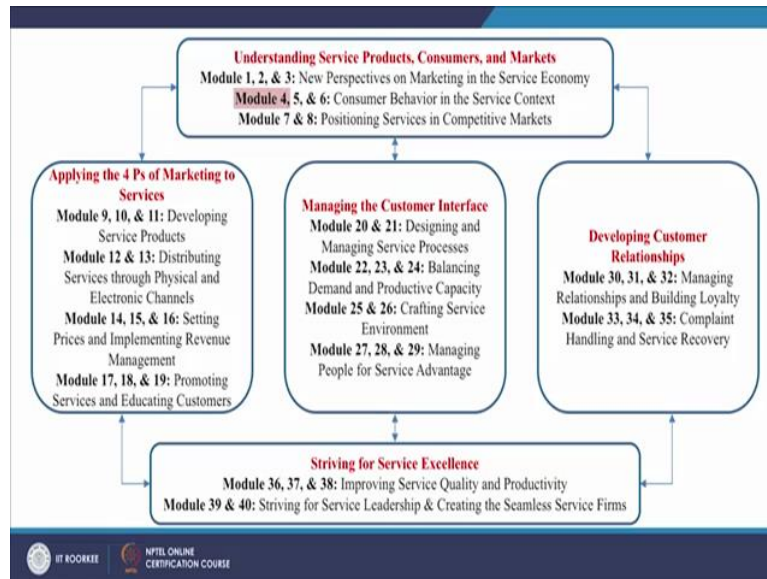**Services Marketing: Integrating People, Technology, Strategy**
**Professor Zillur Rahman**
**Department of Management Studies**
**Indian Institute of Technology, Roorkee**
**Lecture 04**
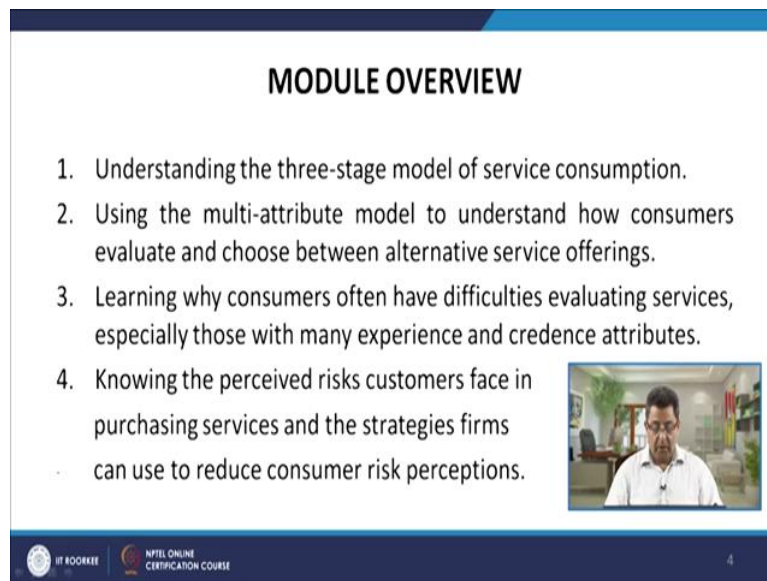**Consumer Behavior in the Service Context- Part 1**

Welcome to services marketing and now we will talk about module 4.

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Now, these three modules-module 4, 5 and 6 will cover consumer behaviour in services context. Now, keep in mind that service consumer behaviour in product context is different from consumer behaviour in service context. So, let us see how this consumer behaviour in services is different and this is covered in module 4, 5 and 6. These are the things that we will be talking about in this module.

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Understanding the three stage model of service consumption, using the multi attribute model to understand how consumers evaluate and choose between alternative service offerings, learning why consumers often have difficulty evaluating services especially those with many experience and credence attributes, knowing the perceived risk customer faces in purchasing services and the strategies from can use to reduce consumer risk perception.

Now, keep in mind that whenever there if a consumer purchases anything, there is some amount of perceived risk. And in services this perceived risk is higher because of the qualities of services or characteristics of services, because they cannot be touched and felt and tasted. So, they are to be purchased and then consumed. Therefore, perceived risk in services is always higher than that of the product. So, we will talk about the strategies that can be used to reduce this consumer risk perceptions.

Now, this is the three stage model of service consumption. The first stage is the pre purchase stage. The second is purchase stage that is called as service encounter stage and the third is post encounter or post purchase. So, this is also called as post purchase stage. Now, in the next slide we will show that each stage consists of several steps.

