



## CHAPTER 2

# Consumer Behavior in a *Services* Context





- **Consumer Decision Making: The Three-Stage Model**
  - ➔ **Pre-purchase Stage**
  - ➔ **Service Encounter Stage**
  - ➔ **Post-purchase Stage**



# ***Pre-purchase Stage***

# Pre-purchase Stage - Overview



## Pre-purchase Stage



## Service Encounter Stage



## Post-purchase Stage

- Customers seek solutions to aroused needs
- Evaluating a service may be difficult
- Uncertainty about outcomes  
Increases perceived risk
- What risk reduction strategies can service suppliers develop?
- Understanding customers' service expectations
- Components of customer expectations
- Making a service purchase decision

# Pre-purchase Stage Overview



- **Need awareness**
- **Information search**
- **Evaluation of alternatives**
  - **Service attributes**
  - **Perceived risk**
  - **Service expectations**
- **Purchase decision**

# Pre-purchase Stage – Need Awareness



- **A service purchase is triggered by an underlying need (need arousal)**
- **Needs may be due to:**
  - **People's unconscious minds (e.g., aspirations)**
  - **Physical conditions (e.g., chronic back pain)**
  - **External sources (e.g., marketing activities)**
- **When a need is recognized, people are likely take action to resolve it**

# Pre-purchase Stage – Information Search



- **When a need is recognized, people will search for solutions.**
- **Several alternatives may come to mind and these form the evoked set**
  - ➔ **Evoked set – set of possible services or brands that a customer may consider in the decision process**
- **When there is an evoked set, the different alternatives need to be evaluated before a final choice is made**



## Service Attributes

- **Search attributes help customers evaluate a product before purchase**
  - **Style, color, texture, taste, sound**
- **Experience attributes cannot be evaluated before purchase—must “experience” product to know it**
  - **Vacations, sporting events, medical procedures**
- **Credence attributes are product characteristics that customers find impossible to evaluate confidently even after purchase and consumption**
  - **Quality of repair and maintenance work**





## Perceived Risks

- ***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



## Perceived Risks - How Do Consumers Handle Them?

- **Seeking information from respected personal sources**
- **Using Internet to compare service offerings and search for independent reviews and ratings**
- **Relying on a firm that has a good reputation**
- **Looking for guarantees and warranties**
- **Visiting service facilities or trying aspects of service before purchasing**
- **Asking knowledgeable employees about competing services**



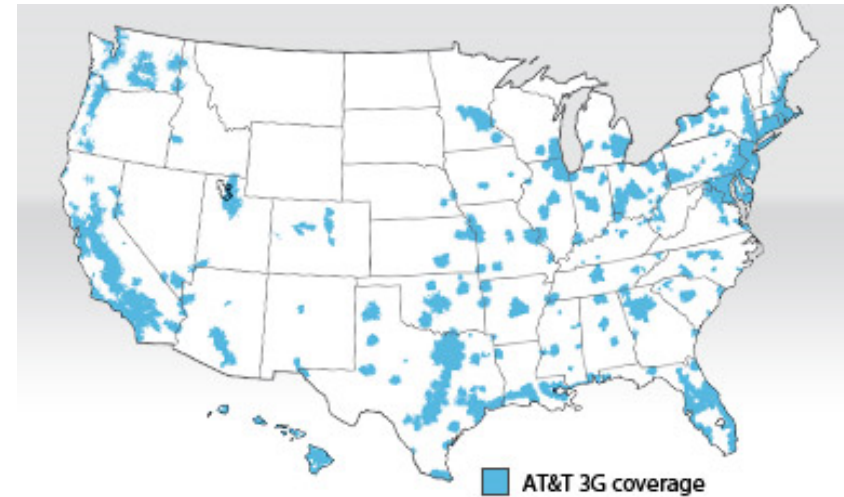
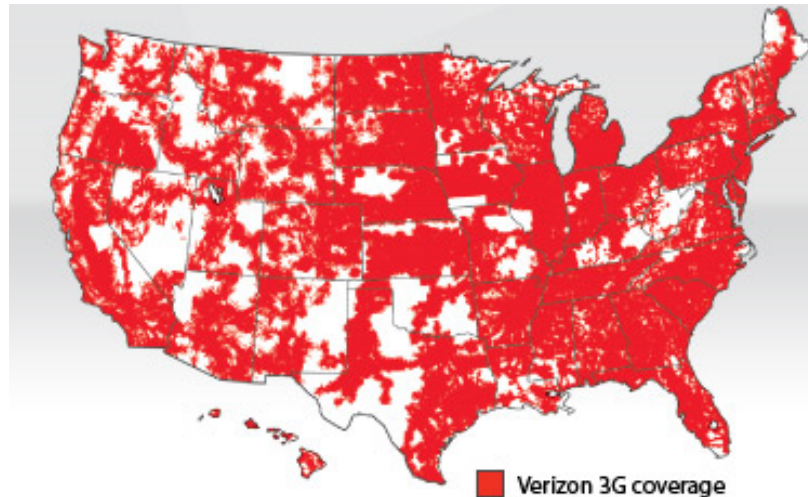
## Perceived Risks – Strategies for Firms to Manage Consumer Perceptions of Risk

