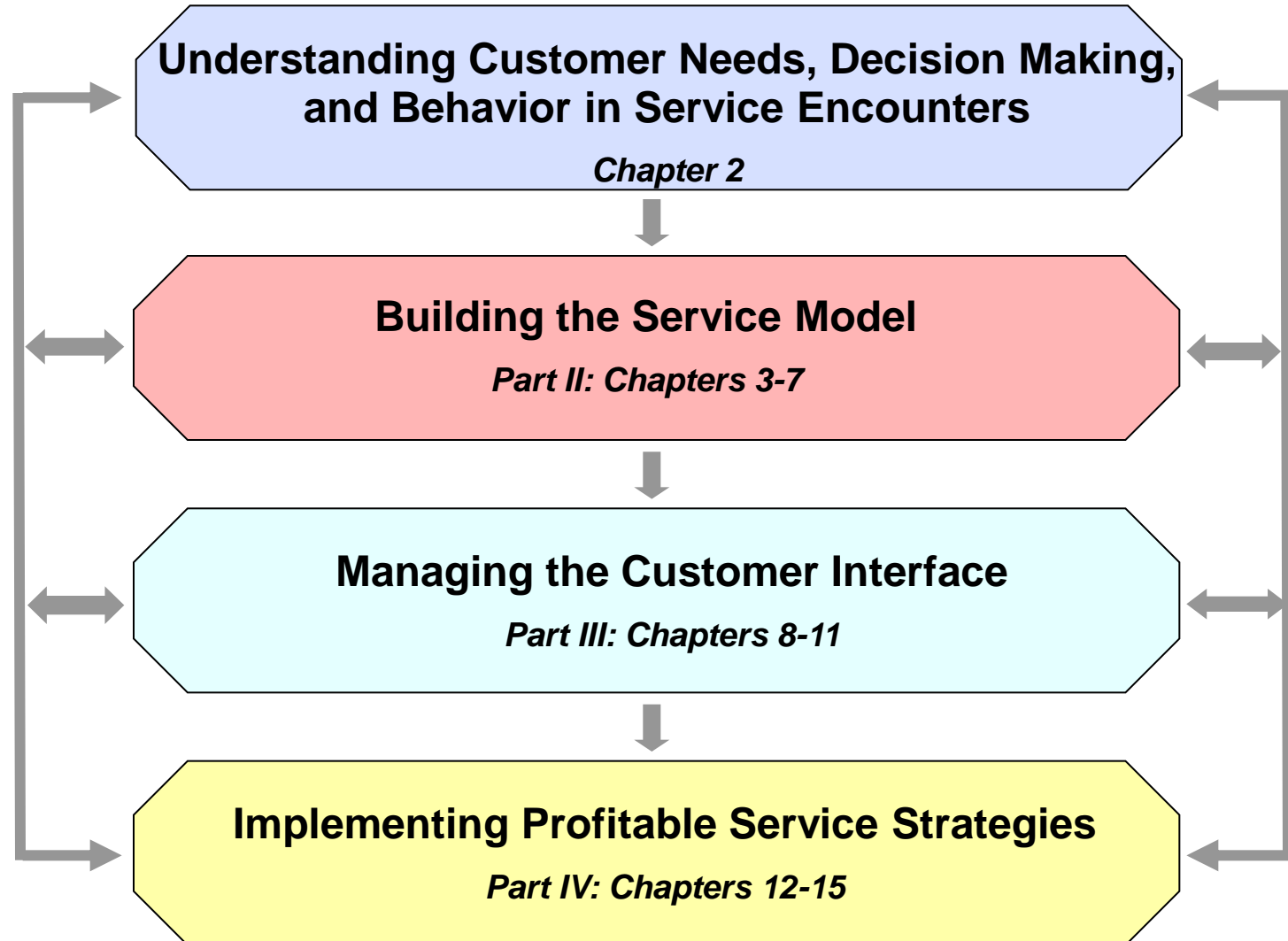


Chapter 2: Customer Behavior in Service Encounters



A Framework for Developing Effective Service Marketing Strategies



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



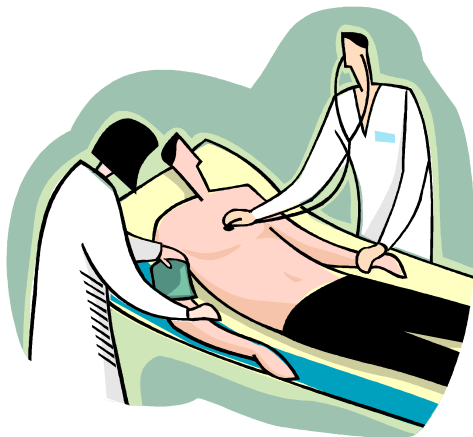
- Consumers are rarely involved in the manufacture of goods but often participate in service creation and delivery
- Challenge for service marketers is to understand how customers interact with service operations
- Based on differences in nature of service act (tangible/intangible) and who or what is 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 (Fig 2.1)

		<i>Who or What Is the Direct Recipient of the Service?</i>	
<i>Nature of the Service Act</i>		People	Possessions
Tangible Actions		<p><i>People processing</i> (services directed at people's bodies):</p> <ul style="list-style-type: none"> ■ Barbers ■ Health care 	<p><i>Possession processing</i> (services directed at physical possessions):</p> <ul style="list-style-type: none"> ■ Refueling ■ Disposal/recycling
Intangible Actions		<p><i>Mental stimulus processing</i> (services directed at people's minds):</p> <ul style="list-style-type: none"> ■ Education ■ Advertising/PR 	<p><i>Information processing</i> (services directed at intangible assets):</p> <ul style="list-style-type: none"> ■ Accounting ■ Banking

Four Categories Of Services

Nature of the Service Act	Who or What is the Direct Recipient of the Service?	
	People	Possessions
Tangible Actions	People processing (services directed at people's bodies): <ul style="list-style-type: none">BarbersHealth care	Possession processing (services directed at physical possessions): <ul style="list-style-type: none">RefuelingDisposal/recycling
Intangible Actions	Mental stimulus processing (services directed at people's minds): <ul style="list-style-type: none">ReligionAdvertising/PR	Information processing (services directed at intangible assets): <ul style="list-style-type: none">AccountingBanking



