

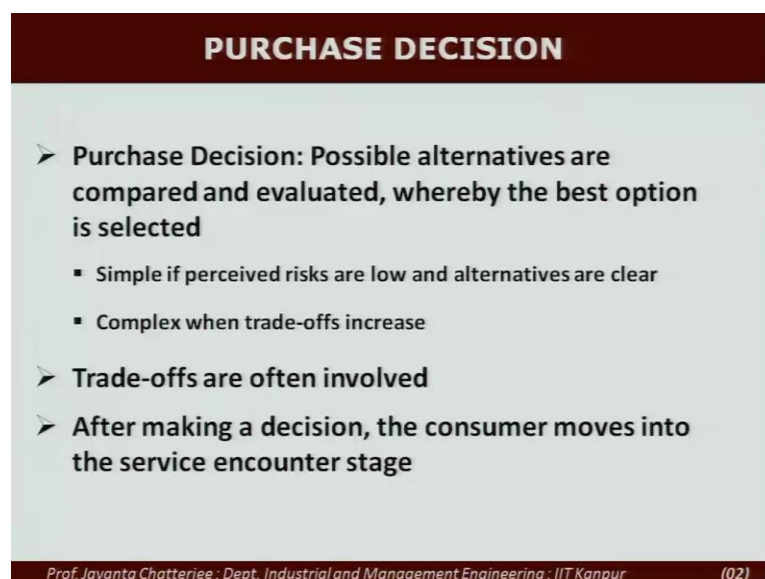
Managing Services
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Lecture - 16
Service Consumer Behavior - II

Hello, I am Jayanta Chatterjee of IIT, Kanpur and we are interacting with you and Managing Services, contemporary issues in today's world. We are discussing since our last session about consumers in a services flow and the services consumer behavior. Consumer behavior is a subject of study by itself, we offered full semester courses and different size consumer behavior basic as well as consumer behavior advanced. But, we are extracting from our understanding of consumer behavior, those dimensions which are important for us to understand a services consumer.

In the last session we discussed issues relating to customers expectation, in the last session we saw how the need of a service comes up in consumers mind and what happens there after. At the end of last session, we were talking about the desired service level in customers mind, the adequate service level in customers mind and the zone of tolerance in between and we concluded the last session, with the understanding that we need to be above the blue line, we need to go from the level of what works, what is feasible, what is to what wows, what delights the customer. And let see today, how that can happen by managing the in service and the post service stages well.

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PURCHASE DECISION

- **Purchase Decision: Possible alternatives are compared and evaluated, whereby the best option is selected**
 - Simple if perceived risks are low and alternatives are clear
 - Complex when trade-offs increase
- **Trade-offs are often involved**
- **After making a decision, the consumer moves into the service encounter stage**

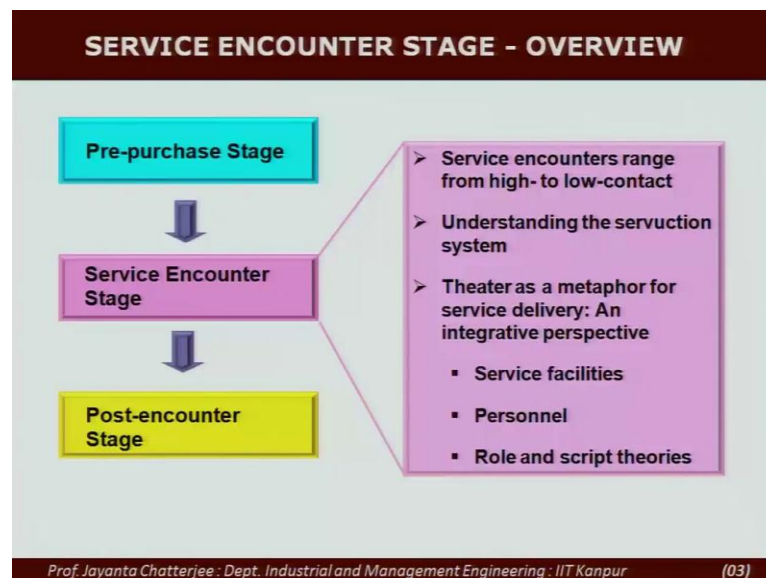
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So, when a customer has taken a decision to occur a particular service to use a particular service, then already the customer has evaluated the alternatives with respect to those attributes that we discussed, the search attributes, the experience attributes and the credence attributes. And we have discussed that it is easier to compare the alternatives in those cases, where search attribute dominates, experience is the little bit more difficult and credence attribute services are more difficult to evaluate and this easy to difficult, this is also based on risk perception.

So, customers purchased decision on the left side of that graph that we showed or the two hams that we showed in the previous session. So, more tangible is the service, the more goods heavy is the offering, the more search attribute based decision making taking place which is comparatively easier. But, the complexities and the number of tradeoffs go up as you go towards the right of that diagram, more procure services, credence based services like medical, treatment or legal service or education.

