Understanding Consumer Behavior in Service Encounters
A Framework for Developing Effective Service Marketing Strategies

Two Key Themes in Part I of the Services Marketing Strategy Framework:

Differences among Services Affect Customer Behavior

Three-Stage Model of Service Consumption

- **Prepurchase Stage:** Search, evaluation of alternatives, decision
- **Service Encounter Stage:** Role in high-contact vs. low-contact delivery
- **Post-Encounter Stage:** Evaluation against expectations, future intentions
Differences among Services Affect Customer Behavior

- Consumers are rarely involved in the manufacture of goods but often participate in service creation and delivery.
- Challenge for service marketers is to understand how customers interact with service operations.
- Based on differences in nature of service act (tangible/intangible) and who or what is direct recipient of service (people/possessions), there are four categories of services:
  - People processing
  - Possession processing
  - Mental stimulus processing
  - Information processing
## Four Categories Of Services

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People Processing

- Customers must:
  - Physically enter the service factory
  - Co-operate actively with the service operation

- Managers should think about process and output from customer’s perspective
  - To identify benefits created and non-financial costs:
    - Time, mental, physical effort
Possession Processing

- Customers are less physically involved compared to people processing services
- Involvement is limited
- Production and consumption are separable
### Mental Stimulus Processing

#### Nature of the Service Act

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#### Ethical standards required when customers who depend on such services can potentially be manipulated by suppliers

#### Physical presence of recipients not required

#### Core content of services is information-based

- Can be “inventoried”
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**Information Processing**

- Information is the most intangible form of service output
- But may be transformed into enduring forms of service output
- Line between information processing and mental stimulus processing may be blurred.
The Purchase Process for Services

- Prepurchase Stage
- Service Encounter Stage
- Post-Encounter Stage
Prepurchase 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
Evaluating a Service May Be Difficult

- 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
How Product Attributes Affect Ease of Evaluation

Most Goods
- High in search attributes
  - Clothing
  - Chair
  - Motor vehicle
  - Foods
- Easy to evaluate

Most Services
- High in experience attributes
  - Restaurant meals
  - Lawn fertilizer
  - Haircut
  - Entertainment
- Difficult to evaluate

* NOTE: Difficulty of evaluation tends to decrease with broad exposure to a service category and frequency of use of a specific supplier

Source: Adapted from Zeithaml
Perceived Risks in Purchasing and Using Service

- **Functional**—unsatisfactory performance outcomes
  Eg: Acceptance of credit card

- **Financial**—monetary loss, unexpected extra costs
  Eg: Incur unanticipated expenses/losses

- **Temporal**—wasted time, delays leading to problems
  Eg: Waiting time in line/slow service

- **Physical**—personal injury, damage to possessions

- **Psychological**—fears and negative emotions

- **Social**—how others may think and react
  Eg: Approval/Disapproval by friends-relatives

- **Sensory**—unwanted impact on any of five senses
How Might Consumers Handle Perceived Risk?

- Seeking information from respected personal sources
- 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
- Examining tangible cues or other physical evidence
- Using the Internet to compare service offerings and search for independent reviews and ratings
Strategic Responses to Managing Customer Perceptions of Risk

- Offer performance warranties, guarantees to protect against fears of monetary loss
- For products where customers worry about performance, sensory risks:
  - Offer previews, free trials (provides experience)
  - Advertising (helps to visualize)
- For products where customers perceive physical or psychological risks:
  - Institute visible safety procedures
  - Deliver automated messages about anticipated problems
  - Websites offering FAQs and more detailed background
  - Train staff members to be respectful and empathetic
AOL Offers Free Trial Software to Attract Prospective Customers
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 among differently positioned service providers in the same industry

• Expectations change over time
Factors Influencing Customer Expectations of Service

- Personal Needs
- Beliefs about What Is Possible
- Perceived Service Alterations
- Situational Factors

Desired Service

ZONE OF TOLERANCE

Adequate Service

- Explicit & Implicit Service Promises
  - Word-of-Mouth
  - Past Experience

Predicted 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:
  – Range within which customers are willing to accept variations in service delivery
Service Encounter Stage: Overview

- Service encounters range from high- to low-contact
- Understanding the servuction system
- Service marketing systems: high-contact and low-contact
- Role and script theories
- Theater as a metaphor for service delivery: An integrative perspective
- Implications for customer participation in service creation and delivery
Service Encounters Range from High-Contact to Low-Contact

- High Contact
  - Nursing Home
  - Haircut
  - Four-Star Hotel
  - Good Restaurant
  - Airline Travel
  - Retail Banking
  - Motel
  - Fast Food
  - Subway

- Low Contact
  - Management Consulting
  - Telephone Banking
  - Car Repair
  - Insurance
  - Cable TV
  - Internet Banking
  - Mail-Based Repairs
  - Internet-Based Services

Emphasizes encounters with service personnel

Emphasizes encounters with equipment
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. the Web) help reduce contact levels

• Medium-Contact Services Lie in between These Two
The Servuction System: Service Production and Delivery

• Service Operations (front stage and backstage)
  – 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

• Service Marketing (front stage)
  – Includes service delivery (as above) and all other contacts between service firm and customers
Service Marketing System for a High-Contact Service

**SERVICE MARKETING SYSTEM**

**Service Delivery System**

**Other Contact Points**

**Service Operations System**

- Technical Core
  - Interior & Exterior Facilities
  - Equipment
  - Service People

- Backstage (invisible)
- Front Stage (visible)

- Other Customers

- The Customer

- Other Customers

- Advertising
- Sales Calls
- Market Research Surveys
- Billing/Statements
- Misc. Mail, Phone Calls, E-mails, Faxes, etc.
- Website
- Random Exposure to Facilities/Vehicles
- Chance Encounters with Service Personnel
- Word of Mouth
Service Marketing System for a Low-Contact Service

Service Operations System

Service Delivery System

Other Contact Points

Backstage (invisible)

Front Stage (visible)

Technical Core

Self Service Equipment

Phone, Fax, Web-site, etc.

Mail

The Customer

Advertising

Market Research Surveys

Billing/Statements

Random Exposure to Facilities/Vehicles

Word of Mouth
Implications of Customer Participation in Service Delivery

• Greater need for information/training to help customers to perform well, get desired results

• Customers should be given a realistic service preview in advance of service delivery, so they have a clear picture of their expected role

Tourists Appreciate Easy-to-Understand Instructions When Traveling
Post-Encounter Stage: Overview

- Evaluation of service performance
- Future intentions
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
• Satisfaction reflects perceived service quality, price/quality tradeoffs, personal and situational factors
• Research shows links between customer satisfaction and a firm’s financial performance
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)
- Is it possible for customers to be delighted by very mundane services?
- Strategic links exist between customer satisfaction and corporate performance.
- Getting feedback during service delivery help to boost customer loyalty
- Progressive Insurance seeks to delight customers through exceptional customer service