Understanding Service Consumers

Jochen Wirtz

Winning in Service Markets is a highly practical book. I love the comprehensive coverage of services marketing and the rigor. Also, it is easy to read and full of interesting, best practice examples. I recommend this book to everyone working in a service organization.

Jan Swartz
President, Princess Cruises

Winning in Service Markets provides a set of useful frameworks and prescriptions rooted in both practice and research. As such, it represents a refreshing alternative to the prevailing literature available to managers who are looking for insights rooted in sound theory. A must read for any practicing manager in the service economy.

Leonard A. Schlesinger
Baker Foundation Professor, Harvard Business School

In services marketing, it is important to understand why customers behave the way they do. How do they make decisions about buying and using a service? What determines their satisfaction with it after consumption? Without this understanding, no firm can hope to create and deliver services that will result in satisfied customers who will buy again. *Understanding Service Consumers* is the first volume in the Winning in Service Markets Series by services marketing expert Jochen Wirtz. Scientifically grounded, accessible and practical, the Winning in Service Markets Series bridges the gap between cutting-edge academic research and industry practitioners, and features best practices and latest trends on services marketing and management from around the world.

WS Professional

Winning in Service Markets Series

Series Editor: Jochen Wirtz *(National University of Singapore, Singapore)*

The Winning in Service Markets Series covers the key aspects of services marketing and management based on sound academic evidence and knowledge. The books in this series is written by services marketing expert Jochen Wirtz, author of globally leading textbook for Services Marketing. Each book in the series covers different themes in the study of services marketing and management, is accessible, practical and presented in an easy-to-read format for busy practitioners and eMBA students.

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Vol. 1   Understanding Service Consumers
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Winning in Service Markets Series: Vol. 1

Understanding
Service Consumers

Jochen Wirtz

Winning in Service Markets Series — Vol. 1
UNDERSTANDING SERVICE CONSUMERS

Desk Editor: Karimah Samsudin

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Dedication

To my past and future EMBA and Executive Program participants.

I have been teaching EMBA and Executive Programs for over
20 years. This Winning in Service Markets Series is dedicated to you, the
participants from these programs. You brought so much knowledge and
experience to the classroom, and this series synthesizes this learning for future
EMBA candidates and managers who want to know how to bring their service
organizations to the next level.

Preface

The main objective of this series is to cover the key aspects of services marketing and management, and that is based on sound academic research. Therefore, I used the globally leading text book I co-authored with Professor Christopher Lovelock (Title: *Services Marketing: People, Technology, Strategy*, 8th edition) as a base for this series, and adapted and rewrote it for managers. This is a unique approach.

This series aims to aims to bridge the all-too-frequent gap between cutting edge academic research and theory, and management practice. That is, it provides a strongly managerial perspective, yet is rooted in solid academic research, complemented by memorable frameworks.

In particular, creating and marketing value in today's increasingly service and knowledge-intensive economy requires an understanding of the powerful design and packaging of intangible benefits and products, high-quality service operations and customer information management processes, a pool of motivated and competent front-line employees, building and maintaining a loyal and profitable customer base, and the development and implementation of a coherent service strategy to transform these assets into improved business performance. This series aims to provide the knowledge required to deliver these.

Winning in Service Markets comprises of the following volume:

Vol 1:   Understanding Service Consumers
Vol 2:   Positioning Services in Competitive Markets
Vol 3:   Developing Service Products and Brands
Vol 4:   Pricing Services and Revenue Management
Vol 5:   Service Marketing Communications
Vol 6:   Designing Customer Service Processes
Vol 7:   Balancing Capacity and Demand in Service Operations
Vol 8:   Crafting the Service Environment
Vol 9:   Managing People for Service Advantage
Vol 10: Managing Customer Relationships and Building Loyalty
Vol 11: Designing Complaint Handling and Service Recovery
          Strategies
Vol 12: Service Quality and Productivity Management
Vol 13: Building A World-Class Service Organization

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Introduction

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VOLUME 1

Understanding Service Consumers

I can't get no satisfaction.

From the song "(I Can't Get No) Satisfaction"
Mick Jagger, lead singer of The Rolling Stones

An individual who seeks out the necessary information and chooses wisely has a better chance of getting satisfaction than Mick Jagger.

Claes Fornell
Distinguished Donald C. Cook Emeritus Professor of Business
at the University of Michigan and Founder of the American
Customer Satisfaction Index

THREE-STAGE MODEL OF SERVICE CONSUMPTION

In marketing, it is very important to understand why customers behave the way they do. How do they make decisions about buying and using a service? What determines their satisfaction with it after consumption?

Without this understanding, no firm can hope to create and deliver services that will result in satisfied customers who will buy again.

Service consumption can be divided into three main stages: prepurchase, service encounter, and post-encounter stages. Figure 1 shows that each stage consists of several steps. The prepurchase stage includes need-awareness, information search, evaluation of alternatives, and making a purchase decision. During the service encounter stage, the customer initiates, experiences, and consumes the service. The post-encounter stage includes evaluation of the service performance, which determines future intentions such as wanting to buy again from the same firm, and recommending it to friends. The rest of this volume is organized around the three stages and the related key concepts of service consumption.

PREPURCHASE STAGE

The prepurchase stage begins with *need-awareness* and continues through to information search and evaluation of alternatives to deciding whether or not to buy a particular service.

Need Awareness

When a person or organization decides to buy or use a service, it is triggered by an underlying need or *need arousal*. The awareness of a need will lead to information search and evaluation of alternatives before a decision is reached. Needs may be triggered by:

- People's unconscious minds (e.g., personal identity and aspirations).
- Physical conditions (e.g., hunger can drive one to a fast food restaurant).
- External sources (e.g., social media or a service firm's marketing activities)

When a need is recognized, people are likely to be motivated to take action to resolve it. Needs and wants are continuously developing; e.g., the need for increasingly novel and innovative service experiences in extreme sports, such as guided mountain climbing, paragliding, white-water rafting, mountain biking, and bungee jumping.

Figure 1: The three stage model of service consumption

Pre-purchase Stage

Stages of Service Consumption

- ► Awareness of need
  - Information search
  - Clarify needs
  - Explore solutions
  - Identify alternative service products and suppliers

- ► Evaluation of alternatives (solutions and suppliers)
  - Review supplier information (e.g., advertising, brochures, websites)
  - Review information from third parties (e.g., published reviews, ratings, comments on the Web, blogs, complaints to public agencies, satisfaction ratings, awards)
  - Discuss options with service personnel
  - Get advice and feedback from third-party advisors and other customers

- ► Make decisions on service purchase and often make reservations

Key Concepts

- ► Need arousal
- ► Evoked set
- ► Consideration set
- ► Multi-attribute model

- ► Search, experience, and credence attributes
- ► Perceived risk

- ► Formation of expectations: desired service level, predicted service level, adequate service level, zone of tolerance

Service Encounter Stage

Stages of Service Consumption

- ► Request service from a chosen supplier or initiate self-service (payment may be upfront or billed later)
- ► Service delivery by personnel or self-service

Key Concepts

- ► Moments of truth
- ► Service encounters
- ► Servuction system
- ► Theater as a metaphor
- ► Role and script theories
- ► Perceived control theory

Post-encounter Stage

Stages of Service Consumption

- ► Evaluation of service performance
- ► Future intentions

Key Concepts

- ► Confirmation/ Disconfirmation of expectations
- ► Dissatisfaction, satisfaction, and delight
- ► Service Quality
- ► Word-of-mouth
- ► Repurchase
- ► Loyalty

Information Search

Once a need has been recognized, customers are motivated to search for solutions to satisfy that need. Several alternatives may come to mind, and these form the *evoked set*. The evoked set can be derived from past experiences or external sources such as social media, online reviews, online searches, advertising, retail displays, news stories, and recommendations from service personnel, friends, and family. However, a consumer is unlikely to use all the alternatives in the evoked set for decision-making. The consumer is likely to narrow it down to a few alternatives to seriously consider, and these alternatives form the *consideration set*. During the search process, consumers also learn about service attributes they should consider and form expectations of how firms in the consideration set perform on those attributes.

Evaluation of Alternative Services

Once the consideration set and key attributes are understood, the consumer typically makes a purchase decision. In marketing, often multi-attribute models are used to simulate consumer decision-making.