So, let us talk about this. So, these are the various stages of service consumption and here we will talk about the key concepts associated with these stages. Now, this is stage 1, that is the pre purchase stage and in this stage the first thing is awareness of need and that includes information search. Then clarifying the need, explore solution and identify alternative service products and suppliers.

And the key concepts related to this are need arousal, evoke set and consideration set. Next thing in the same stage, so this is A, this is B. So, the B of pre purchase stage is evaluation of alternatives and the solution and suppliers. So, we are talking of how to evaluate alternative solutions and alternative suppliers. So, the first thing that needs to be done is to review supplier information, for example the information that is there in advertising and brochures and on website.
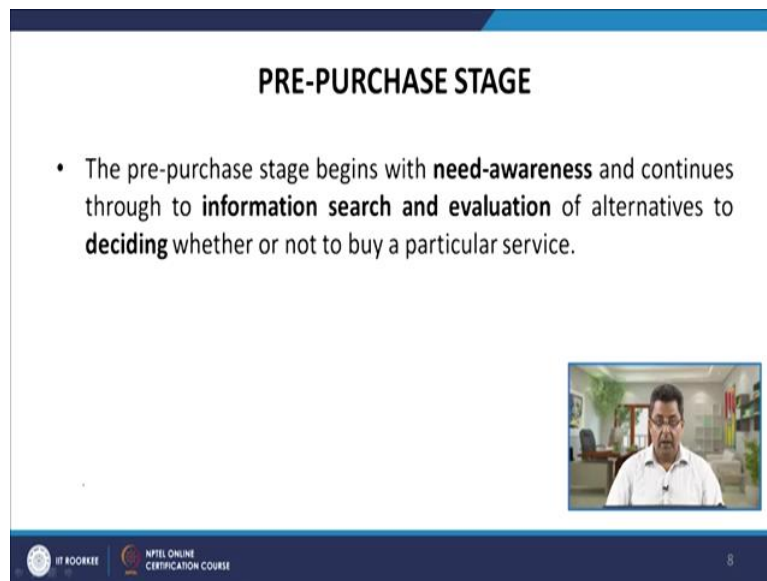
Then, we will go about and then review information from third parties. For example, the published reviews, ratings, comments on web, blogs, complaints to public agencies and satisfaction ratings and the awards that the supplier has. Next thing is to discuss options with the service personnel and then get advice and feedback from third party advisors and other customers.

And that the key concepts related to this are multi attribute model, the search experience and credence attributes and the perceived risk. So, we will talk about all these things. And then what happens is that to make decision on service purchase and often make reservations. So, then here the key concepts are the formation of expectations and expectations have different levels. For example, desired service levels and predicted service level and adequate service levels.

And associated with these different service level is zone of tolerance. The second stage is the service encounter stage or the purchase stage. So, what happens here? Request service from a chosen supplier or initiate self-service. Payment maybe upfront or billed later. Next is to the service delivery by the personnel or a self-service. Now, the key concepts related to the service encounter stage are the moment of truth, service encounter, servuction system, theatre as a metaphor, roles and script theories and perceived control theory.

The third stage is post encounter stage or as we call it as the post purchase stage. Here, 2 things happen-the first is evaluation of service performance and the second is future intentions. And the key concepts related to this third stage are confirmation and disconfirmation of expectations. Dissatisfaction, satisfaction and delight, service quality, word of mouth, repurchase and loyalty.