- 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 to information about order status

# Lessons Learned about Perceived Risk



- **Either try to do what is possible to help consumers lower their perceived risk, or play up that risk for competitors' products/services.**
- **Example: Verizon vs. AT&T 3G Coverage**



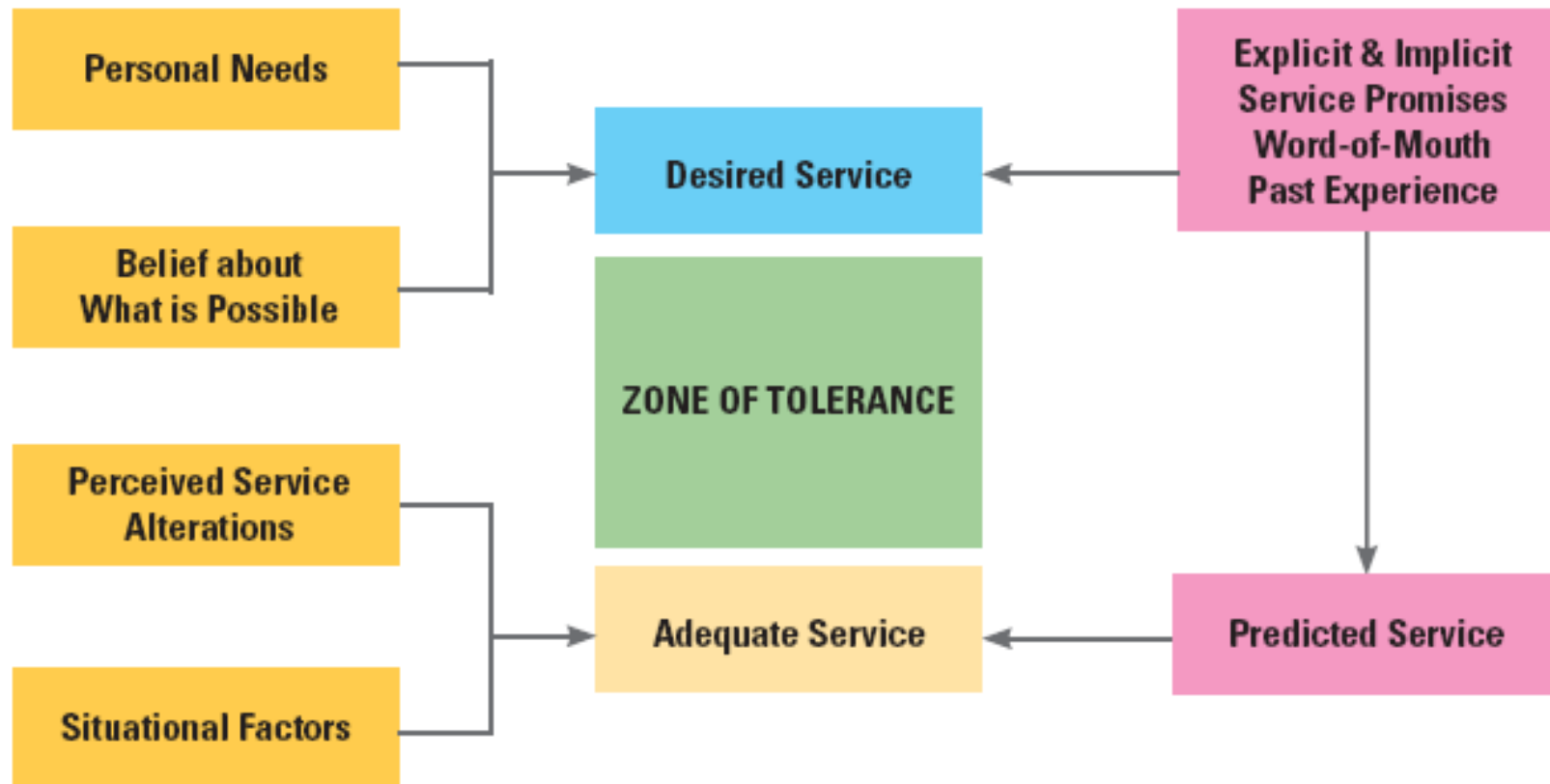


## Service Expectations

- **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**
- **Example: Service Perspectives 2.**
  - **Parents wish to participate in decisions relating to their children's medical treatment for heart problems**
  - **Media coverage, education, Internet has made this possible**



## Service Expectations – Factors Influencing Consumer Expectations of Service (Fig. 2.15)





## Service Expectations – Components of Custom 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:**

- **Range within which customers are willing to accept variations in service delivery**

# Pre-purchase Stage – Purchase Decision



- **When possible alternatives have been compared and evaluated, the best option is selected**
- **Can be quite simple if perceived risks are low and alternatives are clear**
- **Very often, trade-offs are involved. The more complex the decision, the more trade-offs need to be made**
- **Price is often a key factor in the purchase decision**

