

Service Marketing: A practical approach
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Lecture-14
Characteristic Services

Hello there. Welcome to this lesson on services marketing with a practical approach. I am Dr. Biplab Datta. My contacts are all given on the screen, so you can send me a feedback whenever you feel like and I will try to reply to them as much as possible.

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[Lesson 14 Understanding Consumer Behaviour](#)

[Stages of Service Consumption](#)

[Customer Perceived Risks while Purchasing a Service](#)

[Actions to Mitigate Customer Perceived Risks and Fear](#)

Today we will look at lesson number 14 which is understanding consumer behaviour. So there we have stages of service consumption, customer perceived risks while purchasing a service, and the actions to mitigate customer perceived risks and fear.

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Stages of Service Consumption

Customers purchase and consume services in six stages as follows:

1. Awareness of need,
2. Search for information,
3. Evaluation of alternative services,
4. Making the purchase decision,
5. Experiencing the service, and
6. Post-experience evaluation of the service.

You may note that unlike products, customers cannot "return" a service if they are dissatisfied with it. However, they can complain about the service and seek redressal in some form. At that time, service personnel and service managers will have the opportunity to recover the service, which we will discuss in a later lesson. We will discuss the above stages of consumer behaviour next.



So what are the stages of service consumption? There are 6 stages of service consumption like awareness of need, search for information, evaluation of alternative services, experiencing the service, and the post experience evaluation of the service. Then you may note that unlike products, customers cannot return a service if they are dissatisfied with it. However, they can complain about the service and seek redressal in some form.

At that time, service personnel and service managers have the opportunity to recover the services, that is make good the service, may good the problems, or the issues that where there where the original service was delivered and we will discuss about that in a later lesson. We discuss the above stages of consumer behaviour next.

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1. Awareness of need

As customers grow older, or even otherwise, customers may need help in performing certain chores. They might need help in handling their finances, transporting themselves from home to their workplace and back, preparing their tiffin for consumption at their workplace, payment of electricity bill at the electricity office, etc. As you know well by now, customers can get the above help in the form of services. Thus customers can become aware of their need from within and seek the help of a service.

At times customers may not have a real need, however, they may become aware of a service and feel like availing the service in order to make their life more hassle-free and save time for leisure or for doing more important work. This phenomenon underlines the use of marketing communications like advertising, promotions, word-of-mouth publicity, service sampling or trial experiences, catalogues and other forms of direct marketing, etc., that we are going to discuss in a later lesson.

Once customers are aware of their need they will start searching for services. We call this stage as the stage of search for alternatives which we will discuss in the next section.

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Thus customers can become aware of their need from within and seek the help of a service. At times customers may not have a real need. However, they may become aware of a service and feel like availing the service in order to make their life more hassle free and save time for leisure or for doing some other work, other important work.

This phenomenon underlines the use of marketing communications like advertising, promotions, word of mouth publicity, service sampling or trial experiences, catalogues and other forms of direct marketing which will discuss in a later lesson. Once customers are aware of their need they will start search services. We can call this stage as the stage of search for alternative which will discuss in the next section.

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2. Search for Alternatives

Who can help me with paying my electricity bills or who can deliver cooked food to my office at lunch time? These are some of the questions a customer would be asking to him/herself while searching for alternative service providers. While some customers may begin asking family members and friends, some customers would quickly sit down with his/her copy of the "Yellow pages" that lists various professional services.

How can service professional service firms attract the customer while he/she is at this stage? You must have thought that these firms can advertise and endeavour to bring their name and a description of their service in front of the customers' eyes. For instance, service firms can advertised their services like tourism or spa facilities in large billboards erected at prominent locations in the city.

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How can professional service firms attract the customer while he or she is at this stage?. You must have thought that these firms can advertise and endeavour to bring their name and a description of their service in front of the customer's eyes. For instance service firms can advertised their services like tourism or spa facilities in large billboards erected at prominent locations in the city.

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3. Evaluation of Alternatives

In this stage, the customer compares the alternatives that he/she has listed. Needless to say, the customers would perform a cost-benefit analysis of the services. Besides the costs and benefits accruing out a particular service, the customer may worry about the risks associated with each service. Professors Christopher Lovelock, Jochen Wirtz and Jayanta Chatterjee have listed seven types of risks in their book entitled Services Marketing: People Technology and Strategy published in 2010. These risks are listed next:

Next we come to evaluation of alternatives. So once the alternatives have been sorted out had been put together, then the customer has to evaluate the alternative services. So in this stage the customer compares the alternatives that he or she has listed. Needless to say the customers would perform a cost benefit analysis of the services. Besides the costs and benefits accruing out a particular service, the customer may worry about the risks associated with each service.