Multi-attribute Model

This model holds that consumers use service attributes important to them to evaluate and compare alternative offerings in their consideration set. Each attribute has an importance weight. A higher weight means the attribute is more important. For example, assuming a student has three alternative dry cleaners in her consideration set. Table 1 shows the alternatives as well as the attributes she would use to compare them. The table shows that the quality of the dry cleaning is most important to her, followed by convenience of location, and then price (Table 1). The student can use these two common decision rules to decide. They are the very simple linear compensatory rule and the more complex, but also more realistic, conjunctive rule. Using the same information, the student can end up choosing different alternatives if she uses different decision rules. It is therefore important for firms to understand which rule their target customers are using through careful market research!

Using the linear compensatory rule, the student mentally computes a global score ranging from 1 to 10 for each dry cleaner. This is done

Table 1: Modeling Consumer Choice — A Student's Multi-Attribute Model for Choosing a Dry Cleaner

	Current Dry Cleaner	Campus Dry Cleaner	New Dry Cleaner	Importance Weight
Quality of Dry Cleaning	9	10	10	30%
Convenience of Location	10	8	9	25%
Price	8	10	8	20%
Opening Hours	6	10	9	10%
Reliability of On-time Delivery	2	9	9	5%
Friendliness of Staff	2	8	8	5%
Design of Shop	2	7	8	5%
Total Score	7.7	9.2	9.0	100%

by multiplying the score for the dry cleaner on each attribute by the importance weight. The scores are then added up. For example, the current dry cleaner would score $9 \times 30\%$ for quality of dry cleaning, plus $10 \times 25\%$ for convenience of location, plus $8 \times 20\%$ for price. Computation for all three alternatives yields a total score of 7.7 for the current dry cleaner, 9.2 for the campus dry cleaner, and 9.0 for the new dry cleaner. Therefore, the choice would be the on-campus dry cleaner.

In the conjunctive rule, the consumer will make the decision based on the total overall score in conjunction with minimum performance levels on one or several attributes. For example, the student may only consider a dry cleaner that scores a minimum of 9 on convenience of location as she does not want to carry her laundry over longer distances. In that case, the choice is between the current and new dry cleaner in her neighborhood. She will pick the new dry cleaner of the two as it has the higher overall score. If none of the brands meet all the cutoffs in a conjunctive model, then the student may delay making a choice, change the decision rule, or modify the cutoffs.

Service providers who understand the decision-making process of their target customers can then try to influence that process in a number of ways to enhance their chance of being the chosen provider:

- First, firms need to ensure that their service is in the consideration set, as without being considered, a firm cannot be chosen. This can be done through advertising or viral marketing.

- Next, firms can change and correct consumer perceptions (e.g., if a clinic has superior performance on personalized and special care offered by their doctors but customers do not see this, it can focus its communications on correcting customer perceptions).

- They can also shift importance weights (e.g., communicate messages that increase weights of attributes the firm excels in, and de-emphasize those the firm is not so strong at).

- Firms can even introduce new attributes such as what Hertz did when advertising its environmental-friendly car. Consumers who are eco-conscious would consider the environment aspect when deciding which car rental company to use.

The objective is to shape the target customers' decision making so that they make the "right" choice, that is, choose the firm's service offering.

Service attributes

The multi-attribute model assumes that consumers can evaluate all important attributes before purchase. However, this is often not the case as some attributes are harder to evaluate than others. There are three types of attributes as follows:[1]

- *Search attributes* are tangible characteristics that customers can evaluate before purchase. For example, search attributes for a restaurant include type of food, location, type of restaurant (e.g., fine dining, casual, or family-friendly), and price. Customers can also check out a golf course before actually playing a round, or take a tour of a health club and try working out with one or two gym equipment. These tangible search attributes help customers better understand and evaluate a service, therefore reducing the sense of uncertainty or risk associated with the purchase.

Figure 2: Holiday-makers hiking up the mountains

- *Experience attributes* cannot be evaluated before purchase. Customers must "experience" the service before they can assess attributes such as reliability, ease-of-use, and customer support. For example, in the case of a restaurant, it is difficult to know the quality of food, service provided by the waiter, and the atmosphere in the restaurant until the services are actually used.

Vacations (Figure 2), live entertainment performances, and medical procedures all have high experience attributes. Although people can scroll through websites describing a specific holiday destination, view travel films, read reviews by travel experts and past guests, or hear about the experiences from family and friends, they cannot really evaluate or feel the dramatic beauty associated with, say, hiking in the Canadian Rockies or snorkeling in the Caribbean until they experience these activities themselves.

Finally, reviews and recommendations cannot possibly account for all situation-specific circumstances. For example, the excellent chef may be on a vacation or a boisterous birthday party at the neighboring table may spoil the romantic candlelight dinner one came for to celebrate an anniversary.

- *Credence Attributes* are characteristics that customers find hard to evaluate even after consumption. Here, the customer is forced to believe or trust that certain tasks have been performed at the promised level of quality. In the restaurant example, credence attributes include the hygiene conditions in the kitchen, the nutritional quality, and the quality of ingredients used (e.g., "Do they really use the higher grade olive oil for cooking?").

It is not easy for a customer to determine the quality of repair and maintenance work performed on a car, and patients cannot usually evaluate how well their dentists have performed complex dental procedures. Consider the purchase of professional services. People seek such assistance precisely because they lack the necessary training and expertise themselves — e.g., counseling, surgery, legal advice, and consulting services. How can it be ensured that the best possible job was done? Often it comes down to a matter of having confidence in the provider's skills and professionalism.

Figure 3: How product characteristics affect ease of evaluation
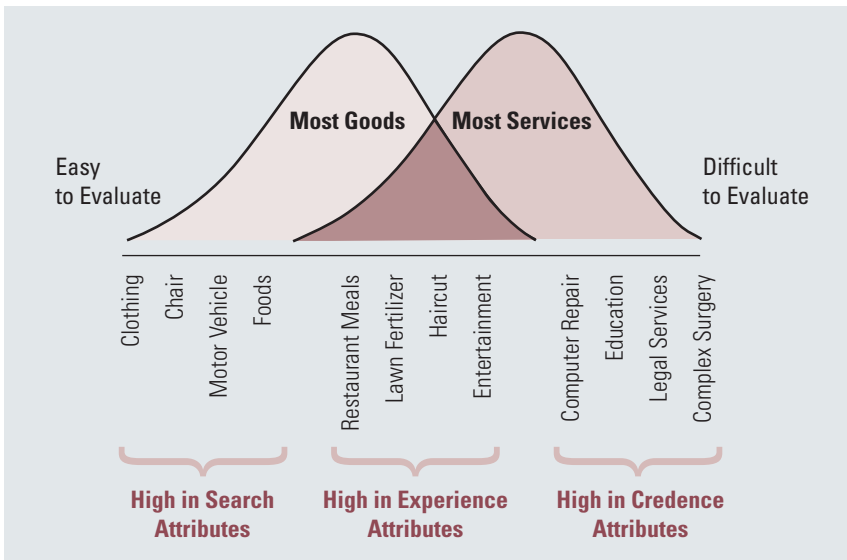
Source: Adapted from Valarie A. Zeithaml, "How Consumer Evaluation Processes Differ Between Goods and Services," in J. H. Donnelly and W. R. George, Marketing of Services (Chicago: American Marketing Association, 1981).

All products can be placed on a continuum ranging from "easy to evaluate" to "difficult to evaluate", depending on whether they are high in search, experience, or credence attributes. As shown in Figure 3, most physical goods are located somewhere toward the left of the continuum because they rank high in search attributes. Most services tend to be located from the center to the right of the continuum as they tend to be high in experience and credence attributes.

The harder it is to evaluate a service, the higher is the perceived risk associated with that decision. Perceived risk is discussed in the next section.

Perceived Risk

If a physical good is unsatisfactory, it can be returned or replaced. With services, this option may not be possible. Susan Munro never tried coloring her hair before and was uncertain how it would turn out. Hence, when her hairstylist suggested she lighten her hair color, she declined. Her uncertainty increased her *perceived risk*. Perceived risk is usually greater for services that are high in experience and credence attributes, and first-time users are likely to face greater uncertainty. Every time we have to make a decision about an unfamiliar service, especially one with important consequences such as choosing a college or a health insurance plan, it is a usual phenomenon to worry about the possibility of not making the best choice, or not even a good choice. The worse the possible consequences and the higher likelihood of these negative consequences happening, the higher the perception of risk. Table 2 shows seven categories of perceived risks.

