Chapter Two

CONSUMER BEHAVIOR IN SERVICES

2.1 Categories of consumer products

In order to better understand why the customer gap exists, we need to understand differences that exist in evaluation processes of purchasing goods and services. The evaluation of the purchase processes becomes important from the standpoint of different properties that the two classifications of consumer products (goods and services) have. Economists have drawn distinction among them by way of defining those properties, mentioned here under, for a better understanding of the processes of evaluation: ***Search qualities, Experience qualities*** *and* ***Credence qualities.***

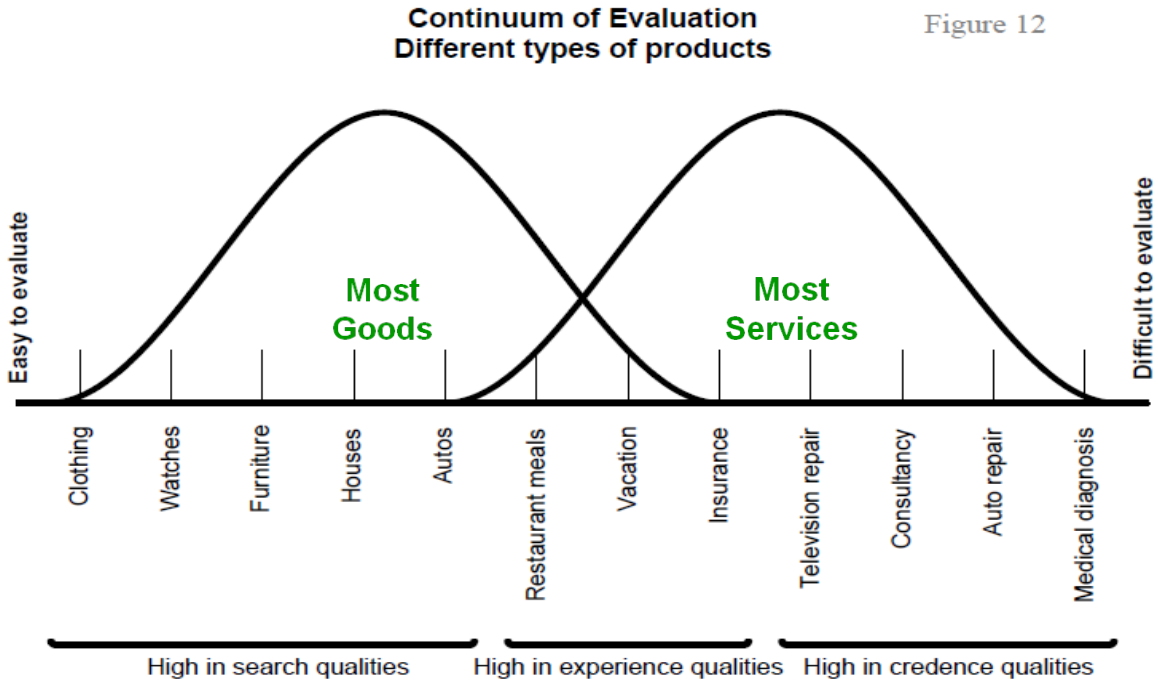
- **Search qualities:** attributes a consumer can determine prior to purchase of a ***product***. Relating tangible goods, these qualities enable us to easily search the differences among different products and determining their attributes. The cues that lead us to determine the attributes are looks, colors, feel, smell, size, and a host of variations of these attributes. Therefore, it can be said that **tangible goods are high on search qualities.** Having said that, it is not difficult to search the attributes of a bottle of juice, a television set, or a car as examples. The crux of such properties/qualities is that ***consumers can evaluate attributes before a purchase is made***. That simplifies the purchase process and takes the element of risk of not knowing what one is buying out to a great extent.

- **Experience qualities:** Attributes a consumer can determine after purchase (or during consumption) of a product. As the term suggests, ***these qualities cannot be determined unless one really experiences them.*** You cannot determine the attributes of a service at a restaurant or a hotel until the time you really experience their services and evaluate them. ***Services, therefore, are high on experience qualities.***

- **Credence qualities:** There are attributes of service products that ***cannot be easily evaluated by consumers even after they have bought a service product.*** Repair and maintenance of industrial equipment and certain household goods are services that cannot be

technically assessed by consumers long after the services were rendered.