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Risks Customers perceive while purchasing a service

Type of risk	Explanation	Example of customer concerns
Functional	Unsatisfactory performance outcomes	Will I get what I wanted?
Financial	Monetary loss and unexpected costs	Would my money be stolen if I make a credit card transaction?
Temporal	Wastage of time, delays	How long do I have to wait at the doctor's clinic and what will happen to the household chores?
Physical	Injury to person or possessions	What will happen if I fall sick during the tour?
Psychological	Personal fears and emotions	Is there a chance that the aircraft I am travelling in crashes?
Social	How others think and react	What will my friends say if I buy this cheap service?
Sensory	Unwanted effects of any of the five senses	Will the hotel room be clean enough?

People who face the above risks would usually do something to assure themselves that their fears are unfounded. Customers can take several actions and service providers can help customers with their actions. This set of customer and service provider actions are listed in the next table.

So what the risks customers perceive while purchasing a service. The first there are 3 types, they have 4 types. One is functional, temporal, physical, psychological, social and sensory. So the functional, so the functional type of risk is unsatisfactory performance outcomes and the example of customer concerns is what will I get what I wanted. So it is unsatisfactory performance outcomes.

The financial types of risks are monetary loss and unexpected costs. So would my money be stolen if I make a credit card transaction? This is the customer concern. Temporal means related to time, so wastage of time and delays in receiving the service and how long do I have to wait at the doctor's clinic and what will happen to the households chores during that time.

Physical: Injury to person or possessions. So what will happen if I falls sick during the tour?.
 Psychological: Personal fears and emotions. Is there is a chance that the aircraft I am travelling in crashes?.
 Social: How others think and react about the service that I am going to buy from a particular service firm. What will my friends say if I buy this cheap service?.
 Sensory: Unwanted effects of the 5 senses. Will the hotel room be clean enough?.

So these are some of the customer concerns and the type of risks that is there and the customer concerns about those risks. So people who face the above risks would usually do something to assure themselves that their fears are unfounded. Customers can take several actions and service providers can help customers with their actions. The set of customers and service provider actions are listed in the next table.

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Customer and Service Provider actions to mitigate customer risk and fear

Customer actions	Service provider actions
Seek information from respected personal sources like friends, family and peers. Rely on a company with good reputation about its credibility Look for guarantees and warranties	Advertise company credibility Generate good word-of-mouth
Visit the service facility to check various aspects of the service	Provide unconditional service guarantees Invite customers to tour the service facility. Keep the service facility sparkling and tidy. Keep the facility safe.
Ask knowledgeable employees about competing services	Inform employees about the value being provided by the service. Train employees in selling skills
Examining tangible cues or other physical evidence Use the Internet to compare service offerings and search for reviews and ratings	Keep facilities and merchandise sparkling and attractive Create own comparative website and list competitor's features on the website truthfully

So these are the customer and service provider actions to mitigate customer risk and fear. Customer actions are seek information from respected personal resources like friends, family, and peers. Rely on a company with good reputation about its credibility. A service provider actions are advertise company credibility and generate good word of mouth. Next customer action is look for guarantees and warranties and so the service provider actions is to provide unconditional service guarantees.

The next customer action is to visit the service facility to check various aspects of the services. The service provider action is to invite customers to tour the service facility, keeps the service facility sparkling and tidy keep the facility safe. Ask knowledgeable employees about competing services. This what the customer will do. And the service provider has to inform employees about the value being provided by the services.

So they should train employees in selling skills. Examining tangible cues or other physical evidence. So keep facilities and merchandise sparkling and attractive. Use the internet to compare service offering and search for reviews and ratings. Create own comparative website and list competitor's features on the website truthfully. These are the service provider action to mitigate customer risk and fear.

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Evaluating a service can be difficult due to its intangibility and simultaneity. Intangible services may be high on search, experience or credence attributes. What are search, experience or credence attributes and how do those affect service evaluation?

1. Search attributes: Search attributes are features like style, colour, texture, taste, sound etc. Which customers can sample before purchase. For instance, customers can visit a hotel room, or check out the restaurant menu before deciding to purchase the service.

