

Consumer Behaviour in Services



Three Stage Model of Consumer Decision Making in Services



1. Pre-purchase Stage
2. Service Encounter Stage
3. Post Encounter Stage

Pre-purchase Stage



1. Recognition of a need and look for solutions

- i. Need can be aroused due to physical need or due to marketing efforts. : information search or asking for advice.
- ii. Explore potential solutions and service providers

Service marketers need to keep informed about customers' changing needs – e.g.- customers becoming more health conscious: gyms; Movies reflect changing social trends; b. schools revising curriculum.

2. Evaluating Services: Services with fewer tangible clues difficult to evaluate.

- i. Search attributes: tangible characteristics
- ii. Experience attributes: attributes than can be evaluated only during delivery and consumption- e.g.- reliability; ease of use; customer support-e.g-restaurant; amusement park
- iii. Credence attributes: difficult to evaluate even after consumption-e.g.- health care; auto-repairs; legal services

3. Perceived Risks—esp. for services and esp. for first time users. Types- functional; financial; time ; physical (risk of personal injury); psychological; social; sensory.

Pre-purchase Stage



1. Perceived Risks:

- a) Customers may manage by seeking more information; relying on trusted brand-names; looking for guarantees; visiting service facility; examining tangible cues; using internet to compare offerings.
- b) Companies can manage:
 - i. Offering performance warranties: e.g.- Domino's pizza-half hour delivery or free; Money back guarantee
 - ii. Offer free trial-a trial period
 - iii. Tangible clues-brochures, past performance; certificates displayed by professionals (doctors, lawyers, etc)
 - iv. Encouraging visits to service factory
 - v. Training staff; visible physical evidence of quality [building itself] : Evidence Management-appearance and behaviour of staff; furnishings; atmosphere, etc.
 - vi. Providing a 24/7 toll free number
 - vii. Access to information [some dentists provide information of the procedure involved]. FedEx and DHL provide tracking facilities.
 - viii. Advertising

Customer Evaluation of Services



- Customers evaluate services by comparing their expectations and their perceptions.
- Customer satisfaction if expectations = perceptions
- Customer dissatisfaction - can lead to complaining and switching, negative WOM.

Customer expectation in Services



- Customer expectations vary from service to service: e.g.- expectations vary in case of a hotel service , versus a retail/school service
- Customer expectations vary in relation to differently positioned services in the same industry: e.g.- expectations from British Airways versus Air Deccan or CCD versus Pioneer ‘canteen’.
- Expectations vary with internal standards.
- Expectations influenced by previous experience, competitive marketing messages[e.g.-Reliance Mobile-‘Mere network mein...’]; WOM, firm’s own marketing efforts, publicity (news-stories).

Components of Customer Expectations

- ***Desired and Adequate Service Levels:***

- i. Type of service customers hopes to receive. 'Preferred level' of service. Service level than 'Can' and 'should' be delivered as per personal needs.
- ii. Adequate-minimum acceptable service level without dissatisfaction as customers are realistic. Any less than this, customer would be dissatisfied.

- ***Predicted Service Level:*** anticipated service level. Directly related to adequate service level. When good service is predicted, adequate service level will be higher.

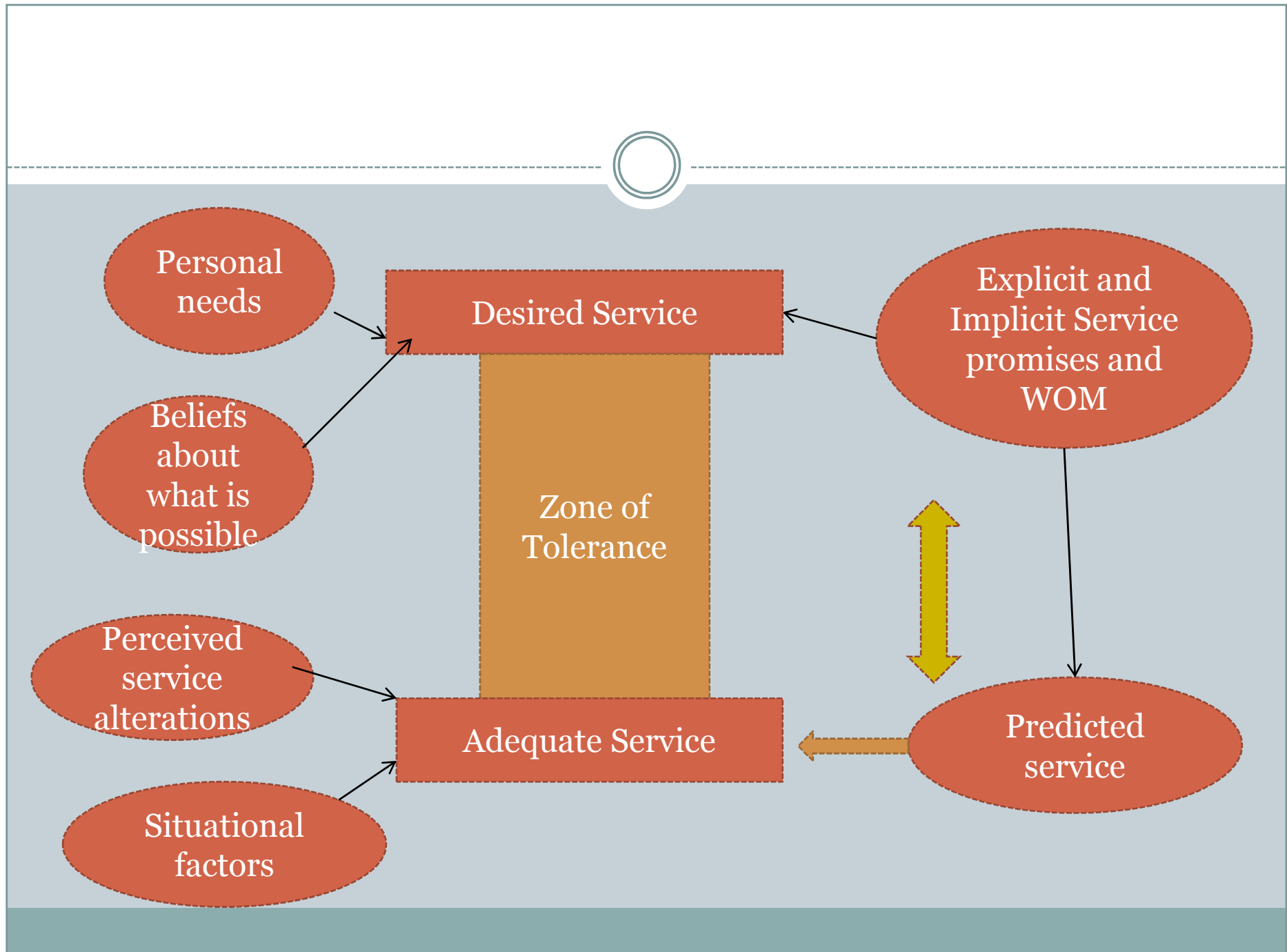
- ***Zone of Tolerance:*** Difference between Desired and Predicted service levels. The extent to which customers are willing to accept variation in service quality.