It is clear that more a product is tangible, the more it is dominated by search qualities; the higher the level of intangibility, the higher is the domination of experience and credence qualities. Zeithaml and Bitner have graphically shown qualities/properties of different products on a continuum of evaluation of different processes as figure 2.2



It is clear from the above that consumers employ different process of evaluation for services than they do for goods. As they move along the continuum from left to right, they need to experience the products to assess those. As they deal with products on the far right of the continuum, they need to wait even after they have experienced those goods to arrive at an evaluation.

2.2 CONSUMER BEHAVIOR IN SERVICES

- The primary objective of service producers is to develop and provide offerings that satisfy consumer needs and expectations, thereby ensuring their own economic survival.

- To close the customer gap between expectations and perceptions service providers need to understand how consumers choose and evaluate their service offerings.
- Consumers have a more difficult time evaluating and choosing services than goods, because;
  - Services are intangible and non-standardized and
  - Consumption is so closely intertwined with production.
- Consumer Evaluation processes for goods and services varies in all stages of the buying process.

Services: Categories in the Decision-making Process

- information search,
- evaluation of alternatives,
- purchase and consumption, and
- Post purchase evaluation.

1. Information search: Pre-purchase

The decision to buy and use a service is made in the pre-purchase stage. Individual needs and expectations are very important here because they influence what alternatives customers will consider. If the purchase is routine and relatively low risk, customers may move quickly to selecting and using a specific service provider. But when more is at stake or a service is about to be used for the first time, they may conduct an intensive information search.

❖ **Use of Personal Sources**

- **Consumers seek and rely to a greater extent on personal sources for several reasons.**
  1. **Mass and selective media can convey information about search qualities can communicate little about experience qualities.**
  2. **Non-personal sources of information may not be available because**
  3. **Consumers can discover few attributes before purchase of a service**
- **Personal influence becomes pivotal where:**
  1. **experience qualities are high**
  2. **product complexity increases**
  3. **When objective standards by which to evaluate a product decreases.**
- **Most managers in service industries recognize the strong influence of word of mouth in services. Consumers find *post purchase information* seeking more essential with services than with goods because services possess experience qualities that cannot be adequately assessed before purchase.**

2. Evaluation of alternatives;

Faced with the task of collecting and evaluating experience qualities, consumers select the first acceptable alternative rather than searching many alternatives.

- ❖ ***Emotion and mood***

- ■ ***Emotion and mood*** **are feeling states that influence people's perceptions and evaluations of their experiences.**
- ■ **If a service customer is in a "bad mood" service provision will likely be interpreted more negatively**
- ■ **Any service characterized by human interaction is strongly dependent on the moods and emotions of the service provider, the service customer, and other customers receiving the service at the same time.**
- ■ **In what specific ways can mood affect the behavior of service customers?**
  - ❑ **First, positive moods can make customers more obliging and willing to participate in behaviors that help service encounters succeed.**
  - ❑ **A second way that moods and emotions influence service customers is to bias the way they judge service encounters and providers.**
  - ❑ **Finally, moods and emotions affect the way information about service is absorbed and retrieved.**

❖ **Perceived Risk;** is the exposure of the consumer to some ***kind of loss, damage, or injury.*** When evaluating a service during pre-purchase, consumers like to make sure that ***they do not get inflicted by risk of any kind.***

More risk is involved in the purchase of services than in the purchase of goods because services are:

- o **intangible**
- o **non-standardized**
- o **sold without guarantees or warranties**
- o **high in experience and credence qualities**

7 types of risk in the consumer decision making process

1. **Performance risk - the chance that the service will not perform or provide the benefit for which it was purchased.**

2. **Financial risk - the amount of monetary loss incurred by the consumer if the service fails.**
3. **Time loss risk - the amount of time lost by the consumer as a result of the failure of the service.**
4. **Opportunity risk - the risk involved when consumers must choose one service over another**
5. **Psychological risk - the chance that the purchase of a service will not fit the individual's self-concept.**
6. **Social risk - the probability that a service will not meet the approval of others who are significant to the consumer making the purchase.**
7. **Physical risk - the chance that a service will actually cause physical harm to the customer.**

3. Service Purchase and Consumption

Service encounter stage: in the service purchase process where the service delivery takes place through interactions between customers and the service provider.