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

Nature of the Service Act	Who or What is the Direct Recipient of the Service?	
	People	Possessions
Tangible Actions	People processing (services directed at people's bodies): <ul style="list-style-type: none">BarbersHealth care	Possession processing (services directed at physical possessions): <ul style="list-style-type: none">RefuelingDisposal/recycling
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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	Who or What is the Direct Recipient of the Service?	
	People	Possessions
Tangible Actions	People processing (services directed at people's bodies): <ul style="list-style-type: none">BarbersHealth care	Possession processing (services directed at physical possessions): <ul style="list-style-type: none">RefuelingDisposal/recycling
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Mental Stimulus Processing

- 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”

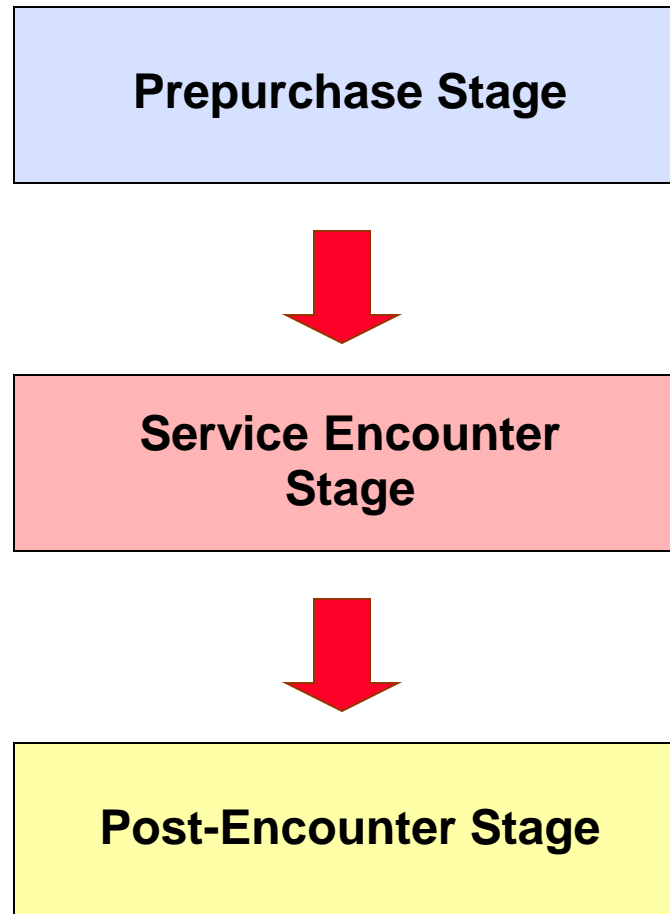
Information Processing

Nature of the Service Act	Who or What is the Direct Recipient of the Service?	
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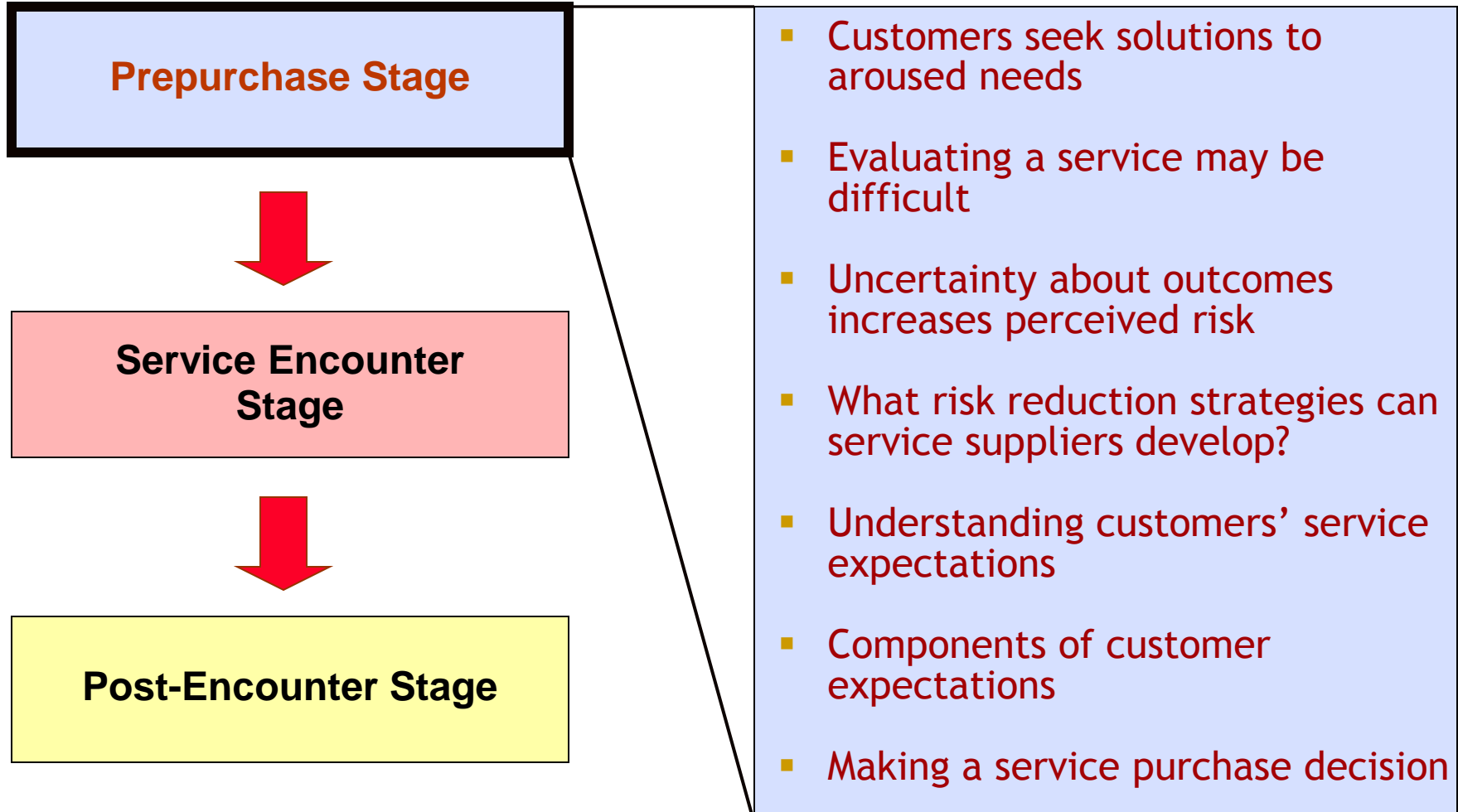
Information Processing