- Consumers usually feel uncomfortable with perceived risks and use a variety of methods to reduce them, including:
- Seeking information from trusted and respected personal sources such as family, friends, and peers.[2]
- Using the Internet to compare service offerings, to search for independent reviews and ratings, and to explore discussions on social media.
- Relying on a firm that has good reputation.
- Looking for guarantees and warranties.
- Visiting service facilities or trying aspects of the service before

Table 2: Perceived Risks in Purchasing and Using Services

Type of Risk	Examples of Customer Concerns
Functional (unsatisfactory performance outcomes)	• Will this training course give me the skills I need to get a better job? • Will this credit card be accepted wherever and whenever I want to make a purchase? • Will the dry cleaner be able to remove the stains from this jacket?
Financial (monetary loss, unexpected costs)	• Will I lose money if I make the investment recommended by my stockbroker? • Could my credit card details be stolen if I register with this website? • Will repairing my car cost more than the original estimate?
Temporal (wasting time, consequences of delays)	• Will I have to wait in line for a long time before I can enter the exhibition? • Will service at this restaurant be so slow that I will be late for my afternoon meeting? • Will the renovations to our bathroom be completed before our friends come to stay with us?
Physical (personal injury or damage to possessions)	• Will there be complications or scars if I go for this cosmetic surgery? • Will the contents of this package get damaged in the mail? • Will I get an upset stomach if I eat at this roadside stall?
Psychological (personal fears and emotions)	• How can I be sure that this aircraft will not crash? • Will the consultant make me feel embarrassed or stupid? • Will the doctor's diagnosis upset me?
Social (how others think and react)	• What will my friends think of me if they learned that I registered for the dating service? • Will my relatives approve of the restaurant I have chosen for the family reunion dinner? • Will my business colleagues disapprove of my selection of an unknown law firm?
Sensory (unwanted effects on any of the five senses)	• Will I get a view of the parking lot rather than the beach from my restaurant table? • Will I be kept awake by noise from the guests in the room next door? • Will my room smell of stale cigarette smoke?

purchasing, and examining tangible cues or other physical evidence such as the feel and look of the service setting or the awards won by the firm.

- Asking knowledgeable employees about competing services to learn about what to look out for when making this decision.

Customers are risk-averse and, all else being equal, will choose the service with the lower perceived risk. Therefore, firms need to proactively work on reducing customer risk perceptions. Suitable strategies vary according to the nature of the service and may include some or all of the following:

- Encourage prospective customers to preview the service through their company websites and videos.
- Encourage prospective customers to visit the service facilities before purchase.
- Offer free trials suitable for services with high experience attributes. Many caterers and restaurants allow potential wedding customers to have free food tasting sessions before making a booking for their wedding banquet.
- For services with high credence qualities and high customer involvement, advertising helps to communicate the benefits, usage, and how consumers can enjoy the best results.
- Professionals such as doctors, architects, and lawyers often display their credentials such as degrees and other certifications as they want customers to "see" they are qualified to provide expert service. Many professional firms' websites inform prospective clients about their services, highlight their expertise, and even showcase successful past engagements.
- Use evidence management, an organized approach where customers are presented with coherent evidence of company's targeted image and its value proposition. This includes the appearance of furnishings, equipment and facilities, and employees' dress and behavior.[3] For example, the bright and trendy decor at the hairdressing salon may have helped Susan Munro choose the salon on her first visit. It probably contributed to her feeling satisfied in the end, although her stylist kept her waiting for 20 minutes.

- Have visible safety procedures that build confidence and trust.
- Give customers access to online information about the status of an order or procedure. Many courier service providers use this (e.g., FedEx, DHL, and UPS).
- Offer service guarantees such as money-back guarantees and performance warranties.

When a company does a good job in managing potential customers' risk perceptions, uncertainty is reduced, thereby increasing the chances of them being the chosen service provider. Also important to consumer choice (and subsequently satisfaction) are customer expectations, which are discussed next.
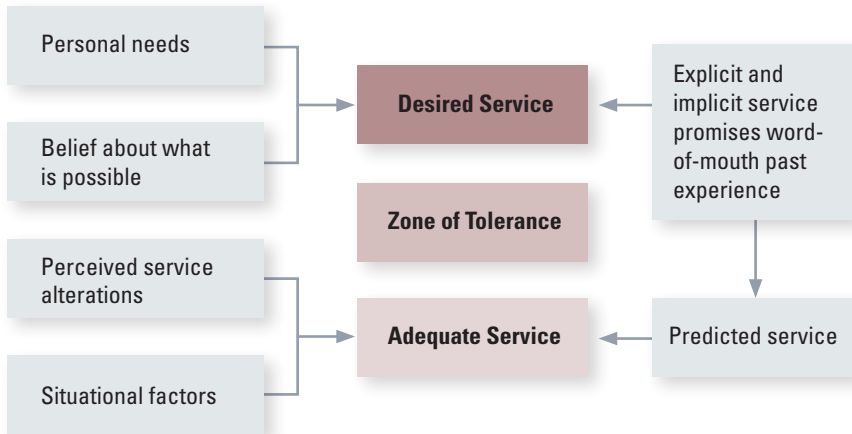
Service Expectations

Expectations are formed during the search and decision-making process, through a customer's search and evaluation of information and alternatives. If the customer does not have any previous experience with the service, their prepurchase expectations can be based on online searches and reviews, word-of-mouth comments, news stories, or the firm's own marketing efforts. Expectations can even be situation-specific. For example, if it is peak period, expectations of service delivery timing will be lower than during non-peak periods.

Expectations change and can be managed, as discussed in the section on multi-attribute models. Firms try to shape expectations through their communications and introduction of new services and technologies. Increased access to information through the media and internet can also change expectations. For instance, healthcare consumers are well-informed nowadays and often seek a participative role in decisions relating to medical treatment.

What are the components of customer expectations? Expectations embrace several elements, including desired, adequate and predicted service, and a zone of tolerance that falls between desired and adequate service levels.[4] The model in Figure 4 shows the factors influencing different levels of customer expectations. These factors are:

- *Desired service.* The type of service customers hope to receive is termed as desired service. It is a "wished for" level — a combination

Figure 4: Factors influencing customer expectations of service

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, 1, 1993, 1–12.

of what customers believe can and should be delivered in the context of their personal needs. Desired service could also be influenced by explicit and implicit promises made by service providers, word-of-mouth, and past experiences. However, most customers are realistic. Recognizing that a firm cannot always deliver the "wished for" level of service, they also have a threshold level of expectations, termed *adequate service*, and a predicted service level.

- *Adequate service.* The minimum level of service customers will accept without being dissatisfied.

- *Predicted service.* This is the level of service that customers actually anticipate to receive. Predicted service can also be affected by service provider's promises (Figure 5), word-of-mouth, and past experiences. Predicted service level directly affects how customers define "adequate service" on that occasion. If good service is predicted, the adequate level will be higher than when poorer service is predicted.

Customer predictions of service often are situation-specific. From past experience for example, customers visiting a museum on a summer's day may expect to see larger crowds if the weather is poor than if the sun is shining. A 10-minute wait to buy tickets on a cool, rainy day in summer might not fall below their level of

Figure 5: This advertisement creates high expectations for Singapore Airline Suites on its A380 Airbus aircraft

Courtesy of Singapore Airlines

adequate service. Another factor that may set this expectation is the level of service anticipated from alternative service providers.

- *Zone of tolerance.* It can be difficult for firms to achieve consistent service delivery at all touch points across many service delivery channels, branches, and often thousands of employees. Even the performance by the same service employee is likely to vary over the course of a day and from one day to another. The extent to which customers are willing to accept this variation is called the zone of tolerance. Performing too low causes frustration and dissatisfaction, whereas exceeding the zone of tolerance can surprise and delight customers. Another way of looking at the zone of tolerance is to think of it as the range of service within which customers do not pay explicit attention to service performance. When service falls outside this range, customers will react, either positively or negatively. [5]

  The size of the zone of tolerance can be larger or smaller for individual customers, depending on factors such as competition, price, or importance of specific service attributes — each of which can influence the expectation of adequate service levels. In contrast, desired service levels tend to move up very slowly in response to accumulated customer experiences. Consider a small business

owner who needs some advice from her accountant. Her ideal level of professional service may be receiving a thoughtful response by the following day. However, if she makes her request at the time of year when all accountants are busy preparing corporate and individual tax returns, she will know from experience not to expect a fast reply. Although her ideal service level probably will not change, her zone of tolerance for response time may be broader because she has a lower adequate service threshold at busy periods of the year.