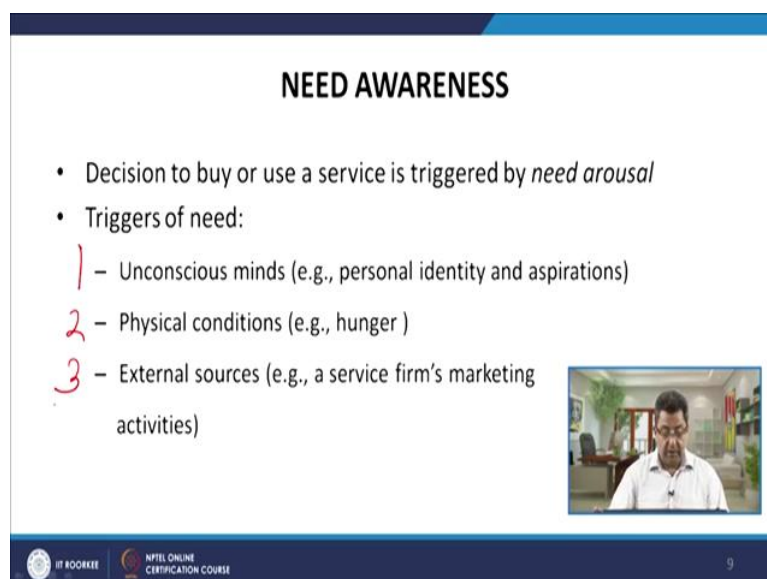So, let us start with the first stage that is the pre purchase stage stop the pre purchase the stage begins with need awareness and continues through to information search and evaluation of alternatives to deciding whether or not to buy a particular service.
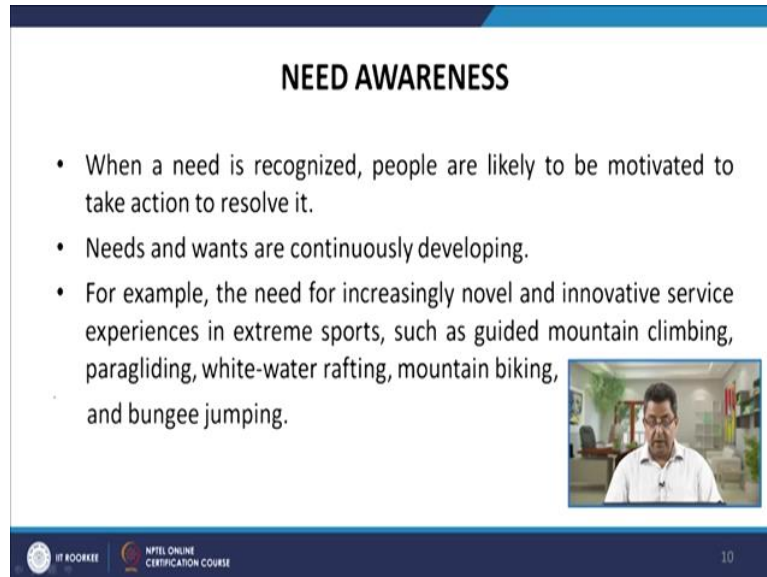
Need awareness. This is the first thing that happens in this pre purchase stage that is the need awareness. So, let us talk about need awareness, how this, the consumer is made aware of the need? So, decision to buy or use a service is triggered by need arousal. So, that is the first step of the consumer decision making process and what are the triggers of this need?

The first trigger is the unconscious mind. That is the personal identity and aspirations. The second trigger is the physical conditions. For example, hunger and the third condition is the external sources. For example, service firm's marketing activities.
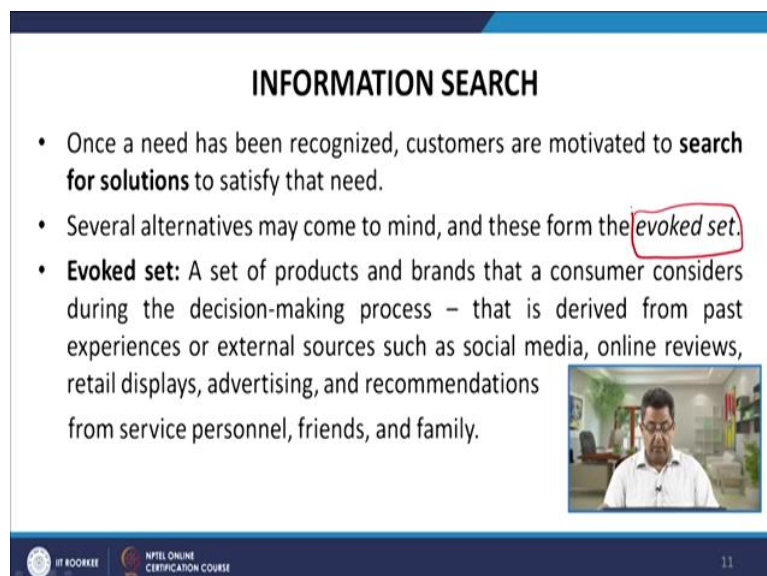
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**NEED AWARENESS**

- When a need is recognized, people are likely to be motivated to take action to resolve it.
- Needs and wants are continuously developing.
- For example, 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.

When a need is recognized, people are likely to be motivated to take action to resolve it. So, when one of these 3 or 2 of the 3 or all of the 3, they trigger a need, then the people are motivated to take some action in order to resolve that need. So, needs and wants are continuously developing. For example, 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.