- 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



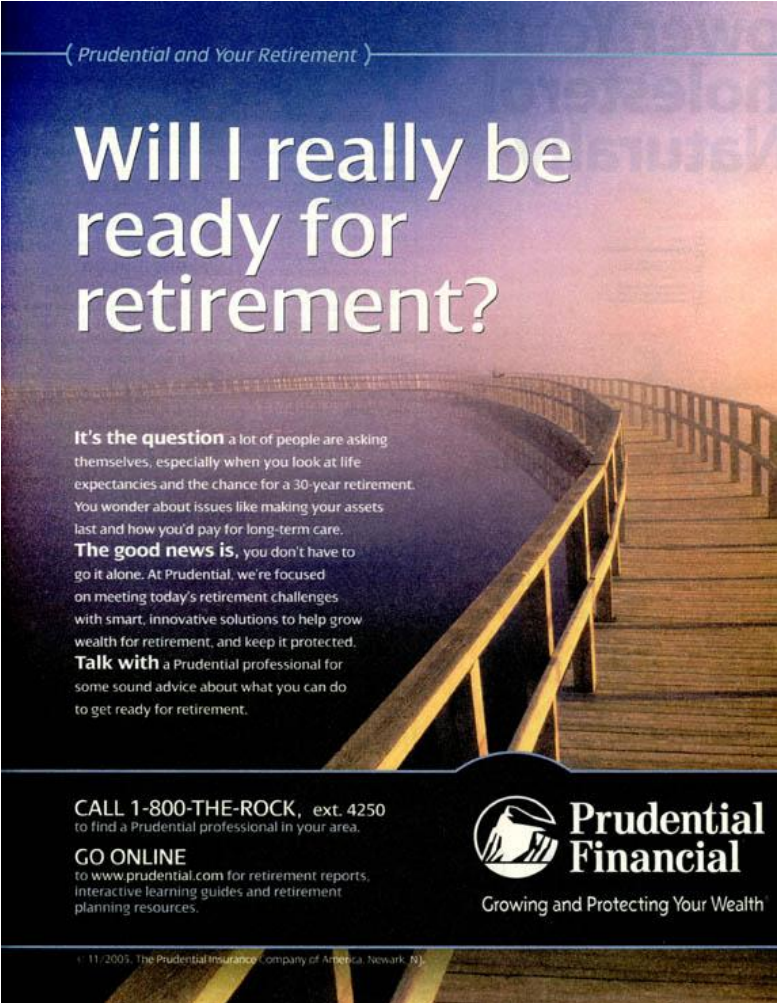
Prepurchase Stage: Overview



Customers Seek Solutions to Aroused Needs

SERVICES MARKETING

- People buy goods and services to meet specific needs/wants
- External sources may stimulate the awareness of a need
- Companies may seek opportunities by monitoring consumer attitudes and behavior



(Prudential and Your Retirement)

Will I really be ready for retirement?


It's the question a lot of people are asking themselves, especially when you look at life expectancies and the chance for a 30-year retirement. You wonder about issues like making your assets last and how you'd pay for long-term care.

The good news is, you don't have to go it alone. At Prudential, we're focused on meeting today's retirement challenges with smart, innovative solutions to help grow wealth for retirement, and keep it protected.

Talk with a Prudential professional for some sound advice about what you can do to get ready for retirement.

CALL 1-800-THE-ROCK, ext. 4250 to find a Prudential professional in your area.

GO ONLINE to www.prudential.com for retirement reports, interactive learning guides and retirement planning resources.



Prudential Financial
Growing and Protecting Your Wealth®

© 11, 2005. The Prudential Insurance Company of America, Newark, NJ.