The predicted service level is the most important level for the consumer choice process, which is discussed in the next section. Desired and adequate levels, and the zone of tolerance become important determinants to customer satisfaction, which we will discuss in the post-encounter purchase stage section.

Purchase Decision

After consumers have evaluated possible alternatives by, for example, comparing the performance of the important attributes of competing service offerings; assessed the perceived risk associated with each offering; and developed their desired, adequate, and predicted service level expectations, they are ready to select the option they like the best.

Many purchase decisions for frequently purchased services are quite simple and can be made quickly without too much thought — the perceived risks are low, the alternatives are clear, and, because they have been used before, their characteristics are easily understood. If the consumer already has a favorite supplier, he or she will probably choose it again in the absence of a compelling reason to do otherwise. In many instances however, purchase decisions involve trade-offs. Price is often a key factor. For example, is it worth paying more for faster service, a larger room with a better view, or a better seat in a theater performance?

For more complex decisions, trade-offs can involve multiple attributes, as seen in consumer choice based on the multi-attribute model. In choosing an airline, convenience of schedules, reliability, seating comfort, attentiveness of cabin crew, and availability and quality of meals may well vary among different carriers, even at the same rates.

Once a decision is made, the consumer is ready to move to the service encounter stage. This next step may take place immediately, as it is in deciding to enter a fast-food restaurant, or it may first involve an advance

reservation, as what usually happens with taking a flight or attending a live theater performance.

SERVICE ENCOUNTER STAGE

After making a purchase decision, customers move on to the core of the service experience. The service encounter stage is when the customer interacts directly with the service firm. A number of models and frameworks will be used to better understand the consumers' behavior and experience during the service encounter. First, the "moments of truth" metaphor shows the importance of effectively managing service touch points. A second framework, the high- or low-contact service model, helps us to better understand the extent and nature of points of contact. A third concept, the servuction model, focuses on the various types of interactions that together create the customer's service experience. Finally, the theater metaphor together with the script, role, and perceived control theories communicate effectively how one can look at "staging" service performances to create the experience customers desire.

Service Encounters Are "Moments of Truth"

Jan Carlzon, former chief executive of Scandinavian Airlines System (SAS), used the "moment of truth" metaphor as a reference point for transforming SAS from an operations-driven business into a customer-driven airline. Carlzon made the following comments about his airline:

> Last year, each of our 10 million customers came into contact with approximately five SAS employees, and this contact lasted an average of 15 seconds each time. Thus, SAS is "created" 50 million times a year, 15 seconds at a time. These 50 million "moments of truth" are the moments that ultimately determine whether SAS will succeed or fail as a company. They are the moments when we must prove to our customers that SAS is their best alternative.[6]

Each service business faces similar challenges in defining and managing the "moments of truth" its customers will encounter.

Figure 6: The Servuction System
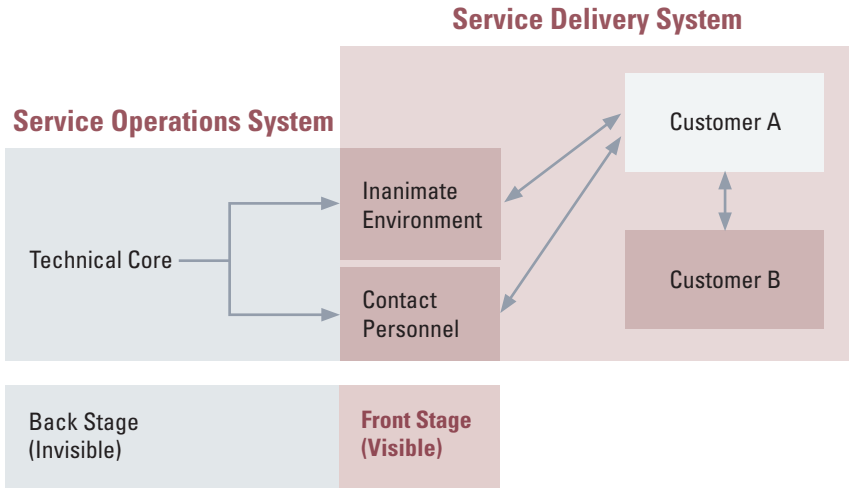
Source: Adapted and expanded from an original concept by Eric Langeard and Pierre Eiglier.

The Servuction System

French researchers Pierre Eiglier and Eric Langeard were the first to conceptualize the service business as a system that integrates marketing, operations, and customers. They coined the term *servuction system* (combining the terms "service" and "production"), which is part of the service organization's physical environment visible to and experienced by customers.[7] The servuction model in Figure 6 shows all the interactions that together make up a typical customer experience in a high-contact service. Customers interact with the service environment, service employees, and even other customers present during the service encounter. Each type of interaction can create value (e.g., a pleasant environment, friendly and competent employees, or other customers who are interesting to observe) or destroy value (e.g., another customer blocking your view in a movie theater). Firms have to "engineer" all interactions to make sure their customers get the service experience they came for.

The servuction system consists of a technical core and service delivery system:

- *Technical core* — where inputs are processed and the elements of the service product are created. This technical core is typically back-stage and invisible to the customer (e.g., kitchen of a restaurant).

In theater, the invisible components can be termed "back-stage" or "back office", while the visible components can be termed "front-stage" or "front office".[8] What goes on back-stage usually is not of interest to customers. However, if what goes on back-stage affects the quality of front-stage activities, customers will notice. For example, if a kitchen reads orders wrongly, diners will be upset.

- *Service delivery system* — where the final "assembly" takes place and the product is delivered to the customer. This sub-system includes the visible part of the service operations system — buildings, equipment, and personnel — and possibly other customers. Using the theater analogy, the visible front office is like a live theater where we stage the service experience for our customers.

The proportion of the overall service operation visible to customers varies according to the level of customer contact. Because high-contact services directly involve the physical person of the customer, the visible component of the entire service operation tends to be substantial, and many interactions — or "moments of truth" — have to be managed. In contrast, low-contact services usually have most of the service operations system back-stage with front-stage elements limited to online, telephone, or mail contacts. Here, customers normally do not see the "factory" where the work is performed, making the design, and management of such facilities is much easier. For example, credit card customers may never have to visit a physical bank — they only transact online and may once in a while talk to a service employee on the phone if there is a problem, and there is very little left of the "theater" performance.

Theater as Metaphor for Service Delivery: An Integrative Perspective

As service delivery consists of a series of events that customers experience as a *performance,* the theater is a good metaphor for services and creation of service experiences through the servuction system[9]. This metaphor is a particularly useful approach for high-contact service providers, such as physicians and hotels, and for businesses that serve many people simultaneously, such as hospitals, professional sports facilities, and entertainment. The stages (i.e., service facilities) and the members of the cast (i.e., the frontline personnel) will be discussed next:

- *Service facilities.* Imagine service facilities as the *stage* on which the drama unfolds. Sometimes, the setting changes from one act to another (e.g., when airline passengers move from the entrance to the terminal, to check-in stations, and then on to the boarding gate, and finally step inside the aircraft). Some stages have minimal "props," such as a taxi for instance. In contrast, other stages have more elaborate "props", such as resort hotels with elaborate architecture, luxurious interior design, and lush landscaping.

- *Personnel.* The front-stage personnel are like the members of a crew playing roles as *actors* in a drama supported by a backstage production team. In some instances, service personnel are expected to wear special costumes when on stage (such as the fanciful uniforms often worn by hotel doormen, or the more basic brown uniforms worn by UPS drivers).

The theater metaphor also includes the roles of the players on stage and the scripts they have to follow, which is discussed next.