e.g.- desired level – burger at McDonald's served in 5 minutes

Predicted: burger served in 7 mins. (predicted becomes adequate service level).

Zone of tolerance: between 5 mins to 7 mins

Less than 5 mins or more than 7: difference more noticeable, resulting in positive or negative response.





- Zone of tolerance can change: desired service level remains more or less the same; however the predicted service level can change, leading to up or down movements of Adequate service levels. Predicted level goes down, adequate level also goes down.
- E.g: Increased shopping crowds due to festive season may make customers anticipate slower billing process. Predicted service will come down—i.e. a billing that ordinarily took 10 minutes, may be predicted to take 15-20 minutes. (lowering of service expectation level) Adequate level falls to 20 mins which is predicted service level. Predicted service= adequate service level= increased billing time would be expected to take max. of say, 20 mins. A billing process taking more than 20 mins (predicted level which becomes adequate level) , may not however, be expected and so can cause dissatisfaction. Predicted level becomes adequate level: “Ok today is crowded, so billing would take 20 mins today” (not more).



- Zone of tolerance depends on competing service offerings also: if Airline A is late by 2 hours due to poor weather, airline B also should be late by 2 hours.
- A good brand of hotel will have a narrower zone of tolerance , i.e. adequate service level will be almost the same as desired service level.
- Different attributes of the same service will have different zones of tolerance: e.g.-for airlines, timing would have narrower zones of tolerance than food offered in airlines.
- Different customers would have different zones of tolerance: a more demanding customer would expect to receive high service level even when there are problems & therefore could have a narrower zone of tolerance; another customer may be more flexible/less demanding, thus, a broader zone of tolerance.

Stage 2 : Making the purchase decision



- Once a service provider is chosen, the customer moves into the ‘service encounter’ stage.
- A service encounter is a period of time when customer interacts directly with the service provider: e.g.- entering the hotel; going through the check-in process and entering the air-craft; entering the restaurant chosen.
- Service encounters are called ‘Moments of Truth’ as it is these interactions between the service provider and the customer that create the service experience/service outcome, i.e. the perceived service level.

Post Encounter Stage



- Customers evaluate service performance (perceived service level) and compare it with prior expectations.
- Confirmation /disconfirmation theory: confirmation or disconfirmation of expectations determines satisfaction.
- Satisfaction= better than what was expected
- Delight= feeling happy due to high level of performance that was not even expected.
- Dissatisfaction= service received (perceived service) is less than expected service level.
- Satisfied customers= return; become loyal and recommend; dissatisfied customers= complain; switch; negative WOM. A 1% increase in customer satisfaction leads to a 2.37% increase in a company's ROI.

Meeting /Not meeting customer expectations



- When you buy a book from Amazon.com; next time, you will be informed by Amazon about books that match your interests. : delight-but now, expected
- Hilton hotels: introduced Hilton Technology Room- a laboratory for gathering customer feedback on new and emerging technologies: the room brings together high-tech features into a luxurious guestroom setting, to see how customers interact with technology to decide which features to adopt for customers
- Google-top customer satisfaction –the king of Search engines- introduced new features-including google images; google maps, etc.
- Southwest Airlines-delights customers by keeping its employees happy as happy employees=happy customers
- Taj hotel bombing: employees helped customers instead of running away.
- McDonald found that rude employees cost the firm an average of \$60,000 per store or a total of \$780 million loss in US alone.
- A clothing company takes pictures of clothes purchased by customers and puts the pictures in a personal album so that when new clothes arrive that match the style , employees call customers to tell them about the new clothes
- Ritz Carlton employees address customers by names—makes hotel guests feel welcome.

Question



- Explain customer behaviour in services & implications for service provider.
- Different; difficult to evaluate; different levels of expectations-what affects expectation levels; perceived risks-to manage; service encounters-meaning and importance.