Figure 2.4

Prudential Financial's advertising stimulates thinking about retirement needs

Courtesy of Masterfile Corporation

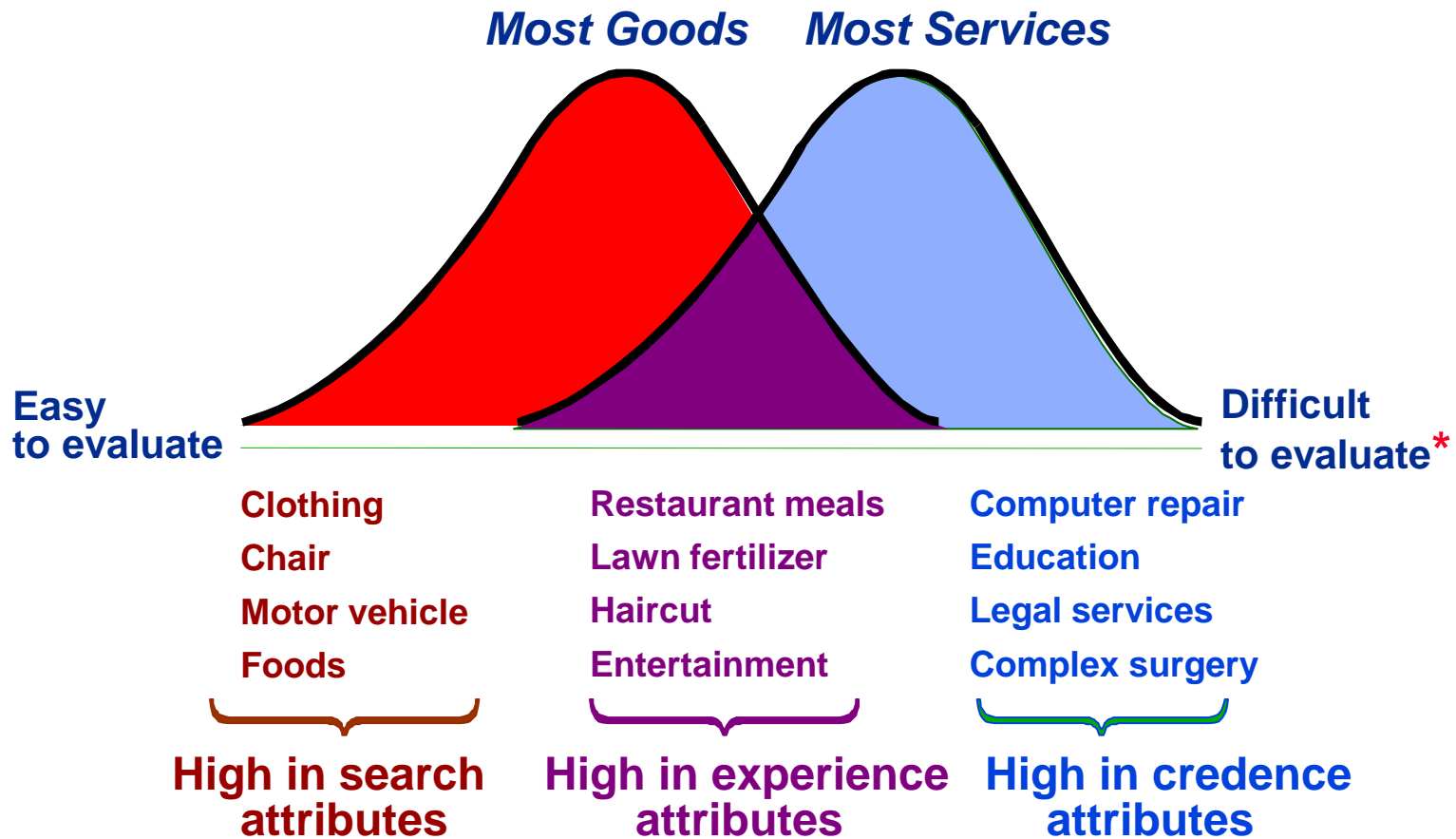
Evaluating a Service May Be Difficult



SERVICES MARKETING

- **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

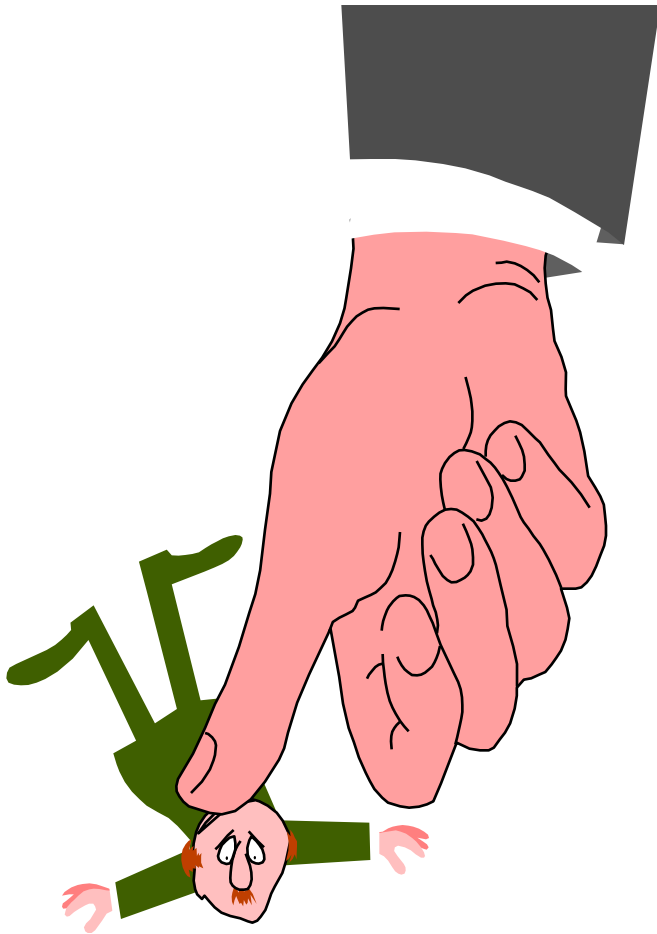
How Product Attributes Affect Ease of Evaluation



*** 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 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?



SERVICES MARKETING

- 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



SERVICES MARKETING

- 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 (Fig 2.6)



SERVICES MARKETING

NO CREDIT CARD REQUIRED!

◀ OPEN

McAfee®
E-mail and PC
Virus Protection
Included!*

1175 Hours
Free! for 50 days

FREE GAMES
On This CD!
see details
inside

SURF ^{up} **to**
5X FASTER!†

Now Better Than Ever!

AOL

The image shows a CD-ROM case for AOL. The top half is black with white and green text. The middle section is red with a white grid pattern and features a large white silhouette of a person running. The bottom section is green. The AOL logo is in the bottom right corner.

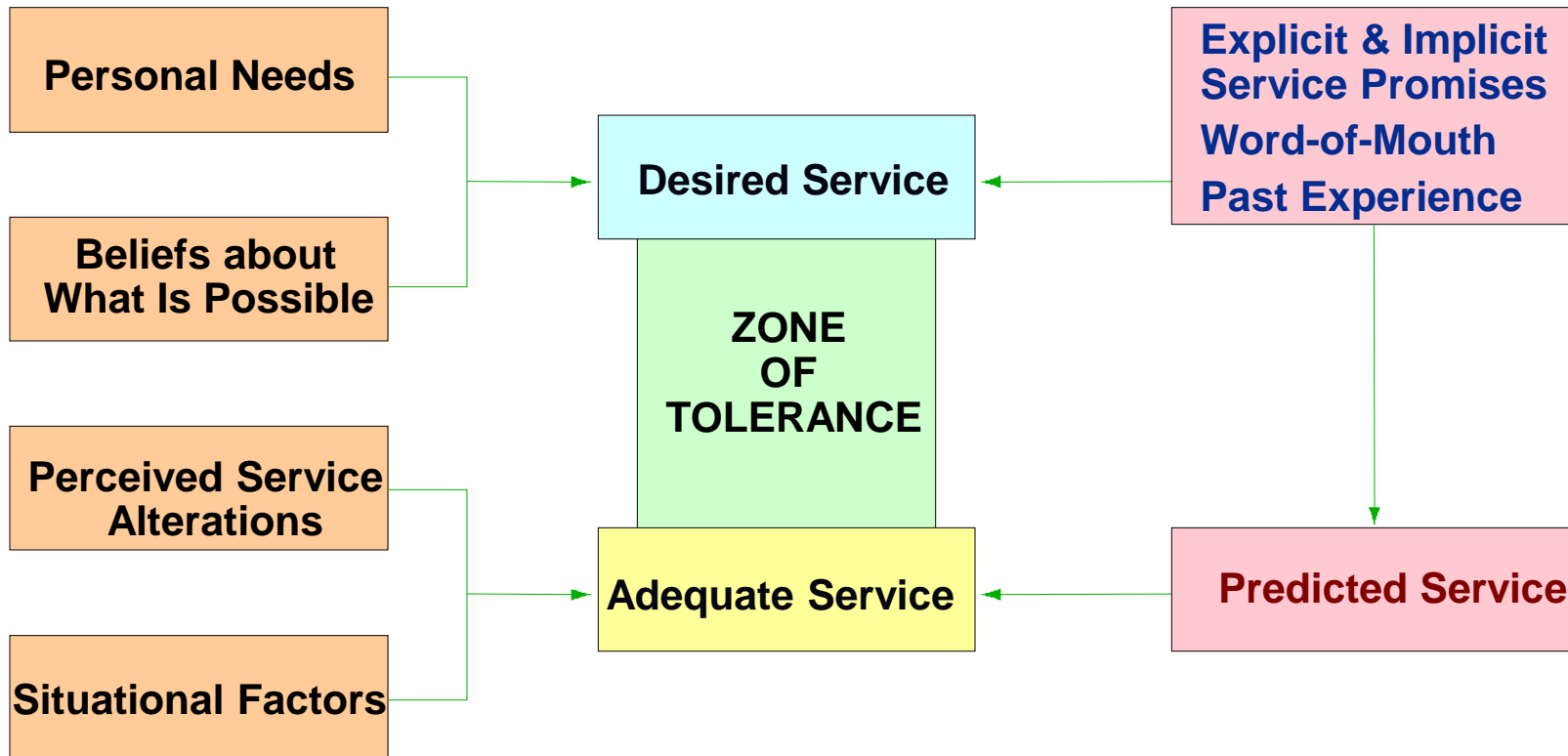
Understanding Customers' Service Expectations