Role and Script Theories

The actors in a theater need to know what roles they play and familiarize themselves with the script. Similarly, in service encounters, knowledge of role and script theories can help organizations better understand, design, and manage both employee and customer behaviors during service encounters.

Role Theory

If we view service delivery from a theatrical perspective, then both employees and customers act out their parts in the performance according to predetermined roles. Stephen Grove and Ray Fisk define a role as "a set of behavior patterns learned through experience and communication, to be performed by an individual in a certain social interaction in order to attain maximum effectiveness in goal accomplishment".[10] Roles have also been defined as combinations of social cues or expectations of society that guide behavior in a specific setting or context. The satisfaction and productivity of both parties depend on role congruence, or the extent to which each person acts out his or her prescribed role during a service

encounter. Employees must perform their roles in accordance to customer expectations or risk dissatisfying customers. As a customer must "play by the rules" or risk causing problems for the firm, its employees, and even other customers. If either party is uncomfortable in their roles or if they do not act accordingly, it will affect the satisfaction and productivity of both parties.

Script Theory

Much like a movie script, a service script specifies the sequences of behavior employees and customers are expected to learn and follow during service delivery. Employees receive formal training. Customers learn scripts through experience, communication with others, and through designed communications and education. The more experience a customer has with a service company, the more familiar that particular script becomes. Unwillingness to learn a new script may be a reason not to switch to a competing organization. Any deviations from this known script may frustrate both customers and employees, and can lead to dissatisfaction. If a company decides to change a service script (for example, by using technology to transform a high-contact service into a low-contact one), service personnel and customers need to be educated about the new approach and the benefits it provides.

Many service dramas are tightly scripted (e.g., the flight attendants' scripts for economy class), which reduces variability and ensures uniform quality. However, not all services involve tightly scripted performances. Scripts tend to be more flexible for providers of highly customized services — designers, educators, consultants — and may vary by situation and customer.

Figure 7 shows a script for teeth cleaning and a simple dental examination, involving three players — the patient, the receptionist, and the dental hygienist. Each has a specific role to play, reflecting what he or she brings to the encounter. The role of the customer (who is probably not looking forward to this encounter) is different from that of the two service providers, and the receptionist's role differs from the hygienist's, reflecting their distinctive jobs. This script is driven partly by the need to run an efficient dental office, but even more importantly, by the need to perform a technical task proficiently and safely (note the mask and

gloves). The core service of examining and cleaning teeth can only be accomplished satisfactorily if the patient cooperates during the delivery of the service.

Role and Script Theory Complement Each Other

Think of professor and student *roles* in a class. Typically, a professor's role is to deliver a well-structured lecture, focusing on the key topics assigned for that day, making them interesting, and engaging students in discussion. A student is basically supposed to come to class prepared and on time, listen attentively, participate in discussions, and not disrupt the class. By contrast, the opening portion of the *script* for a lecture describes specific actions to be taken by each party. For instance, students should arrive at the lecture hall before class starts, select a seat, sit down, and open their laptops; the professor enters, puts notes on the table, turns on the notebook and LCD projector, greets the class, makes any preliminary announcements needed, and starts the class on time.

The frameworks offered by the two theories are complementary and describe the behavior during the encounter from two different perspectives. Excellent service marketers understand both perspectives and proactively define, communicate and train their employees and customers in their roles and service scripts to achieve a performance that yields high customer satisfaction and service productivity.

The core components of the service delivery system and design of scripts and roles will be explored in detail in the other volumes of this series. Specifically, Volume 5 focuses on educating customers to move through the service delivery process to play their part in the service performance; Volume 6 covers how to design scripts and roles; Volume 8 discusses the process of designing the service environment, and Volume 9 explores how to manage service employees.

Perceived Control Theory[11]

Another underlying dimension of every service encounter is perceived control, which holds that customers have a need for control during the service encounter, and that control is a major driving force of their behavior and satisfaction.[12] The higher the level of perceived control during a service situation, the higher their level of satisfaction will be.

Figure 7: Script for teeth cleaning and simple dental examination

Patient	Receptionist	Dental Hygienist
1. Phone for appointment		
	2. Confirms needs and sets date	
3. Arrive at dental office		
	4. Greets patient; verify purpose; direct to waiting room; notify hygienist of arrival	
		5. Review notes on patient
6. Sits in waiting room		
		7. Greets patient and leads way to treatment room
8. Enters room, sits in dental chair		
		9. Verify medical and dental history; ask about any issues since previous visit
10. Respond to hygienist's questions		
		11. Place protective cover over patient's clothes
		12. Lower dental chair, put on own protective face mask, gloves and glasses
		13. Inspect patient's teeth (option to ask questions)
		14. Place suction device in patient's mouth

		15. Use high-speed equipment and hand tools to clean teeth in sequence
		16. Remove suction device; complete cleaning process
		17. Raise chair to sitting position; ask patient to rinse
18. Rinse mouth		
		19. Remove and dispose of mask and gloves; remove glasses
		20. Complete notes on treatment; return patient file to receptionist
		21. Remove cover for patient
		22. Give patient free toothbrush; offer advice on personal dental care for future
23. Rise from chair		
		24. Thank patient and say goodbye
25. Leave treatment room		
	26. Greet patient; confirm treatment received; present bill	
27. Pay bill		
	28. Give receipt; agree on date for next appointment; document agreed-upon date	
29. Take appointment card		
	30. Thank patient and say good-bye	
31. Leave dental office		

The perception of control can be managed via different types, including behavioral, decisional, and cognitive control.

Behavioral control means that the customer can change the situation and ask for customization beyond what the firm typically offers (e.g., by asking frontline employees to accommodate a special arrangement for a romantic candle light dinner). Decisional control means that the customer can choose between two or more standardized options, but without changing either option (e.g., choose between two tables in a restaurant). Cognitive control refers to the customer understanding why something happens (e.g., a flight delay due to a technical problem with the aircraft), and knowing what will happen next (also called predictive control, e.g., know how long the flight will be delayed). We are often mollified when someone keeps us informed about the situation.[13]

If you imagine yourself in these situations, you can quickly understand how having these types of control immediately makes one feel better. In contrast, imagine that you do not have control and how it would make you feel — for instance, you do not know why the flight is delayed or how long it will be. The same applies also to online services — users want to know where they are on a website, whether their transaction is being processed or whether the site "died" on them (that is why websites usually have a moving icon or processing bar to show that it is still processing). Even self-service machines like ATMs are designed to make the user feel in control. They make noises to indicate that they are processing and have not simply swallowed the user's card. These sounds are often generated by a chip, as the machine alone would be silent for much of the process.

In short, it is important to design perceived control into service encounters. However, if processes, scripts, and roles are tightly defined (as is the case for self-service technologies and highly scripted services such as fast-food and consumer banking), the scope for customization is limited. This means, firms cannot give much behavioral control as carefully designed processes would simply collapse, and productivity and quality would suffer. In those cases, firms can focus on giving customers decisional control (e.g., offer two or more fixed options), cognitive control (e.g., hospitals often go through great lengths to explain what is being done and why), and predictive control (e.g., never let the customer wait without giving an indication how long the wait will be). The good news is that perceived control is largely a compensatory additive, which means

Figure 8: The expectancy-disconfirmation model of satisfaction
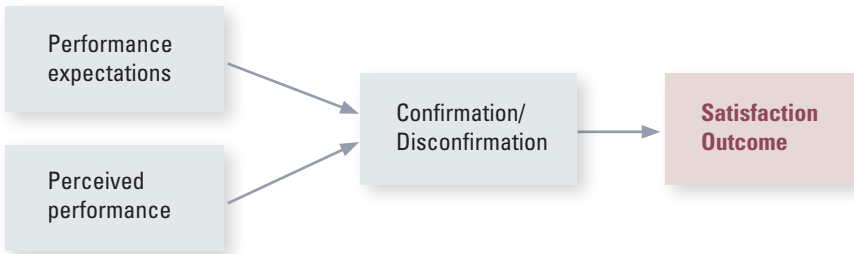
Source: Adapted from Richard L. Oliver, Satisfaction: A Behavioral Perspective on the Consumer, 1997, New York: McGraw-Hill, p. 110.

that a reduction in behavioral control can be compensated through higher decisional and cognitive control.