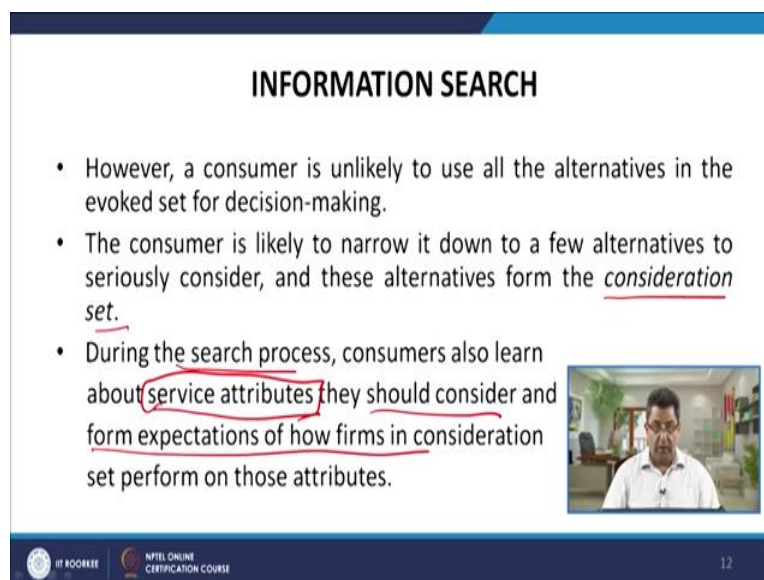(Refer Slide Time: 07:24)



**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.*
- **Evoked set:** A set of products and brands that a consumer considers during the decision-making process – that is derived from past experiences or external sources such as social media, online reviews, retail displays, advertising, and recommendations from service personnel, friends, and family.

The next step of the pre-purchase stage is information search. So, after the need is aroused, and people are motivated to take some action to resolve this need, the next step is searching for the information. So, once a need has been recognized customers are motivated to search for solution to satisfy that need and several alternatives may come to mind and these form the evoked set.

So, after we start searching for information, a set comes up in our mind which is called as the evoked set. So, this evoked set is formed at the information search stage. Let us look at what is evoked set? A set of products and brands that a consumer considers during the decision making process that is derived from past experience or external sources such as social media, online reviews, retail displays, advertising and recommendation from service personnel, family and friends.

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However, a consumer is unlikely to use all the alternatives in the evoked set for decision making, because it may consist of 20 products and brand. The consumer likely to narrow it down to a few alternatives to seriously consider and these alternatives form the consideration set. So, in information search, information is gathered, information search happens. When the need is aroused, then consumer goes in for information search. At this stage when the need is aroused, so a consumer starts looking for information and at this stage evoked set is formed.

So, evoked set may consist of lots of products and brand and it is not humanly possible to evaluate all those products and brand. So, consumer search more information and then this evoked set is narrowed down to what is called as consideration set. During the search

process, consumers also learn about service attributes they should consider and form expectations of how firms in consideration set perform on those attributes.

So now, you see that during the search process, consumers also learn about service attributes that they should consider and form expectation of how firms in this consideration set perform on those attitudes. So, after having formed the evoked set, then comes the consideration set and at this stage, consumer should be aware of what are the service attributes that they should be looking for. And then they will form expectations about how a particular brand or service provider will be delivering on those attributes.

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Now, let us look at this multi attribute model. Once the consideration set and key attributes are understood, the consumer typically make a purchase decision. In marketing, we often use

multi attribute models to simulate consumer decision making. So, what does this multi attribute model?

So now, keep in mind that we are looking at these service attributes, because based on the service attributes then we will evaluate a particular supplier or a particular service. So, this multi attribute model holds that consumer use service attributes important to them to evaluate and compare alternative offerings in their consideration set.

So now, you see that there is a consideration set which has come from evoked set and we are at the second stage of consumer decision making or the pre purchase process where after need arousal, we are looking at the information search and then we have moved on to the evaluation of alternatives. So, now this consideration set, we found some expectations of the service attributes. So, this multi attribute model is related to these attributes.

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So, each attribute has an importance weightage. The higher weightage means the attribute is more important. So now, you see that we are looking at this table that talks of modelling customer behaviour for choosing a dry cleaner. So now, these are the various attributes that the consumer has, quality of dry cleaning, convenience of location, the third is the price, the fourth one is opening hours, the fifth is reliability of on time delivery, the sixth is friendliness of the staff and the seventh is design of the shop.