SERVICES MARKETING

- **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**
- **Example: Service Perspectives 2.1**
 - Parents wish to participate in decisions relating to their children's medical treatment for heart problems
 - Media coverage, education, the Internet has made this possible

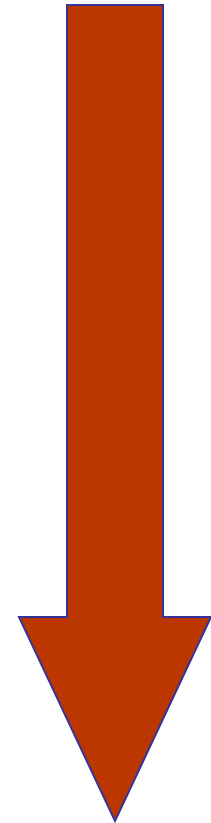
Factors Influencing Customer Expectations of Service (Fig 2.8)



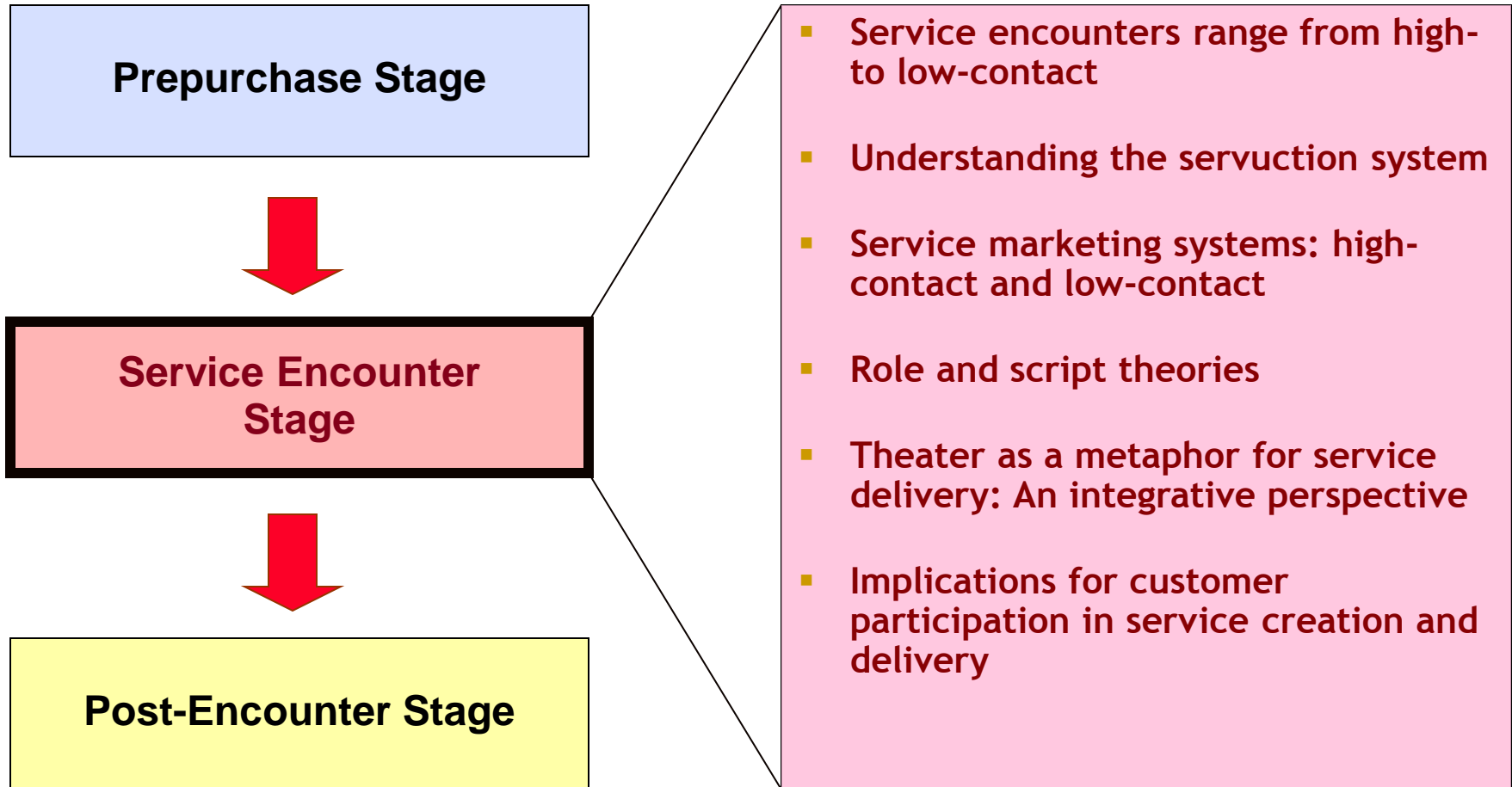
Source: Adapted from Valarie A. Zeithaml, Leonard A. Berry, and A. Parasuraman, "The Nature and Determinants of Customer Expectations of Service," *Journal of the Academy of Marketing Science* 21, no. 1 (1993): pp 1-12.