2. Experience attributes: When attributes of a service cannot be experienced before a purchase, the customer has to rely on experience attributes. For instance, a customer can see the menu at a restaurant, but he/she has to taste the food and beverages before making a purchase. Some restaurants are able to provide customers a free dish which they can sample or experience before taking the decision to purchase the services of the restaurant. Many customers would rely on the experience of other people like family members and friends to form an opinion about the service and experience the same.

3. Credence attributes: These attributes of the service cannot be tested even after the consumption of the service. Take the case of hospital surgery. There is no way a patient can know whether the surgery was done properly. In such cases the customer has no choice but to rely on the reputation of the surgeon who has performed the surgery. This makes it imperative for service businesses to enhance the reputation of their business and rely on the word-of-mouth that customers would spread once they have experienced uneventful services from the service provider.

Evaluating a service can be difficult due to its intangibility and simultaneity. Intangible services may be high on search, experience or credence attributes. What are search?, experience or credence attributes and how do those affect service evaluation. Search attributes: search attributes are features like style, colour, texture, taste, sound etc. which customers can sample before purchase. For instance, customers can visit a hotel room or check out the restaurant menu before deciding on purchase the service.

Experience attributes: when the attributes of a service cannot be experienced before a purchase, the customer has to rely on experience attributes. For instance a customer can see the menu at a restaurant, but he or she has to taste the food and beverages before making a purchase. Some restaurants are able provide customers a free dish which they can sample or experience before taking the decision to purchase the services of the restaurant.

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In such cases the customer has no choice but to rely on the reputation of the surgeon who has preformed the surgery. This makes it imperative for services business to enhance the reputation of their business and rely on the word of mouth that the customers would spread once they have experience uneventful services from the service provider.

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4. Making the Purchase Decision

As discussed earlier, a customer can make a purchase decision among various alternatives using a cost-benefit comparison. Once he/she has decided to purchase a service, he/she will be ready to experience the service.

5. Experiencing the Service

The service purchased by the customer may be a high touch or a low touch service. High touch services are like hair styling service where the customer has substantial contact with the service provider. On the other hand, low touch service is like the automatic teller machine (ATM) service where there is little contact with service employees.

All services are delivered during the moments of truth, i.e. the moments when a customer comes in contact with service personnel. The customer must be satisfied or delighted by the service personnel during these moments of truth. As discussed elsewhere, service personnel must be able to understand the needs of the customer and be able to meet them promptly if they are to satisfy their customer at the moment of truth.



Next the 4th step is to making the purchase decision: As discussed earlier, a customer can make a purchase decision among various alternatives using a cost benefit comparison. Once he or she has decided to purchase a service, he or she will be ready to experience the service. Next step is experiencing the service: The service purchased by the customer may be a high touch or a low touch service.

High touch services are like hair styling services where the customer has substantial contact with the service provider. On the other hand low touch service is like automatic teller machine service where there is little contact with services employees. All services are delivered during the moments of truth that is the moments when a customer comes in contact with services personnel.

The customer must be satisfied or delighted by the services personnel during these moments of truth. More over they also come in contact with the servicescape that is the tangible parts of the services like they can coming contact with the parking or the bellboy and those kinds of contacts with the parking facilities or with the part of the bellboy or also important moments of truth.

As discussed elsewhere, service personnel must be able to understand the needs of the customer to be able to meet them promptly if they are to satisfy their customers at the moment of truth.

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6. Post-Experience Evaluation of the Service

Once the service has been experienced, a customer might think about the service he/she received. They would feel satisfied if the service met their expectations, they would feel dissatisfied if the service failed to meet their expectations and they would be delighted if the service exceeded their expectations.

In case customers are dissatisfied with their service they are likely to tell fifteen other people about how dissatisfying the service was. On the other hand if the service was satisfactory or delightful they would tell at least five other people about the service. Once satisfied or delighted, customers may decide to repurchase the service in the future or recommend other people to purchase the service. Moreover, satisfied customers would not mind slight future increases in the price of the service and continue to purchase their services from the same company. Service marketers can seek to strike a relationship with the customers at this stage. They can signify to the customers that they would be providing the best services to the customers in future and request customers to shop from them in future.



The last step is the post experience evaluation of the service. Once the service has been experienced a customer might think about the service he or she received. They would feel satisfied if the service met their expectations, they would feel dissatisfied if the service failed to meet their expectations and they would be delighted if the service exceeded their expectations.

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Lesson 15 New Service Development - I

Types of New Services

Reasons for Failure of New Services

Reasons for Success of New Services

Stages in New Service Development

Next we come to the lesson number 15 which is new service develop. Thank you for listening to this lesson 14. We hope that it helps.