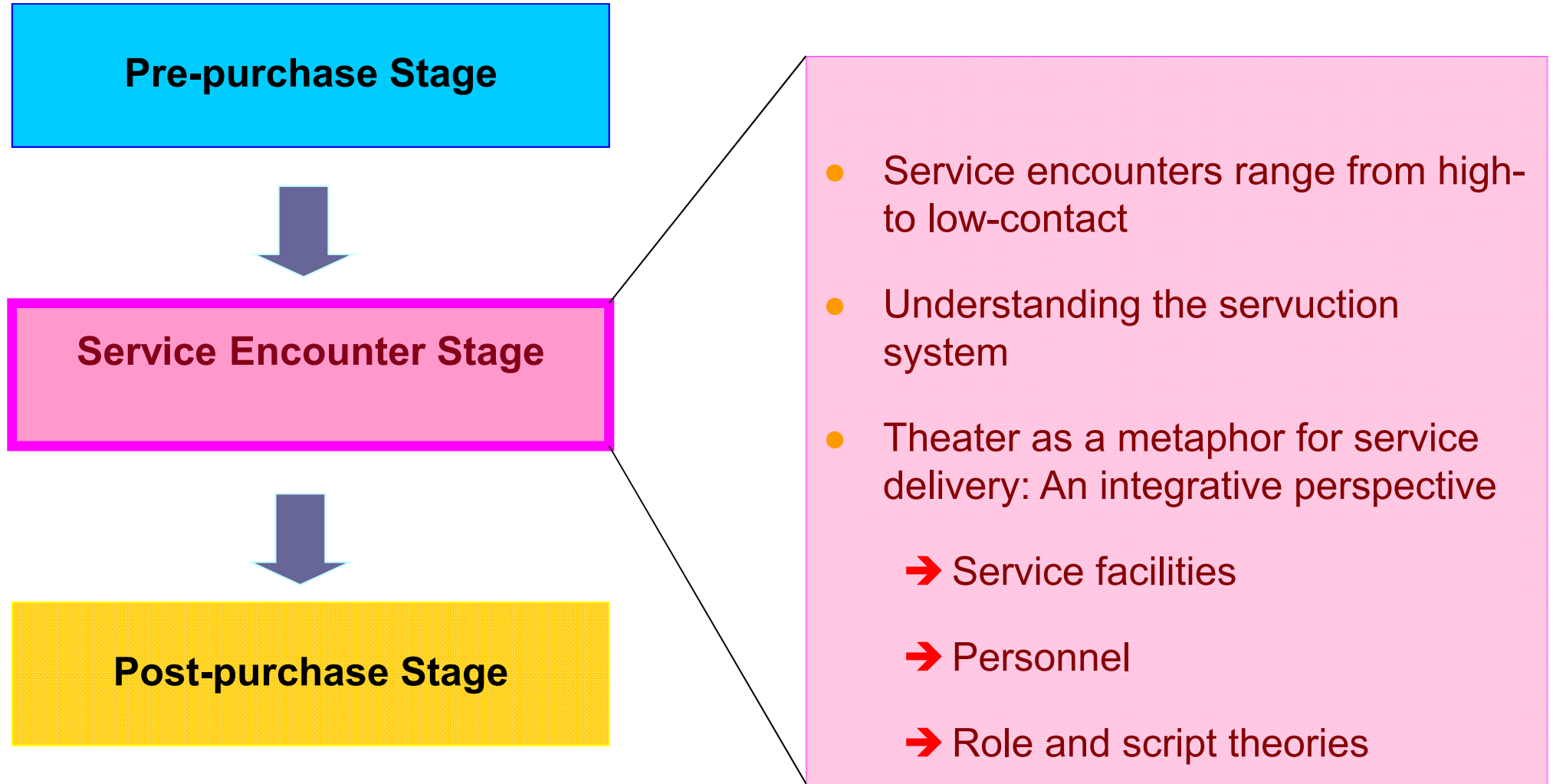




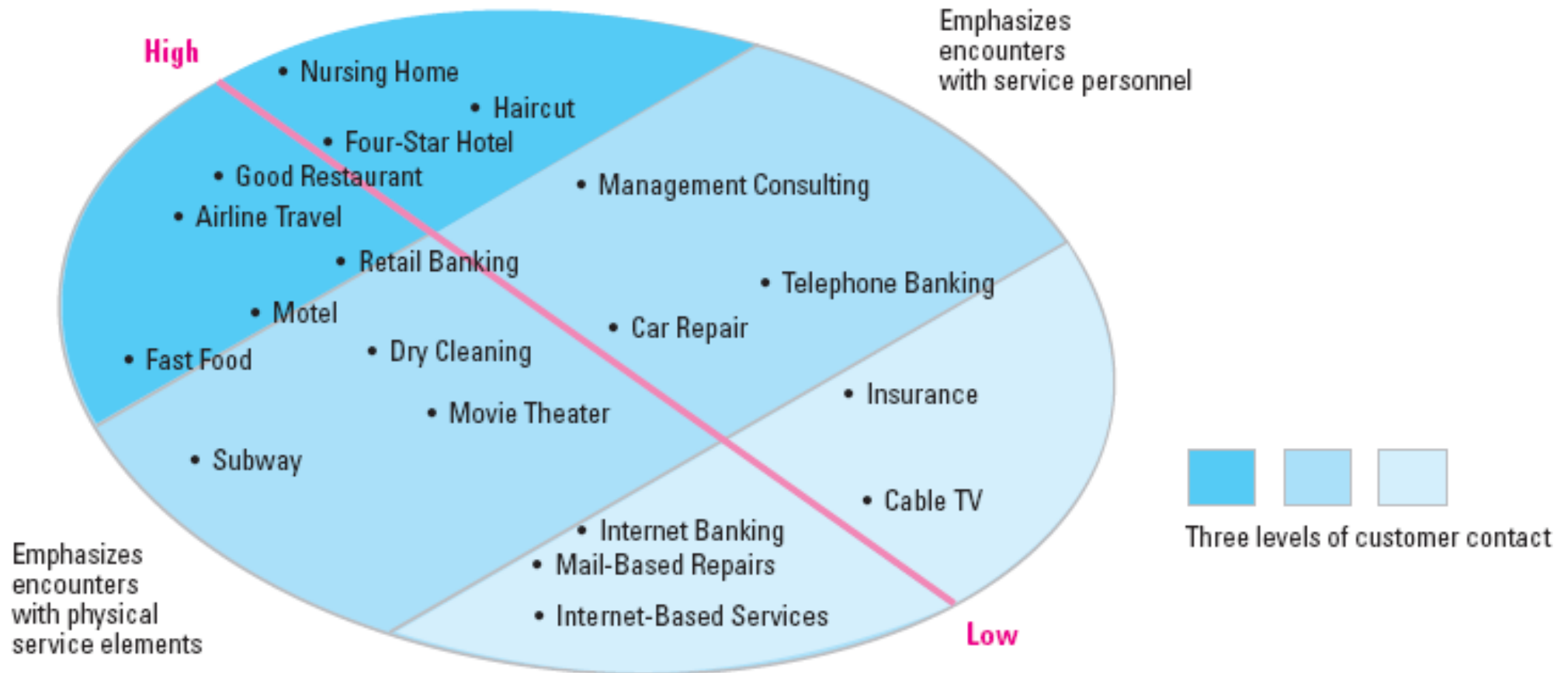
# ***Service Encounter Stage***



# Service Encounter Stage - Overview



# Service Encounters Range from High-contact to Low-contact (Fig 2.20)



# Distinctions between