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



Service Encounter Stage: Overview



Service Encounters Range from High-Contact to Low-Contact (Fig 2.9)



SERVICES MARKETING

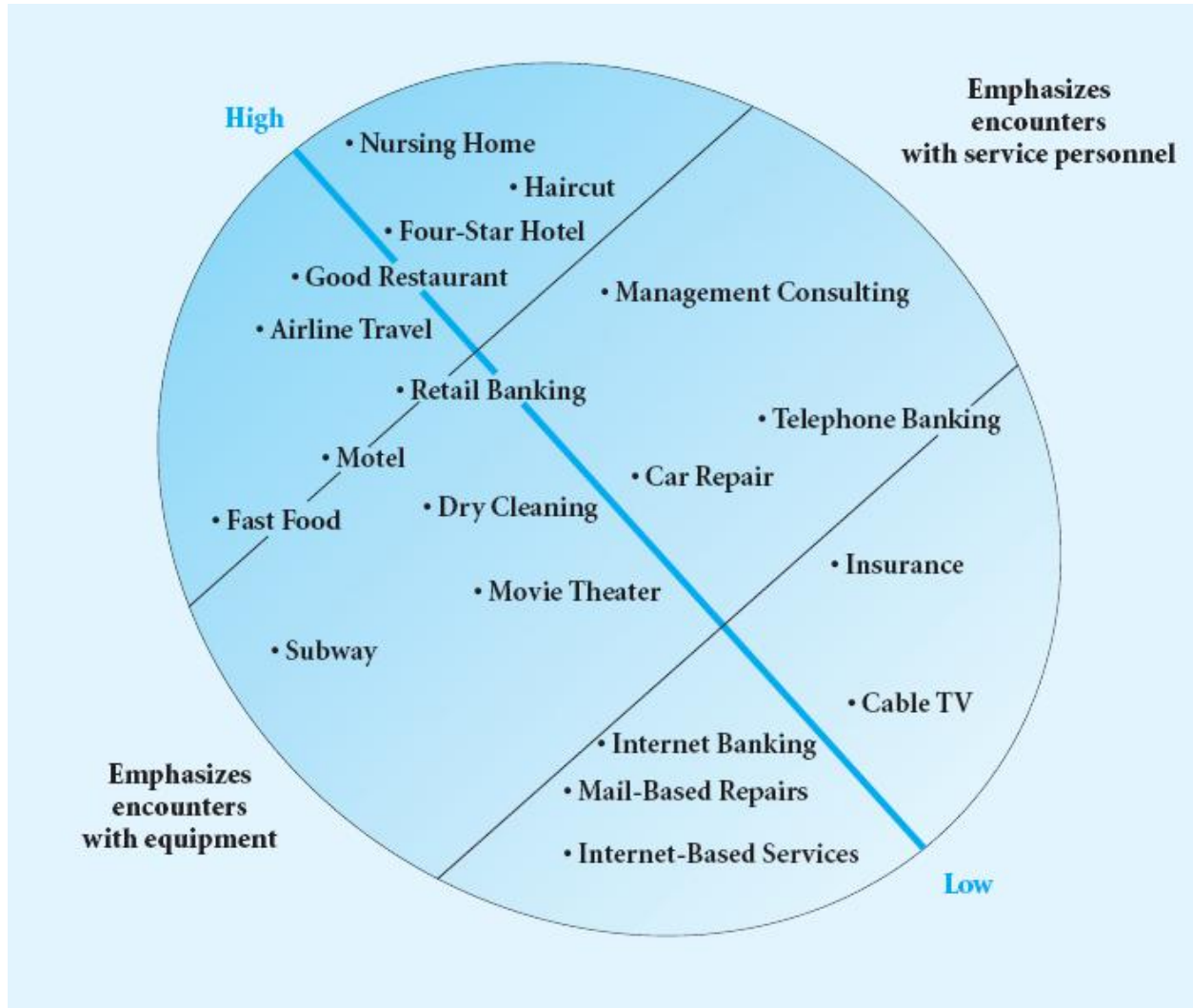


Figure 2.9

Levels of Customer Contact with Service Organizations

Distinctions between High-Contact and Low-Contact Services



SERVICES MARKETING

- **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



SERVICES MARKETING

- **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

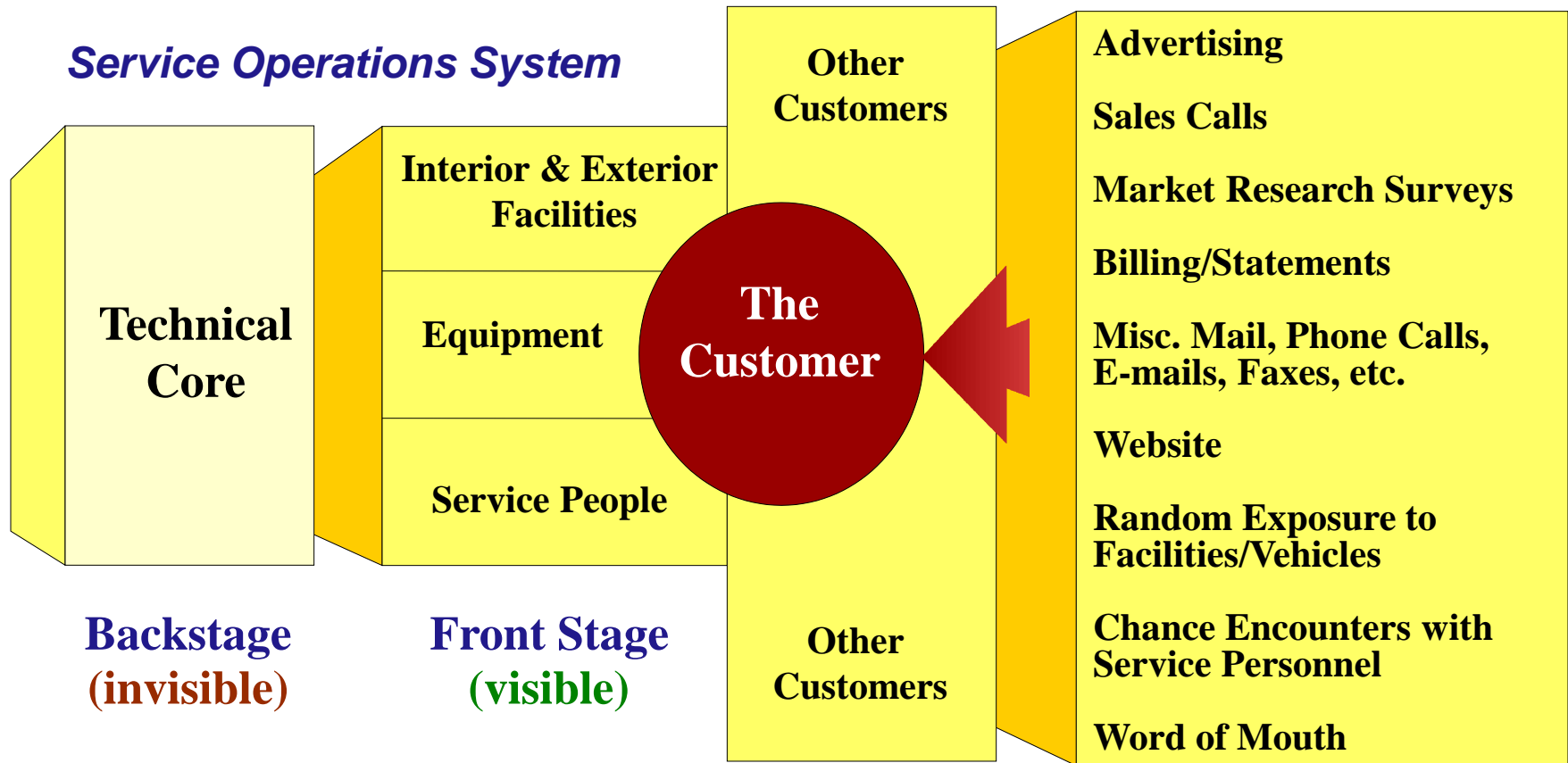
Service Marketing System for a High-Contact Service (Fig 2.10)