POST-ENCOUNTER STAGE[14]

The last stage of service consumption is the post-encounter stage which involves consumers' attitudinal and behavioral responses to the service experience. Important consumer responses are customer satisfaction, service quality perceptions, repeat purchase, and customer loyalty. Each concept is discussed in detail in the following sections.

Customer Satisfaction

In the post-encounter stage, customers evaluate the service performance they have experienced and compare it with their prior expectations. Service expectations is closely related to customer satisfaction and delight.

The Expectancy-Disconfirmation Model of Satisfaction

Satisfaction is a judgment following a series of consumer product interactions. Most customer satisfaction studies are based on the expectancy-disconfirmation model of satisfaction (Figure 8).[15] In the model, confirmation, or disconfirmation of pre-consumption expectations is the essential determinant of satisfaction.

Where do service expectations in our satisfaction model come from? During the decision-making process, customers assess the attributes and risks related to a service offering. In the process, they develop expectations about how the service they choose will perform (i.e., predicted, desired,

and adequate service levels discussed in the consumer decision making section). The zone of tolerance can be narrow and firm if they are related to attributes important in the choice process. For example, if a customer paid a premium of $350 for a direct flight rather than one that has a four-hour stopover, the customer will not take it lightly if there is a six-hour flight delay. A customer will also have high expectations if he paid a premium for high-quality service, and will be deeply disappointed when the service fails to deliver. Smart firms manage customers' expectations at each step in the service encounter so that customers expect what the firm can deliver.[16]

During and after consumption, consumers experience the service performance and compare it to their expectations. Satisfaction judgments are then formed based on this comparison. If performance perceptions are worse than expected, it is called *negative disconfirmation*. If performance is better than expected, it is called *positive disconfirmation*, and if it is as expected, then it is simply called *confirmation of expectations*.[17]

Customers will be reasonably satisfied as long as perceived performance falls within the zone of tolerance, that is, above the adequate service level. If performance perceptions approach or exceed desired levels, customers will be very pleased. Satisfied customers are more likely to make repeat purchases, remain loyal, and spread positive word-of-mouth.[18] However, if the service experience does not meet their expectations, customers may suffer in silence, complain about poor service quality, or switch providers in the future.[19]

The same attributes used in the choice process are also used in satisfaction evaluation, whereby the individual satisfaction judgments are aggregated for each consumer to evaluate the overall customer satisfaction. Satisfaction with service attributes thus results from the experience of attribute — specific performance strongly influences consumers' overall satisfaction.

Multi-attribute models help to better understand the formation process of customer satisfaction. Especially, they help managers identify specific attributes with strong impacts on overall satisfaction, which is especially important if customers are satisfied with some attributes but dissatisfied with others.[20] Understanding this helps managers to cement the strengths of the firm's services and focus improvement efforts on where it matters the most.
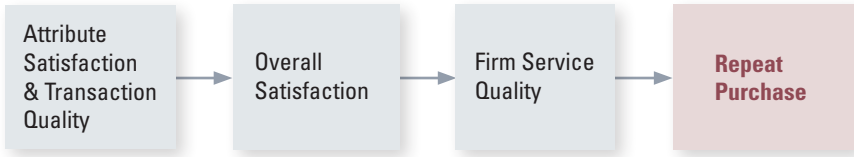
Service Quality

Since services are intangible, it is hard to evaluate the quality of a service compared to goods. In addition, customers often experience the servuction process, so a distinction needs to be drawn between the process of service delivery and the actual output (or outcome) of the service.[21] We define excellent service quality as a high standard of performance that *consistently* meets or exceeds customer expectations. Service quality can be difficult to manage, even when failures are tangible in nature. Nevertheless, it is critical to improve service quality and keep it at high levels, as it is a key driver of important customer behaviors, including word-of-mouth recommendations, repurchasing, and loyalty.

Customer Satisfaction versus Service Quality[22]

Both customer satisfaction and service quality are defined as contrasting customers' expectations with their performance perceptions. Yet, satisfaction and service quality are very different constructs. Specifically, satisfaction is an evaluation of a single consumption experience, a fleeting judgment, and a direct and immediate response to that experience. In contrast, service quality refers to relatively stable attitudes and beliefs about a firm, which can differ significantly from satisfaction. To illustrate, a customer can be dissatisfied with a particular visit to a favorite Starbucks outlet, but still thinks the café is fantastic with great service. Of course, satisfaction and quality are linked. While the perceptions of a firm's overall service quality is relatively stable, it will change over time in the same direction as transaction-specific satisfaction ratings.[23] And it is service quality that in turn influences behavioral intentions (e.g., positive word-of-mouth and repurchase intentions).

Sometimes people also refer to the transaction quality (e.g., the quality of food, the friendliness of the server, and the ambiance of a restaurant), which then relates to attribute satisfaction (e.g., satisfaction with food and service in a restaurant). Both are transaction-specific and determine overall customer satisfaction, which in turn drives service quality beliefs (whether at the attribute or overall level). It is the interchangeable use of these terms that confuses people. When you distinguish between transaction-specific judgments and more stable beliefs and attitudes, the difference in meaning can be clearly seen. That is, attribute-specific transaction quality and satisfaction precedes overall

Figure 9: From attribute satisfaction to repeat purchase

| Attribute Satisfaction & Transaction Quality | → | Overall Satisfaction | → | Firm Service Quality | → | **Repeat Purchase** |

consumer satisfaction, which in turn influences the formation of beliefs regarding a firm's service quality for specific attributes and overall.

Note that consumers' repurchase intentions are influenced by their general beliefs about the service quality of the firm at the time of their next purchase decision, and less so by individual, transaction-specific satisfaction judgments formed during and after consumption. That is, consumers try to predict how good the next service transaction will be, as was discussed in context of the multi-attribute choice model. For example, consumers might return to a hairstylist if they think the stylist is generally fantastic, even if they were unhappy at their last visit. They may view the poor experience as an exception. However, a second or even third dissatisfaction evaluation will reduce the overall perception of the firm's service quality more dramatically and jeopardize repeat visits (Figure 9).

Dimensions of Service Quality

Valarie Zeithaml, Leonard Berry, and A. Parasuraman have conducted intensive research on service quality and identified 10 dimensions used by consumers in evaluating service quality (Table 3). In subsequent research, they found a high degree of correlation between several of these variables and consolidated them into five broad dimensions:

- *Tangibles* (appearance of physical elements)
- *Reliability* (dependable and accurate performance)
- *Responsiveness* (promptness and helpfulness)
- *Assurance* (credibility, security, competence, and courtesy)
- *Empathy* (easy access, good communications, and customer understanding)[24]

Table 3: Generic Dimensions used by Customers to Evaluate Service Quality

Dimensions of Service Quality	Definition	Sample Illustrations
Tangibles	Appearance of physical facilities, equipment, personnel, and communication materials	Are the hotel's facilities attractive? Is my accountant dressed appropriately? Is my bank statement easy to understand?
Reliability	Ability to perform the promised service dependably and accurately	Does my lawyer call me back when promised? Is my telephone bill free of errors? Is my TV repaired right the first time?
Responsiveness	Willingness to help customers and provide prompt service	When there is a problem, does the firm resolve it quickly? Is my stockbroker willing to answer my questions? Is the cable TV company willing to give me a specific time when the installer will show up?
Assurance • Credibility	Trustworthiness, believability, honesty of the service provider	Does the hospital have a good reputation? Does my stockbroker refrain from pressuring me to trade? Does the repair firm guarantee its work?
• Security	Freedom from danger, risk, or doubt	Is it safe for me to use the bank's ATMs at night? Is my credit card protected against unauthorized use? Can I be sure that my insurance policy provides complete coverage?
• Competence	Possession of the skills and knowledge required to perform the service	Can the bank teller process my transaction without fumbling around? Is my health insurance able to obtain the information I need when I call? Does the dentist appear to be competent?
• Courtesy	Politeness, respect, consideration, and friendliness of contact personnel	Does the flight attendant have a pleasant demeanor? Are the telephone operators consistently polite when answering my calls? Does the plumber take off muddy shoes before stepping on my carpet?