After deciding to purchase a specific service, customers experience one or more contacts with their chosen service provider. **The service encounter stage** often begins with ***submitting an application, requesting a reservation, or placing an order***. Contacts may take the form of **personal exchanges between customers and service employees, or impersonal interactions with machines or computers.** In high-contact services, such as restaurants, health care, hotels, and public transportation, customers may become actively involved in one or more service processes. Often, they experience a variety of elements during service delivery, each of which may provide clues to service quality.

A few factors customers consider seriously to assess the quality of their interaction with the company are as follows.

Service environments include all of the tangible characteristics to which customers are exposed. The appearance **of building exteriors and interiors; the nature of furnishings and equipment;** the presence or absence of dirt, odor, or noise; and the appearance and behavior of other

customers can all serve to shape expectations and perceptions of service quality.

Service personnel are the most important factor in most high-contact service encounters, where they have **direct, face-to-face interactions with customers.** But they can also affect service delivery in low-contact situations like **telephone-based service delivery**. *Knowledgeable customers often expect employees to follow specific scripts during the service encounter;* excessive deviations from these scripts can lead to dissatisfaction. Handling service encounters effectively on the part of the employee usually combines learned skills with the right type of personality.

Support services are made up of the materials and equipment plus all ***of the backstage processes*** that allow front stage employees to do their work properly. This element is critical, because many customer-contact employees can't perform their jobs well without receiving internal services from support personnel.

4. Post purchase evaluation; the final stage in the service purchase process where customers evaluate service quality and their satisfaction/dissatisfaction with the service

During the post purchase stage, customers continue a process they began in the service encounter ***stage evaluating service quality and their satisfaction/dissatisfaction with the service experience.*** *The outcome of this process will affect their future intentions, such as* ***whether or not to remain loyal to the provider*** *that delivered service and whether to pass on positive or negative recommendations to family members and other associates.*

Customers evaluate service quality by comparing what they expected with what they perceive they received.

- If their expectations are met or exceeded, they believe they have received high-quality service.
- If the price/quality relationship is acceptable and other situational and personal factors are positive, then these customers are likely to be satisfied. As a result, they are more likely to make repeat purchases and become loyal customers.
- However, if the service experience does not meet customers' expectations, they may complain about poor service quality, suffer in silence, or switch providers in the future.

2.3 Service Culture

One of the most important tasks of any business organization is to develop the service side of the business, specifically, a strong service culture. **Service culture *is a system of values and beliefs in an organization that reinforces the idea that providing the customer with quality service is the principal concern of the business.*** **The service culture focuses** *on serving and satisfying the customer. It has to start with top management and flow down.* A service culture empowers employees to solve customer problems. It is supported by a reward system based on customer satisfaction. Service cultures differ from organization to organization. Culture includes values, beliefs, norms, rituals, etc. **Service culture** is any policy, procedure, action or inaction on the part of an organization and its employees contribute to service culture**. *Employees can play key roles in communicating a company's culture to its customers.*** ***Examples*** *include: employee* ***dress code, interactions with customers, service provider's knowledge, skill, and attitude.*** *Companies develop vastly different service cultures depending on their industry, product, size, business model, etc.* The **culture is usually set and communicated by top executives**. Building of service culture requires sustained attention to: Hiring right people, retaining the best people, developing the people to deliver service quality, and providing needed support system to people

Elements of Service Culture

Service culture is made up of many facets, each of which affects the customer and helps to determine the success or failure of customer service initiatives.

Service philosophy or Mission: The direction or vision of an organization that supports day-to-day interactions with the customers.

Employee roles & expectations: The specific communications or measures that indicate what is expected of employees in customer interactions and that define how employee service performance will be evaluated.

Delivery systems: The way an organization delivers its products and services.

Policies and procedures: The guidelines that establish how various situations or transactions will be handled.

Products and services: The materials, products and services that are state of the art, competitively priced, and meet the needs of customers.

Motivators and rewards: Monetary rewards, material items, or feedback that prompts employee to continue to deliver service and perform at high level of effectiveness and efficiency

Management support: The availability of management to answer questions and assist frontline employees in customer interactions when necessary.

Training: Instruction or information provided through a variety of techniques that teach knowledge or skills, or attempt to influence employee attitude toward excellent service delivery.