SERVICE MARKETING SYSTEM

Service Delivery System

Other Contact Points

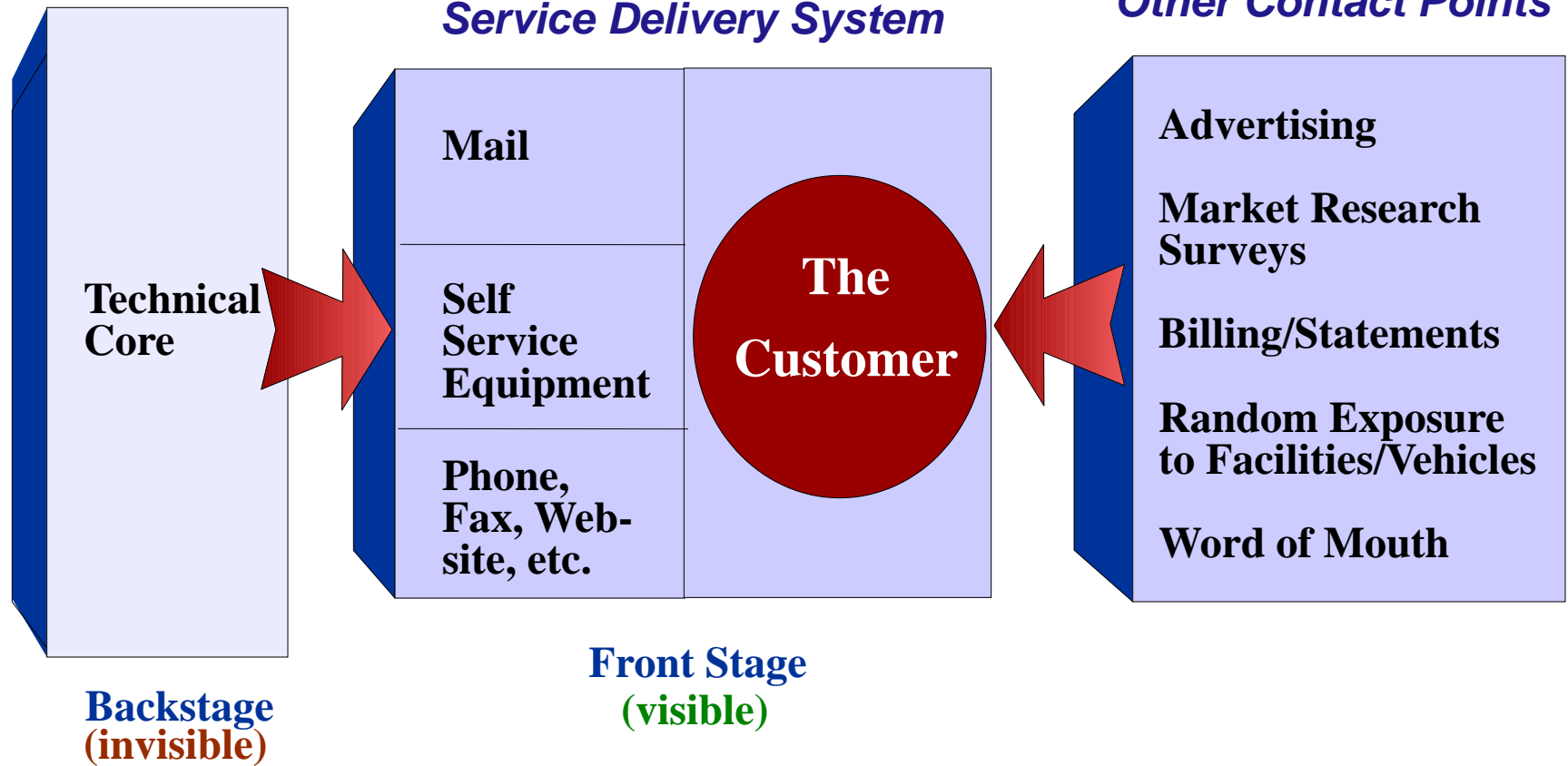


Service Marketing System for a Low-Contact Service (Fig 2.11)