High-contact and Low-contact Services



- **High-contact Services**

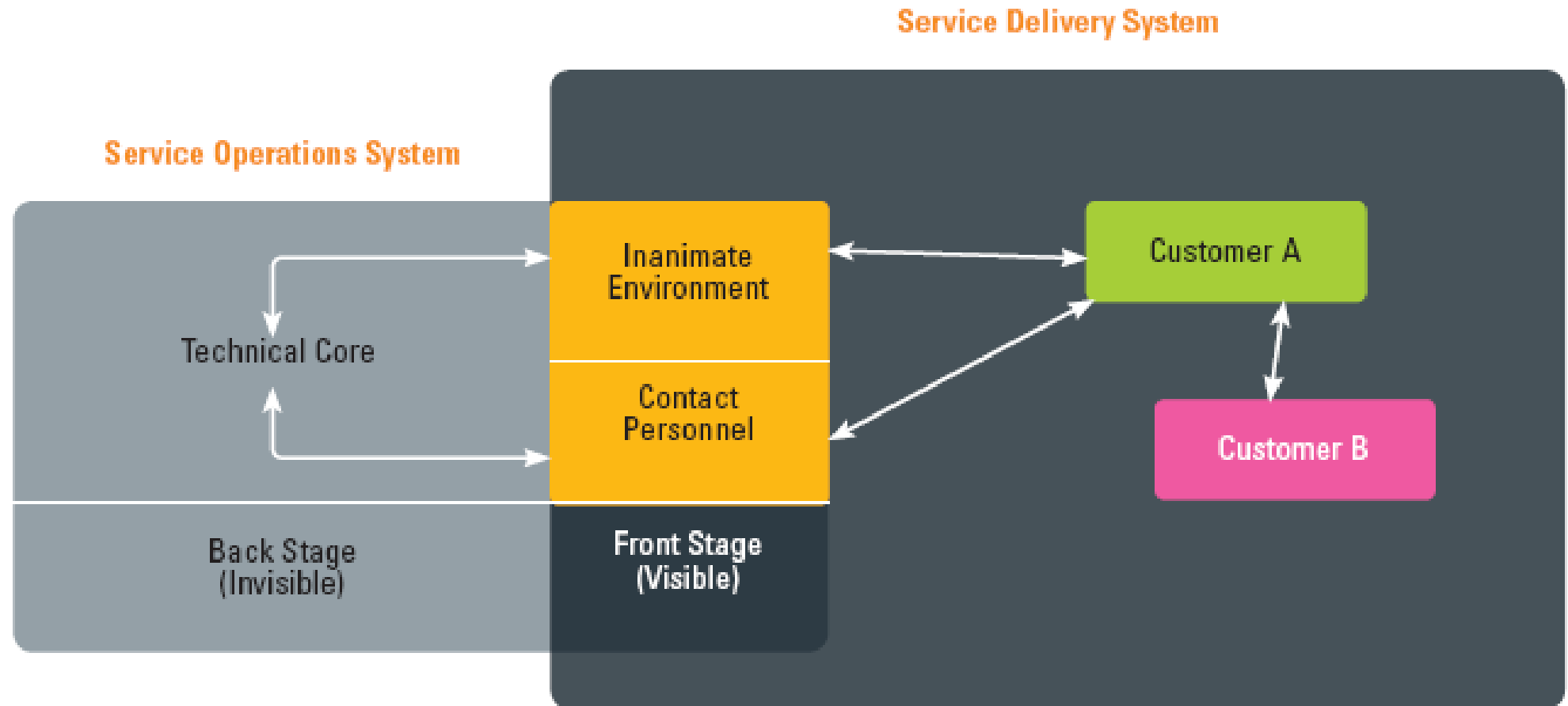
- Customers visit service facility and remain throughout service delivery
- Active contact between customers and service personnel
- Includes most people-processing services

- **Low-contact Services**

- Little or no physical contact with service personnel
- Contact usually at arm's length through electronic or physical distribution channels
- New technologies (e.g. Web) help reduce contact levels

