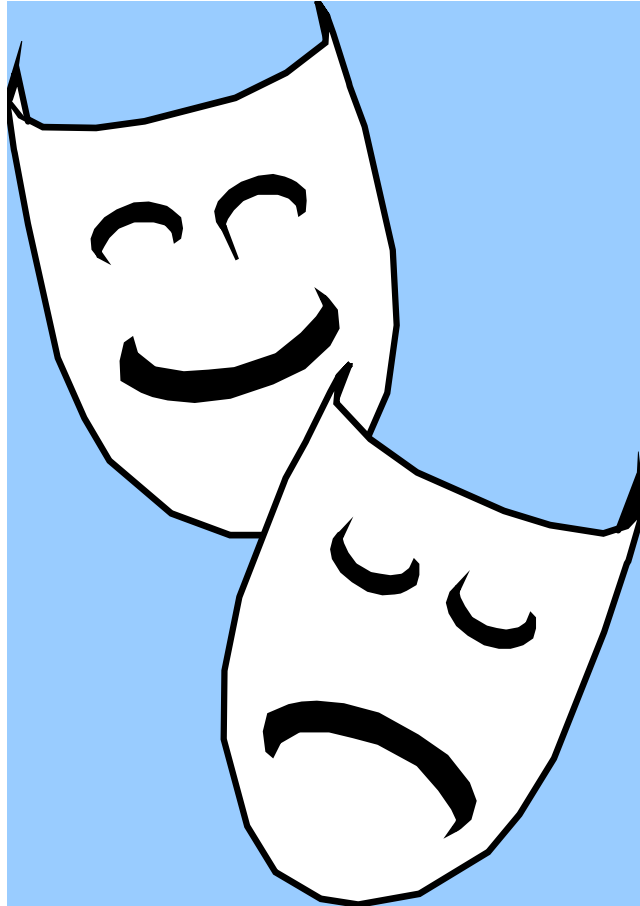
Source: Adapted and expanded from an original concept by Eric Langeard and Pierre Eiglier

The Servuction System: Service Production and Delivery



- **Servuction System: visible front stage and invisible backstage**
- **Service Operations**
 - Technical core where inputs are processed and service elements created
 - Contact people
 - Inanimate environment
- **Service Delivery**
 - Where “final assembly” of service elements takes place and service is delivered
 - Includes customer interactions with operations and other customers

Theater as a Metaphor for Service Delivery



“All the world’s a stage and all the men and women merely players. They have their exits and their entrances and each man in his time plays many parts.”

William Shakespeare
As You Like It

Theatrical Metaphor: an Integrative Perspective



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Good metaphor as service delivery is a series of events that customers experience as a performance

Service facilities

- Stage on which drama unfolds
- This may change from one act to another

Personnel

- Front stage personnel are like members of a cast
- Backstage personnel are support production team

Roles

- Like actors, employees have roles to play and behave in specific ways

Scripts

- Specifies the sequences of behavior for customers and employees

Implications of Customer Participation in Service Delivery



- **Greater need for information/training**
 - ➔ Help customers to perform well, get desired results
- **Customers should be given a realistic service preview in advance of service delivery**
 - ➔ This allows them to have a clear idea of their expected role and their script in this whole experience
 - ➔ Manages expectations and emotions

Post-Encounter Stage

Post-purchase Stage - Overview



Pre-purchase Stage



Service Encounter Stage



Post-encounter Stage

- Evaluation of service performance
- Future intentions

Customer Satisfaction with Service Experience



- **Satisfaction: attitude-like judgment** following a service purchase or series of service interactions
 - Whereby customers have expectations prior to consumption, observe service performance, compare it to expectations
- **Satisfaction judgments are based on this comparison**
 - Positive disconfirmation (better)
 - Confirmation (same)
 - Negative disconfirmation (worse)

Customer Delight: Going Beyond Satisfaction



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- **Research shows that delight is a function of three components**
 - ➔ **Unexpectedly high levels of performance**
 - ➔ **Arousal (e.g., surprise, excitement)**
 - ➔ **Positive affect (e.g., pleasure, joy, or happiness)**
- **Strategic links exist between customer satisfaction and corporate performance**
 - ➔ **By creating more value for customers (increased satisfaction), the firm creates more value for the owners**

Customer Delight: Going Beyond Satisfaction



BEST PRACTICE IN ACTION 2.1

Progressive Insurance Delights Its Customers

Progressive Insurance Corp. prides itself on providing extraordinary customer service—and its accomplishments in the area of claims processing are particularly impressive. To lower its costs and simultaneously improve customer satisfaction and retention, the company introduced its Immediate Response service, offering customers 24/7 access to claims handling. Adjusters work out of mobile claims vans rather than offices, and Progressive has a target of nine hours for an adjuster to inspect a damaged vehicle. In many instances, claims representatives actually arrive at the scene of an accident while the evidence is still fresh.

Consider the following scenario. The crash site in Tampa, Florida, is chaotic and tense. Two cars are damaged and, although the passengers aren't bleeding, they are shaken up and scared. Lance Edgy, a senior claim representative for Progressive Corp., arrives on the scene just minutes after the collision. He calms the victims and advises them on medical care, repair shops, police reports, and legal procedures. Edgy invites William McAllister, Progressive's policyholder, into an air-conditioned van equipped with comfortable chairs, a desk, and two cell phones. Even before the tow trucks have cleared away the wreckage, Edgy is able to offer his client a settlement for the market value of his totaled Mercury. McAllister, who did not appear to have been at fault in this accident, later stated in amazement: "This is great—someone coming right out here and taking charge. I didn't expect it at all."

The shortened time cycle has advantages for Progressive, too. Costs are reduced, there's less likelihood that lawyers will become involved when settlement offers are made promptly, and it's easier to prevent fraud. Progressive continues to find new ways to delight its customers. Its website, www.progressive.com, has been consistently rated as the top overall among internet-based insurance carriers by Gómez.com (an internet quality measurement firm), which places a priority on a site's educational, purchasing, and servicing capabilities. Progressive has also been cited for pleasantly surprising its customers with consumer-friendly innovations and extraordinary customer service.



Source: Ronald Hankoff, "Service Is Everybody's Business," *Fortune*, June 27, 1994, 50; Michael Hammer, "Deep Change: How Operational Innovation Can Transform Your Company," *Harvard Business Review* 82, April 2004, 84-95; www.progressive.com, accessed December 12, 2005.

● Best Practice in Action 2.1: Progressive Insurance Delights Its Customers

- ➔ Provided excellent customer service which allowed them to lower costs and also increase customer satisfaction and retention

Summary



Services Marketing

Pre-purchase Stage



Service Encounter Stage



Post-encounter Stage

- **Key Steps**
 1. Need arousal
 2. Information search
 3. Evaluation of alternative solutions
 4. Purchase decision
- **Customers face perceived risks which marketers should reduce with some strategic responses**
- **Zone of tolerance: Adequate to desired. Dissatisfaction if service level falls below adequate level.**
- **Moments of Truth: importance of effectively managing touchpoints**
- **High/low contact service model – understanding the extent and nature of contact points**
- **Service model – variations of interactions**
- **Theater metaphor – “staging” service performances**
- **In evaluating service performance, customers can have expectations positively disconfirmed, confirmed, or negatively disconfirmed**
- **Unexpectedly high levels of performance, arousal, and positive affect are likely to lead to delight**