Empathy		
• Access	Approachability and ease of contact	How easy is it for me to talk to a supervisor when I have a problem? Does the airline have a 24-hour, toll-free phone number? Is the hotel conveniently located?
• Communication	Listening to customers and keeping them informed in the language they can understand	When I have a complaint, is the manager willing to listen to me? Does my doctor avoid using technical jargon? Does the electrician call when he or she is unable to keep a scheduled appointment?
• Understanding the customer	Making the effort to know customers and their needs	Does someone in the hotel recognize me as a regular guest? Does my stockbroker try to determine my specific financial objectives? Is the moving company willing to accommodate my schedule?

Measuring Service Quality

To measure service quality, Valarie Zeithaml and her colleagues developed a survey instrument called SERVQUAL.[25] It is based on the premise that customers evaluate a firm's service quality by comparing their perceptions of its service with their own expectations. SERVQUAL is seen as a generic measurement tool that can be applied across a broad spectrum of service industries. In its basic form, respondents answer 21 questions measuring their expectations of companies in a particular industry on a wide array of specific service characteristics (Table 2.4). Subsequently, they are asked a matching set of questions on their perceptions of a specific company whose services quality they assess. When perceived performance ratings are lower than expectations, service quality is poor, while the reverse indicates good quality.

Customizing SERVQUAL

SERVQUAL has been widely used in its generic form as shown in Table 2.4. However, many managers found that the measure provides more insights if it is adapted to their specific industry and context. Therefore, the majority of researchers omits from, adds to, or changes the list of

Table 4: The SERVQUAL Scale

The SERVQUAL scale includes five dimensions: tangibles, reliability, responsiveness, assurance and empathy. Within each dimension, several items are measured. There are many different formats in use, and we show the most basic 21 items for ideal perceptions below. The statements are accompanied by a seven-point scale, ranging from "strongly disagree = 1" to "strongly agree = 7".

The firm's performance is measured by rewording the same items (e.g., for item 1 in the table below: "XYZ firm has modern-looking equipment"). The difference between the scores for each item, dimension and for overall service quality is the computed and used as an indicator of a firm's level of service quality.

If measuring both ideal (or expected) and actual performance perceptions is not possible due to time constraints during the interview, both measures can also be combined by using the same 21 items (e.g., "modern looking equipment") and scale anchors "Lower than my desired service level", "The same as my desired service level", and "Higher than my desired service level".

Tangibles
- Excellent banks (refer to cable TV companies, hospitals, or the appropriate service business throughout the questionnaire) will have modern-looking equipment.
- The physical facilities at excellent banks will be visually appealing.
- Employees at excellent banks will be neat in appearance.
- Materials (e.g., brochures or statements) associated with the service will be visually appealing in an excellent bank.

Reliability
- When excellent banks promise to do something by a certain time, they will do so.
- Excellent banks will perform the service right the first time.
- Excellent banks will provide their services at the time they promise to do so.
- Excellent banks will insist on error-free records.

Responsiveness
- Employees of excellent banks will tell customers exactly when service will be performed.
- Employees of excellent banks will give prompt service to customers.
- Employees of excellent banks will always be willing to help customers.
- Employees of excellent banks will never be too busy to respond to customer requests.

Assurance
- The behavior of employees of excellent banks will instill confidence in customers.
- Customers of excellent banks will feel safe in their transactions.
- Employees of excellent banks will be consistently courteous with customers.
- Employees of excellent banks will have the knowledge to answer customer questions.

Empathy
- Excellent banks will give customers individual attention.
- Excellent banks will have operating hours convenient to all their customers.
- Excellent banks will have employees who give customers personal attention.
- The employees of excellent banks will understand the specific needs of their customers.
- Excellent banks have your best interest at heart.

Source: Adapted from Parasuraman, A., Zeithaml, V. A., and Berry, L. "SERVQUAL: A Multiple Item Scale for Measuring Consumer Perceptions of Service Quality," *Journal of Retailing* 64, (1988): 12–40.

statements used to measure service quality.[26] Other research suggests that SERVQUAL mainly measures two factors: intrinsic service quality (resembling what Grönroos termed functional quality) and extrinsic service quality (which refers to the tangible aspects of service delivery and resembles what Grönroos referred to as technical quality").[27]

These findings highlight the difficulty of measuring customer perceptions of service quality and the need to adapt dimensions and measures to specific research contexts. In any case, it is important for firms to understand how the dimensions of service quality apply to their business context so that they can measure service quality, diagnose shortfalls and then take actions to improve.

Customer Loyalty

Loyalty is a customer's willingness to continue patronizing a firm over the long-term, preferably on an exclusive basis, and recommending the firm's products to friends and associates. Customer loyalty extends beyond behavior and includes preference, liking, and future intentions.

The opposite of loyalty is defection, which is used to describe customers who drop off a company's radar screen and transfer their loyalty to another supplier. Not only does a rising defection rate indicate that something is wrong with quality (or that competitors offer better value), it may also be a leading indicator signaling a fall in profits. Big customers do not necessarily disappear overnight; they often may signal their mounting dissatisfaction by steadily reducing their purchases and shifting part of their business elsewhere.

Loyalty is an important outcome of satisfied customers who believe that the firm delivers great service. Customers are not inherently loyal to any one firm. Rather, they need a reason to consolidate their buying and then stay with a particular supplier. Delivering great service experiences that satisfy your customers and build positive service quality perceptions is the first and probably the most important step toward building a loyal customer base. Later in this book, we discuss in-depth a number of strategies and tools that are key for driving loyalty, such as the Wheel of Loyalty covered in Volume 10, and complaint management and service recovery in Volume 11.

CONCLUSION

The three-stage model of service consumption — prepurchase, service encounter, and post-encounter — helps us to understand how individuals recognize their needs; search for alternative solutions; address perceived risks; choose, use, and experience a particular service; and finally, evaluate their service experience resulting in a customer satisfaction outcome. The various models explored for each of the stages are complementary and together provide a rich and deep understanding of consumer behavior in a services context. In all types of services, managing customer behavior in the three stages of service consumption effectively is central to creating satisfied customers who will be willing to enter into long-term relationships with the service provider. As such, gaining a better understanding of customer behavior should lie at the heart of all services marketing strategies, as discussed in the remainder of this book.

SUMMARY

1. The Three-Stage Model of Service Consumption

- Service consumption can be divided into the following three stages: (1) prepurchase stage, (2) service encounter stage, and (3) post-encounter stage.

- The *prepurchase stage* consists of the following four steps: (1) need awareness, (2) information search, (3) evaluation of alternative solutions and suppliers, and (4) making a purchase decision.

2. The Consumer Search and Decision Making Stage

The following theories help us to better understand consumer behavior in this stage:

- Recognizing a need motivates customers to search for solutions to satisfy that need. Several alternatives may come to mind, and these form the evoked set, which is further narrowed down

- to a few alternatives to seriously consider, that is, the consideration set.

- During the search process, consumers also learn about service attributes they should consider and

- form expectations about how firms in the consideration set will perform on those attributes.

- *Multi-attribute model.* Many decisions involve complex trade-offs along several attributes. The multi-attribute model simulates this decision-making by combining customers' attribute performance expectations for each firm in the consideration set and the importance weights of each attribute.

- Two common consumer decision rules in the multi-attribute model are the linear compensatory rule and the conjunctive rule. Given the same attribute ratings, consumers can arrive at different decisions when different decision rules are applied.

- Firms should actively manage key variables in the multi-attribute model to increase the chances of their service being the one chosen. This includes ensuring that the firm's services are in the consideration set and shaping their target customers' attribute performance

perceptions, attribute weights and even decision rules towards the firm's strengths.

3. Service Attributes

People often have difficulty in evaluating services as they tend to have a low proportion of search attributes and a high proportion of experience and credence attributes. This makes it difficult for consumers to evaluate services before purchase. Tangible cues then become important, and firms need to manage them carefully to shape their customer's expectations and perceptions of experience and credence attributes.

4. Perceived Risk

As many services are hard to evaluate, consumers perceive higher risk when buying services. Successful firms employ risk reduction strategies such as offering free trials and service guarantees to assuage the customers' perceived risks.

5. Service Expectations

- These are shaped by the information search and evaluation of service attributes. The components of expectations include desired, adequate, and predicted service levels. Between the desired and adequate service levels is the zone of tolerance, within which customers are willing to accept variations in service levels.
- The outcome of the prepurchase stage is a *purchase decision*, based largely on expectations of the likely performance of a service based on important attributes and associated risk perceptions. Many decisions involve complex tradeoffs along several attributes, typically including price.