- **Medium-contact Services Lie in between These Two**

# The Servuction System (Fig 2.22)

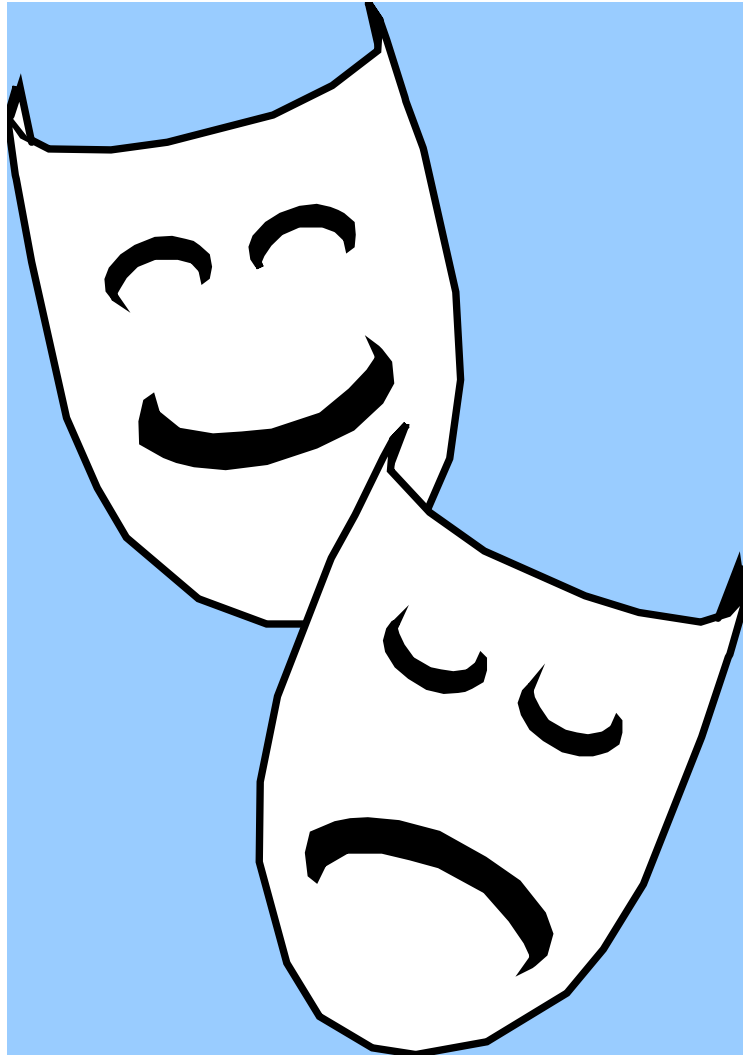


# Service System: Service Production and Delivery



- **Service System – visible front stage and invisible backstage**
- **Service Operations (front stage and backstage)**
  - **Technical core where inputs are processed and service elements created**
  - **Includes facilities, equipment, and personnel**
- **Service Delivery (front stage)**
  - **Where “final assembly” of service elements takes place and service is delivered to customers**
