Chapter 2: Consumer Behavior in a Services Context
Customer Decision Making: The Three-Stage Model of Service Consumption
Pre-purchase Stage
Pre-purchase Stage - Overview

- 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

Service Encounter Stage

Post-encounter Stage
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.
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

Most Goods

- Clothing
- Chair
- Motor Vehicle
- Foods

High In Search Attributes

Most Services

- Restaurant Meals
- Lawn Fertilizer
- Haircut
- Entertainment

High In Experience Attributes

Computer Repair
- Education
- Legal Services
- Complex Surgery

High In Credence Attributes

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

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

- **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
"[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
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

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-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

- 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

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

Pre-purchase Stage

- Key Steps
  1. Need arousal
  2. Information search
  3. Evaluation of alternative solutions
  4. Purchase decision

Service Encounter Stage

- Moments of Truth: importance of effectively managing touchpoints
- High/low contact service model – understanding the extent and nature of contact points

Post-encounter Stage

- In evaluating service performance, customers can have expectations positively disconfirmed, confirmed, or negatively disconfirmed
- Zone of tolerance: Adequate to desired. Dissatisfaction if service level falls below adequate level.
- Servuction model – variations of interactions
- Theater metaphor – “staging” service performances
- Unexpectedly high levels of performance, arousal, and positive affect are likely to lead to delight
- Customers face perceived risks which marketers should reduce with some strategic responses