6. The Service Encounter Stage

In the *service encounter stage*, the customer initiates, experiences, and consumes the service. A number of concepts and models help us better understand customer behavior in this stage:

- The moments-of-truth metaphor refers to customer touch points that can make or break a customer relationship.

7. High- and Low-Contact Services

We distinguish between *high- and low-contact services*. High-contact services are challenging as they have many points of contact and "moments of truth" that have to be managed. In contrast, low-contact services are mostly delivered via websites, equipment (e.g., ATMs), or call centers with relatively few customer interfaces.

8. The Servuction Model

- The *servuction model* encompasses a technical core and a service delivery system.

- The *technical core* is back-stage and *invisible* to the customers, but what happens back-stage can affect the quality of front-stage activities. Therefore, back-stage activities have to be coordinated with front-stage activities.

- The *service delivery system* is front-stage and visible to the customer. It encompasses all the interactions that together create the service experience. In a high-contact service, it includes customer interactions with the service environment, service employees, and with other customers. Each type of interaction can create or destroy value. Firms have to orchestrate all these interactions to create a satisfying service experience.

9. Theatre as a Metaphor for Service Delivery

Theater can be used as a metaphor for service delivery, and firms can view their service as "staging" a performance with props and actors, and manage them accordingly. The props are the service facilities and equipment. The actors are the service employees and customers.

10. Role, Script, and Perceived Control Theories

- Each of the actors needs to understand their roles and scripts in order to perform their part of the service well. Firms can make use of the *role and script theories* to better design, train, communicate, and manage both employee and customer behaviors.

- Consumers have a need to feel in control. There are three types of control that can be designed into a service encounter: behavioral

control (customers can change the service encounter to their individual preferences), decisional control (they can choose between fixed options), and cognitive control (they understand what and why something happens, and they know what will happen next; also known as predictive control).

- However, if processes, scripts and roles are tightly defined (e.g., as in fast-food restaurants or in consumer banking settings), the scope for behavioral control is limited. Here, firms can focus on giving customers more decisional, cognitive, and predictive control.

11. The Post-Encounter Stage

In the *post-encounter stage*, customers evaluate the service performance and compare it to their prior expectations.

- The expectancy-disconfirmation model of satisfaction holds that satisfaction judgments formed are based on a comparison of expectations with performance perceptions.

- Satisfaction is a continuum ranging from very high satisfaction to deep dissatisfaction. As long as perceived performance falls within the zone of tolerance, that is, above the adequate service level, customer will be reasonably satisfied. As performance perceptions approach or exceed desired levels, customer will be very satisfied. Customers will be delighted at unexpectedly high levels of performance. Performance below the adequate service level will result in dissatisfaction.

- Customer delight occurs when positive disconfirmation is coupled with pleasure and surprise.

12. Service Quality

- Excellent service quality means that a firm consistently meets or exceeds customer expectations.

- In contrast to customer satisfaction (which is transaction-specific and refers to a single service experience), service quality is a consumer's belief and attitude about the general performance of a firm.

- Consumers use five broad dimensions to evaluate service quality: (1)

tangibles, (2) reliability, (3) responsiveness, (4) assurance, and (5) empathy.

- In situations where customer satisfaction and service quality deviate (e.g., "I think the firm in general is great, but the last transaction was poor"), it is service quality as the more stable belief that is being used by customers to form their performance expectations for the next purchase. However, a second or third dissatisfaction evaluation will reduce the overall service quality perception of the firm more dramatically and jeopardize repeat visits.

- SERVQUAL is a 22-item scale designed to measure the five dimensions of service quality. The scale is frequently adapted to the specific context of a particular service, including Internet shopping and online services.

ENDNOTES

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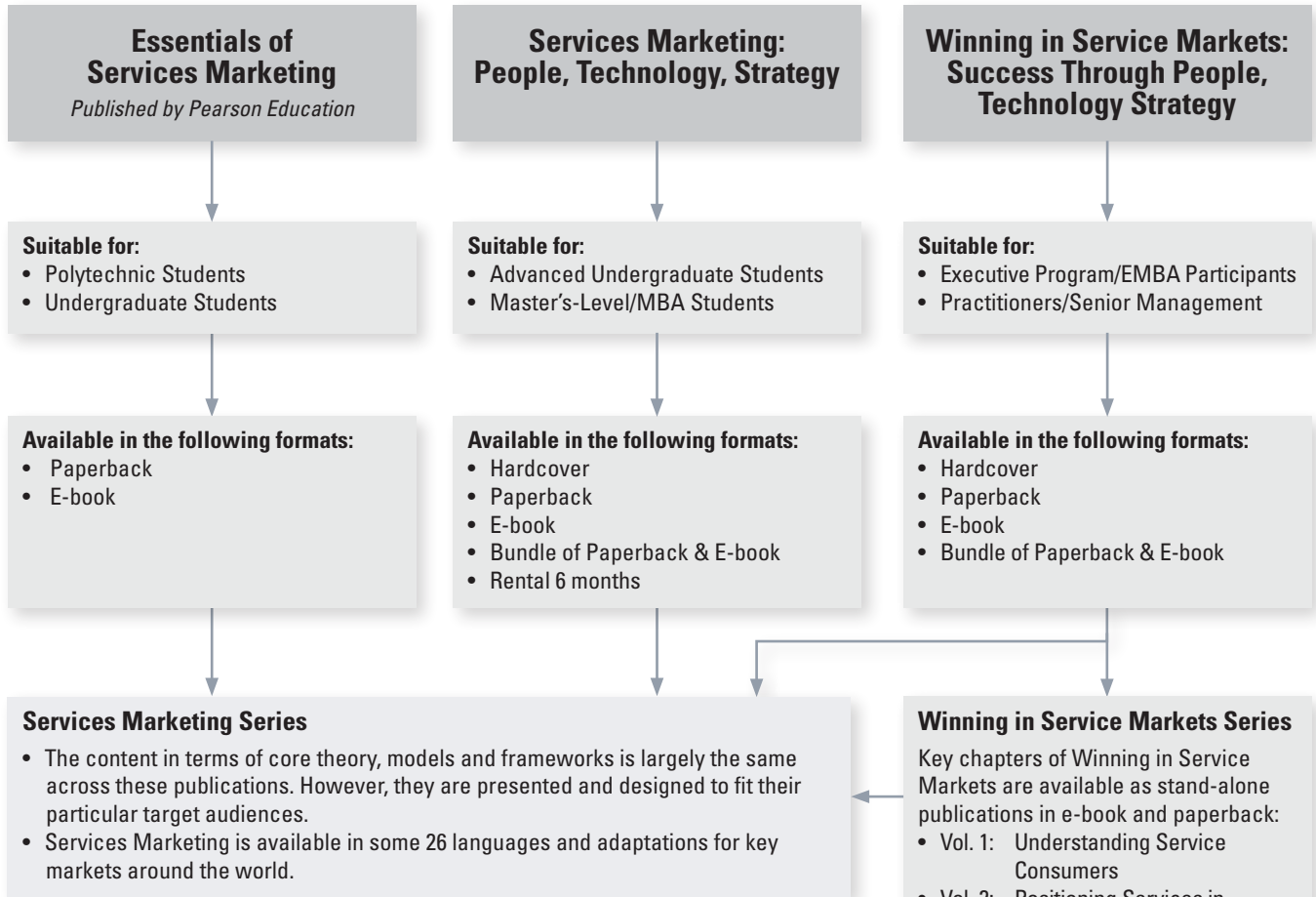
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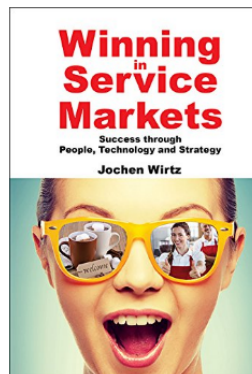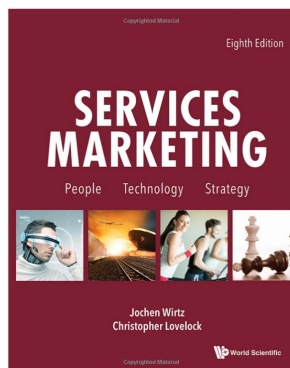
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