  - **Includes customer interactions with operations and other customers**
- **Other contact points**
  - **Includes customer contacts with 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



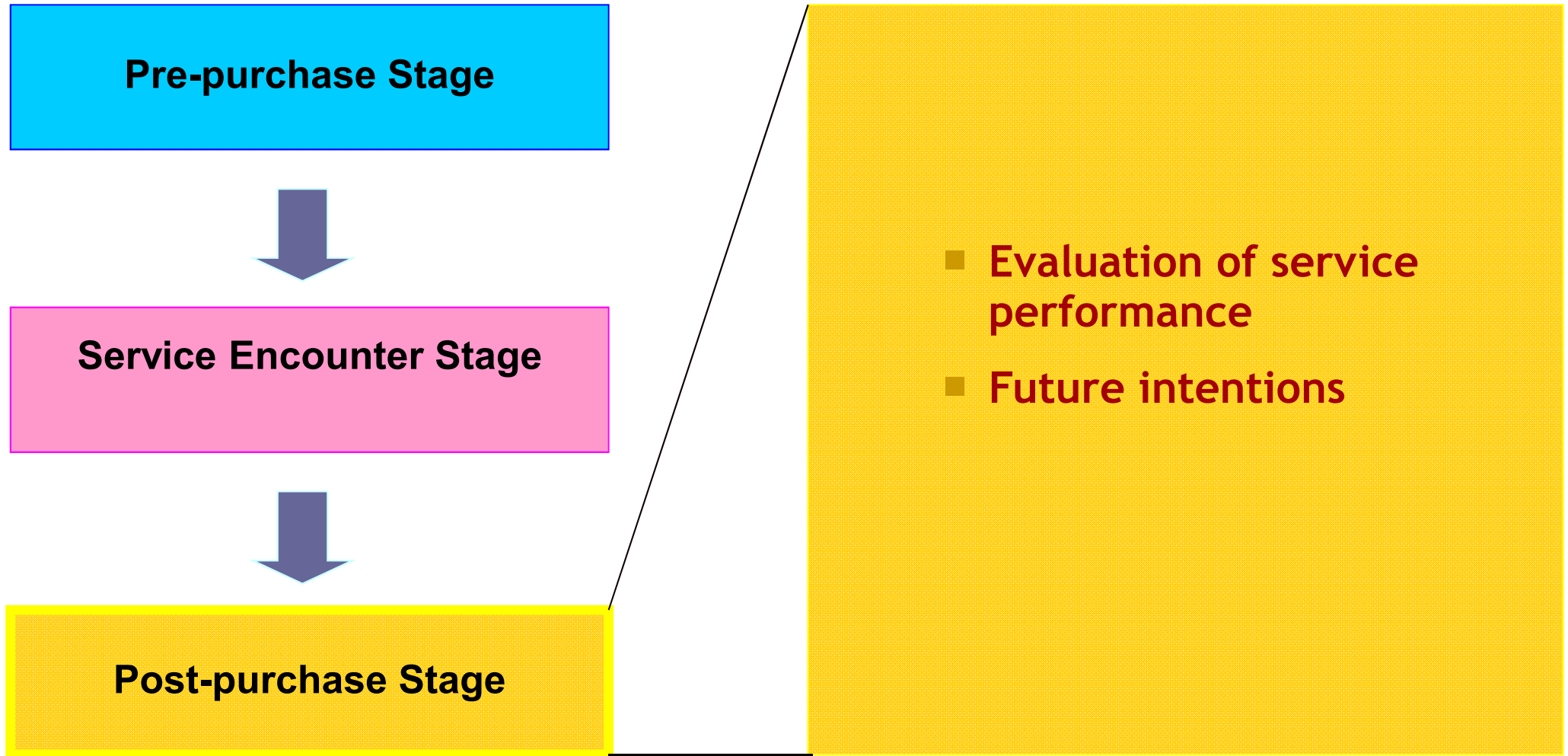
- **Good metaphor as service delivery is a series of events that customers experience as a performance**
- **Service facilities**
  - Stage on which drama unfolds
  - This may change from one act to another
- **Personnel**
  - Front stage personnel are like members of a cast
  - Backstage personnel are 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