So now, there are three different types of drycleaners. The first is the current drycleaner that the particular consumer is using. The second is the campus dry cleaner and the third is a new drive cleaner. So, there is another drycleaner in the campus and then a third drycleaner is also

there. So now, the consumers says that quality of dry cleaning of current dry cleaner is 9 out of 10 and the campus dry cleaners and new drycleaners, they both score 10 out of 10 on this and this quality of dry-cleaning, it has a 30 percent weightage.

So, it has the maximum weightage. Now, the second attribute that consumers take into consideration is the convenience of location. And now you see that the current drycleaners course 10 out of 10 while the campus drycleaner scores 8 out of 10 and the new drycleaner scores 9 out of 10 and this has a 25 percent weightage.

The third important attribute is the price and the current drycleaner scores 8, campus drycleaner scores 10 out of 10 and the new drycleaner score again scores 8, and this has 20 percent weightage in the scheme of sense of the consumers. Then the fourth is the opening hours. The current drycleaner score 6 out of 10, the campus drycleaner scores 10 out of 10 and the new drycleaner scores 9 out of 10 and this is 10 percent important.

The fifth attribute is reliability of on time delivery. Now, you see that the current drycleaner scores only 2 out of 10 while the campus drycleaner scores 9 out of 10 and the new drycleaner also scores 9 out of 10 but it is not very significantly important for the consumer. The next attribute is the friendliness of staff.

Again, the current drycleaners costs only 2 while the campus drycleaner and the new drycleaner, each of them scores 8 and this has a 5 percent weightage and similarly the design of the shop. The current drycleaners course only 2 out of 10, campus drycleaner scores 7 and new drycleaner scores 8 out of 10 but it also has only 5 percent importance. Now, all these importances they add up to 100 percent and this is the average of all these. So, now you see who has the maximum amount of marks.

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So, service provider who understand the decision making process of their target customers can then try to influence that decision making process in a number of ways to enhance their chance of being the chosen service provider. So, the first thing that they can do is that the firm needs to ensure that their service is in the consideration set.

So, the first thing that the company should do is to move from evoked set to the consideration set. And that is very, very difficult. So, for example, there may be 20 brands and services in evoked set and in consideration set there may be only 5. So, lots of filtration takes place here. So, this can be done through advertising or viral marketing.

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Next, firms can change and correct consumer perceptions. That is 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 communication on correcting customers perception.

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So for example, coming back to this now here the consumer gives only 2 marks out of 10 to the current drycleaner, that is that they think that he is never on time. Now, this perception has to be changed first. So, somehow it becomes 8 or 9. Then his chances of getting into the consideration set increases.

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So, this is what we are talking about. This can also shift important weightages. That is communicate message that increase weights of attributes, the firm excels in and de-emphasize those that the form is not strong at.

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So, one thing what this current drycleaner needs to do, because you see that he is scoring the least, so he has to do something about that. First is that he may change the perception of the consumers about those attributes on which he scores less, for example in fifth, sixth and seventh. So, he can communicate with the customer and tell them the correct things so that he starts scoring more on these attributes, one.

Second thing what he can do is that, he may reduce, he may tell customers that this reliability of on time delivery is more important as compared to the opening hours. So, they gave 10 percent here and 5 percent here. So, now this will change the whole ball game.

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So, they can also shift important weightage. That is communicate messages that increase weights of attributes, the firms excel in and de-emphasize those the firm is not strong at. So, firms can even introduce new attributes such as what Hertz did when advertising its environmental friendly car. So, this is what they did. Hertz is a car rental company and they advertise that their cars are environmentally friendly.

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Now, let us look at evaluation of the alternative services and we are talking about service attributes. The multi attribute model assumes that consumers can evaluate all important attributes before purchase. So, this is the assumption here that consumers are able to evaluate all important attributes before making this purchase. However, this is often not the case, especially in services as some attributes are harder to evaluate than others.

So, let us look at how to go about evaluating this alternatives, what is the problem in evaluating this alternatives. So, the problem here is that there are three types of attributes. The first is the search attributes, the second is the experience attributes and the third is the credence attributes. So, these three attributes are there and that makes services harder to evaluate.