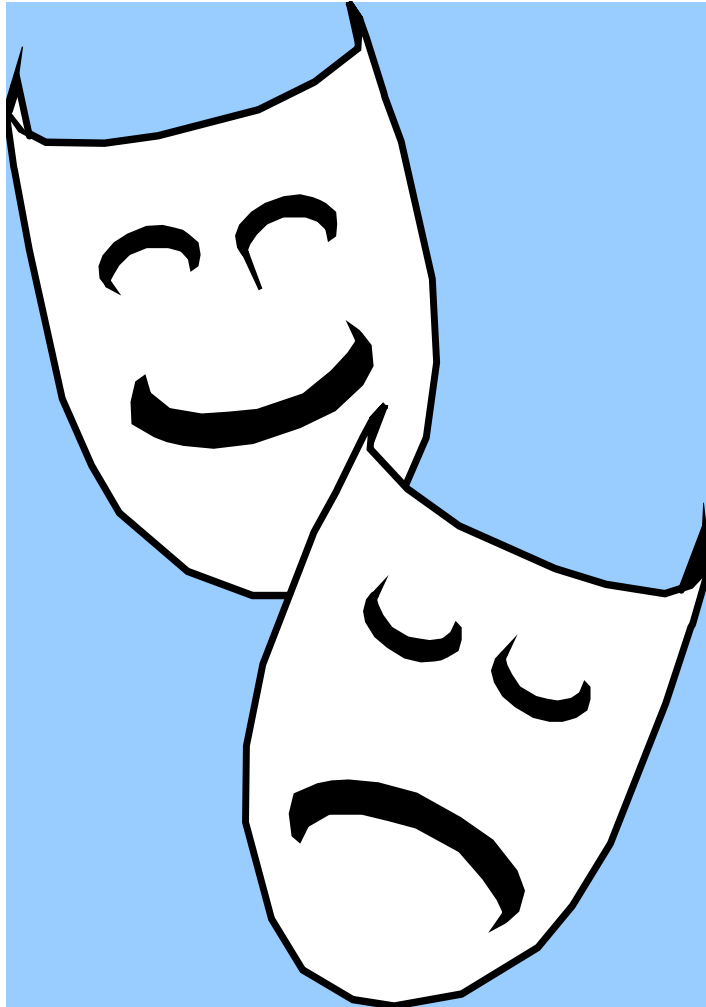


Service Operations System

SERVICE MARKETING SYSTEM



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



SERVICES MARKETING

- Service dramas unfold on a “stage”—settings may change as performance unfolds
- Many service dramas are tightly scripted, others improvised
- Front-stage personnel are like members of a cast
- Like actors, employees have roles, may wear special costumes, speak required lines, behave in specific ways
- Support comes from a backstage production team
- Customers are the audience—depending on type of performance, may be passive or active participants

Implications of Customer Participation in Service Delivery

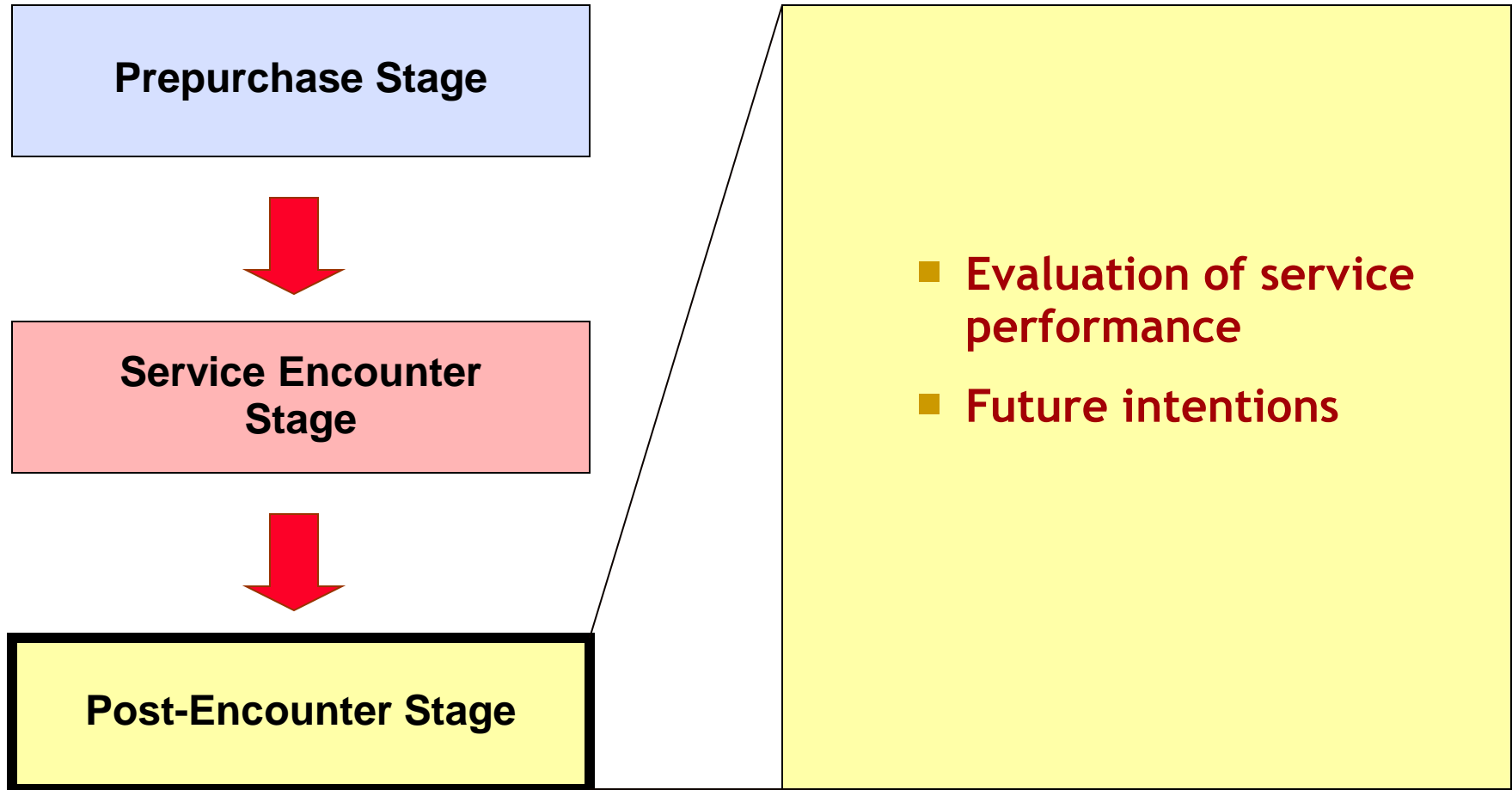
SERVICES MARKETING

- 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



Figure 2.13: Tourists Appreciate Easy-to-Understand Instructions When Traveling

Post-Encounter Stage: Overview



Customer Satisfaction Is Central to the Marketing Concept



SERVICES MARKETING

- 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 (Best Practice in Action 2.1)**