# ***Post-purchase Stage***

# Post-encounter Stage - Overview



# Customer Satisfaction Is Central to the Marketing Concept



- **Satisfaction defined as attitude-like judgment following a service purchase or series of service interactions**
- **Customers have expectations prior to consumption, observe service performance, compare it to expectations**
- **Satisfaction judgments are based on this comparison**
  - **Positive disconfirmation if better than expected**
  - **Confirmation if same as expected**
  - **Negative disconfirmation if worse than expected**

# Customer Delight: Going Beyond Satisfaction



- Research shows that delight is a function of 3 components
  - Unexpectedly high levels of performance
  - Arousal (e.g., surprise, excitement)
  - Positive affect (e.g., pleasure, joy, or happiness)
- Once customers are delighted, their expectations are raised
- If service levels return to previous levels, this may lead to dissatisfaction and it will be more difficult to “delight” customers in future
- Progressive Insurance seeks to delight customers through exceptional customer service (Service Insights 2.2)



# Summary of Chapter 2: Customer Behavior in a Services Context (1)



- **Three-stage Model of service consumption helps us to understand and better manage customer behavior**
- **Pre-purchase stage**
  - ➔ **Customers seek solutions to aroused needs**
  - ➔ **Evaluation alternatives is more difficult when a service involves experience and credence attributes**
  - ➔ **Customers face perceived a variety of perceived risks in selecting, purchasing and using services**
  - ➔ **Customers can use a variety of ways to reduce perceived risk and firms can also manage risk perceptions**
  - ➔ **Customer expectations of service range from “desired” to “adequate” with a zone of tolerance in between; if actual service is perceived as less than adequate, customers will be dissatisfied**
  - ➔ **A purchase decision has to be made**

# Summary of Chapter 2: Customer Behavior in a Services Context (2)



- **Service encounter stage**
  - Service encounters range from high contact to low contact
  - Servuction system consists of two parts:
    - Service operations system
    - Service delivery system
  - Role and script theories help us understand, manage customer behavior during encounters
  - Theatrical view of service delivery offers insights for design, stage-managing performances, and relationships with customer “audience”
- **Post-purchase stage**
  - 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