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So, what are the search attributes? They are tangible characteristics that customers can evaluate before purchase. For example, search attributes for a restaurant include the type of food, location of the restaurant, the type of the restaurant. The different types of restaurant can be fine dining, casual or family friendly and the price. So, these are some attributes that the consumer can look for before they make a purchase. These tangible search attributes help customers better understand and evaluate a service. Hence reducing the sense of uncertainty or the risk associated with the purchase.

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Next comes experience attributes. Now, these attributes cannot be evaluated before purchase. So, customers must experience the service before they can assess attributes such as reliability, ease of use and customer support. In our restaurant example, you cannot know how much you actually like the food, the service provided by a waiter and the atmosphere in the restaurant until you are actually using the service. So, unless you eat the food you will not get to know the taste of the food and unless you are served by the waiter, you will not get to know what is a service provided by a waiter.

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The next type of service attributes are the credence attributes. They are characteristics that customers find hard to evaluate, even after consumption. Here the customer is forced to

believe or trust that certain task has been performed at the promised level of quality. Again, in our restaurant example, credence attributes include the hygiene conditions in the kitchen.

So, we assume that the kitchen will be hygienic, the nutritional quality and the freshness of ingredients used. So, these are the credence attributes and we do not know even after we have eaten the food, we will not know what was the hygiene like in the kitchen, whether the ingredients were fresh or not.

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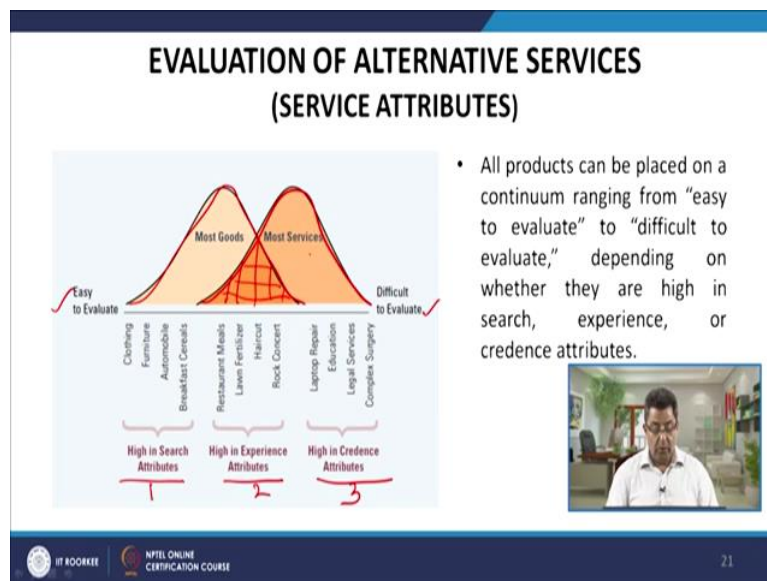


So, this is a continuum. All products can be placed on this continuum ranging from easy to evaluate, this one to difficult to evaluate, depending on whether they are high on search, experience or credence attributes. Now, you see, here we start with the search attributes, in between are the experience attributes and at the end of this axiom, right of this spectrum are the credence attributes.

And these 2 graphs, so now you see that most goods, they are high on search attributes and experience attributes. For example clothing, furniture, automobile, breakfast cereals, they are they are high on search attributes. Then restaurant meals, lawn fertilizer, haircut and rocket concert, they are high on experience attributes and then most services, they are high on experience attributes and credence attributes.

For example, laptop repair, then education and legal services and complex services. So, somewhere in this area, the products and services, they overlap and this is the area where the goods and services are high on experience attributes.

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Now, when we are evaluating these alternative services, another important concept that has to be addressed is that of perceived risk. The harder it is to evaluate a service, the higher is the perceived risk associated with that decision. Because you are not able to evaluate, so obviously, the perceived risk is higher with that decision.

If you buy a physical good that is unsatisfactory you can usually return or replace it. With services this option may not be possible. Perceived risk is usually greater for services that are high in experience and credence attributes and the first time users are likely to face greater uncertainty.

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So now, this perceived risk is higher at this level and obviously the first time users, they will be even more concerned, their perceived risk will be even more higher in these 2 areas because they are buying it for the first time. Next time they go for a haircut with the same kind of saloon, then this perceived risk comes down slightly and similarly as they continue to patronize the same hair saloon the perceived risk keeps on decreasing. But in the first instance that is high.

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Now, think about how you felt the first time you had to make a decision about an unfamiliar service, especially one with the important consequences such as choosing a college or a health insurance plan. So, now that is a difficult thing because once you have chosen a college then you will stay there for 2, 3, 4 years.

And then again, the problem with the health insurance plan is that if you do not need it, then it is fine. But if you need it and it does not work, then what happens? So, in both these cases, the perceived risk is always obviously higher. So, it is likely that you were worried about the possibility of not making the best choice, but not even a good choice.

So now, you were not concerned whether you are making the best choice, but you were concerned only with making a good choice. The worse the possible consequences and the higher likelihood of these negative consequences happening, the higher is the perception of this risk. So, now what happens that a person has purchased a health insurance plan for a year.

He may not need the plan because he never felt ill during the, during this year or when he needed, the plan did not work. So, now this plan will be of no use if it does not work when needed. So, that is why the perceived risk in this case is higher. Similar is the situation with the choice of a college.

So, you wanted to do MBA or a B tech in a college and you have taken admission in college and after 2 years or 4 years, then only you will get to know whether your choice was good or not. So, that is why the perceived risk in both these cases is higher.

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Now, these are the seven types of risk that are there. So this table, there are seven categories of perceived risk in purchasing and using services. So, let us look at the various types of risks. The first is the functional risk that is unsatisfactory performance outcome. And the examples of the customer concerns here is- 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 strains from my jacket? So, that is the first type of risk that is called as the functional risk. The second is the financial risk that is the monetary loss or unexpected cost. 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 and will be repairing my car cost more than the original estimate? So, that is financial risk. The third is temporal-wasting time and consequences of delay. 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 renovation to our bathroom be completed before our friends come to stay with us? So, that is the temporal risk. The fourth type of risk is the physical. That is personal injury or damage to the possessions. Will there be complications or scars if I go through this cosmetic surgery? Will the content of this package get damaged in the mail? Will I get an upset stomach if I eat at this roadside stall?

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The fifth type of risk are the physiological risk. That is the personal fears and emotions. And the example of customer concern is how can I be sure that this aircraft will not crash? Will the consultant make me feel embarrassed or stupid? Will the doctor diagnose upset me? The sixth type of risk is social, how others think and react to the purchase that I have made? What will my friend think of me if they learned that I registered for a dating service?

Will my relatives approve of the restaurant I have chosen for this family reunion dinner? 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? The seventh and the last type of risk is the sensory, that is unwanted effects on any one of the 5 senses.

Will I get a view of the parking lot rather than the beach from my restaurant table? Will I get awake by noise from the guest in the room next door? Will my room smell of stale cigarette smoke? So, these are some sensory risks that are associated with the purchase.

So, now how might consumers handle this perceived risk? People usually feel uncomfortable when perceived risk and use a variety of methods to reduce them, including seeking information from trusted and respected personal sources, such as family, friends and peers. So, keep in mind that in order to reduce this perceived risk, the consumers, they seek information from their personal and trusted information sources.

Using the internet to compare service offerings to search for independent reviews and rating. So, they are looking for independent reviews and rating and to explore discussions on social media. Then they also rely on a firm that has a good reputation. So, if the firm has good reputation, then obviously that decreases the perceived risk. And this good reputation is then converted into a great or good brand or trust.

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Looking for guarantees and warranties. So, these guarantees and warranties, they are used in services also and they are used to reduce perceived risk. Visiting service facilities or trying aspects of service before purchasing and examining tangible cues or other physical evidence such as the feel and look at the service settings or looking out for awards won by the firm. So, all these things-tangible cues, physical evidence, the feel and look of the service settings and then awards, they all reduces the perceived risk because these all go into good reputation. So, that is why this perceived risk is decreased. Asking knowledgeable employees about competing services to learn about what to look out for when making this decision.

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Let us look at what are the strategic responses to managing customer perceptions of risk. Customers are risk averse and all else being equal will choose the service with the lower perceived risk. So, consumers do not want to take risk and they will purchase a service where the perceived risk is lower.

Therefore, firms need to proactively work on reducing customers risk perceptions. Therefore, firms need to proactively work on reducing customers risk perceptions. Suitable strategies varying according to the nature of the service and may include all or some of the following strategies.

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The first strategy is to encourage prospective customers to preview the service through their company's website and videos. So, they upload these videos on the website and the customer is asked to preview those videos. The second is to encourage prospective customers to visit the service facilities before they make the purchase.

So, customers are requested to visit the facility and when they are convinced, only then they purchase the service. And the third is offer free trials suitable for service with high experience attributes. So, many caterers and restaurants allow potential wedding customers to have free food testing sessions before making a booking for their wedding banquet.

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The fourth strategy is response to managing customer perception of risk is for service with high credence qualities and high customer involvement, advertising helps to communicate the benefits, usage and how consumers can enjoy the best results and you display the credentials. Professionals such as doctors, architects and lawyers often display their degrees and other certifications because they want customers to see, they are qualified to provide expert service.

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Next thing is to use evidence management and organized approach where customers are presented with coherent evidence of the company's targeted image and their value proposition. This includes the appearance of furnishings, equipment and facilities and employees dress and behaviour. Have visible safety procedures that build confidence and

trust and give customer access to online information about the status of an order or the procedure.

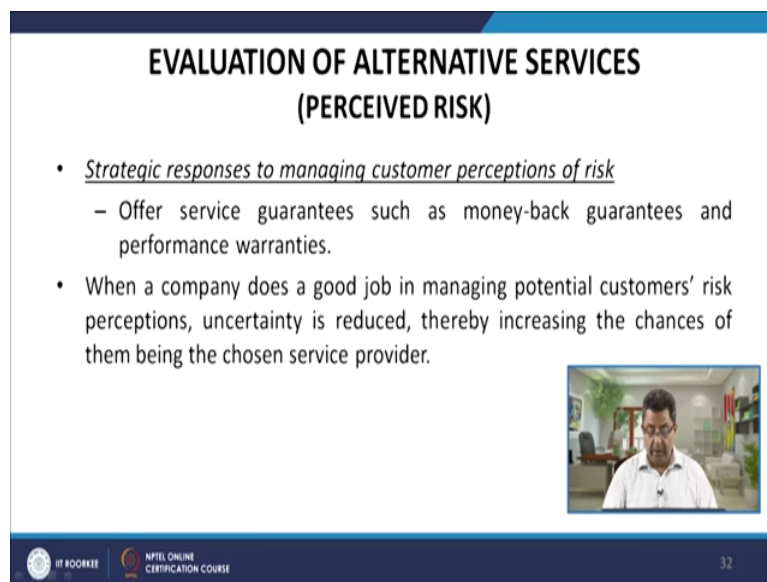So, for example FedEx give you a tracking number, so you can get to know where your package is.

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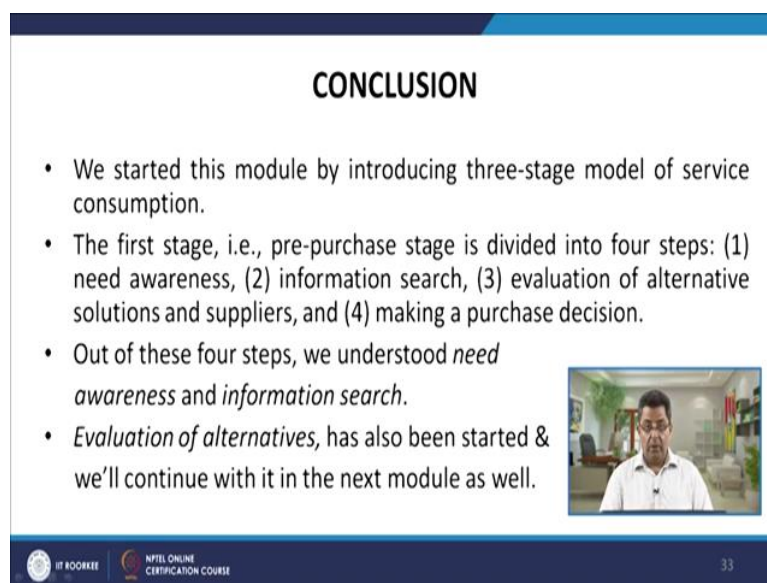


Offer service guarantees such as money back guarantee and performance warranties. And when a company does a good job in managing potential customers risk perceptions, uncertainty is reduced, thereby increasing the chances of them being the chosen service provider.

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So, to conclude this module, we started this module by introducing three stage model of service consumption. The first stage that is the pre purchase stage is divided into four steps. The first is need awareness. The second is information search. The third is evaluation of alternative solutions and supplies, and the fourth one is making purchase decisions. Out of these four steps, we understood need awareness and information search. Evaluation of alternatives has also been started and we will continue with it in the next module as well.

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These are the three books from which the material for this module was taken. Thank you.