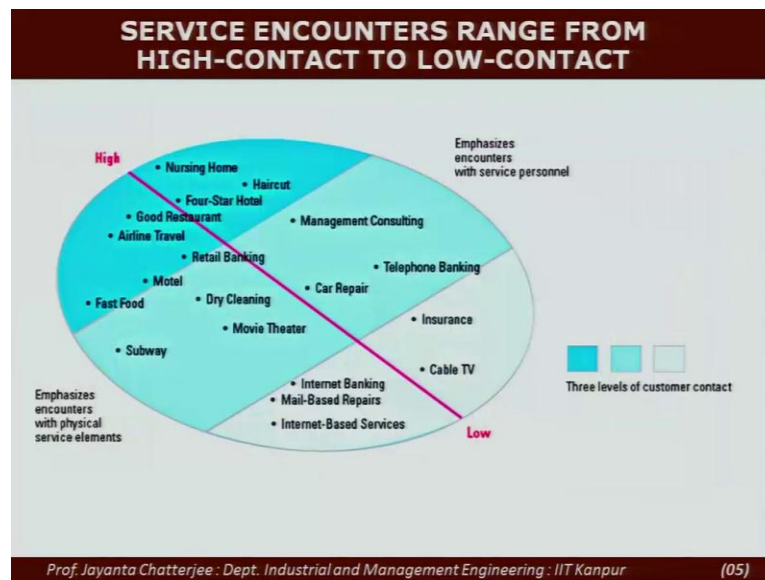
So, in these cases the trade offs are often laden with latent needs, not articulated needs. There are emotions involved and in such cases, actually the post encounter stage is as important as the service encounter stage.

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But, any way in the service encounter stage I will have to go back to some of the discussions that we have add before, when we are looking at taking a macro view of the service business as a whole.

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One of them is this diagram that I had shown before, which is on the basis of which you are supposed to do an assignment in week one. Remember, I had mentioned that you have to choose one of these high contact services, like a nursing home or like a four star hotel or like a haircut or a good restaurant and you are suppose to map the back stage activities as well as the front stage activities of this high contact service.

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SERVICE ENCOUNTER STAGE

- **Service encounter – a period of time during which a customer interacts directly with the service provider**
 - Might be brief or extend over a period of time (e.g., a phone call or visit to the hospital)
- **Models and frameworks:**
 - a) “Moments of Truth” – importance of managing touchpoints
 - b) High/low contact model – extent and nature of contact points
 - c) Servuction model – variations of interactions
 - d) Theater metaphor – “staging” service performances

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But, what we are saying today is that in the service encountered stage in the high contact service, there is a higher level of need for knowledge flow from the service provider to

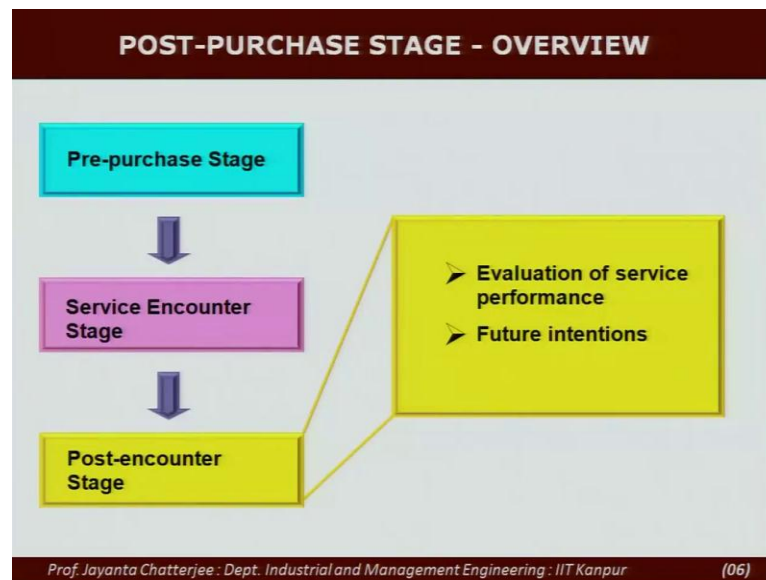
the service consumer, quality information flow from the provider to the consumer and it has to be at right points of time. So, that at the moments of truth, remember the discussion we had before, the moments of truth happen when the customer is at a touch point with the service.

So, we discuss with example that for example, you are in a restaurant then your touch point with ((Refer Time: 06:48)), your touch point with the steward, your touch with the server, your touch point with the build that comes to you, these are all moments of truth, the moments of truth are also points of failure. So, we discussed if we remember that how we need to map the service, understand the flow of service, the flow diagram or the service blue print to understand this touch points and the moments of truth as well as the points of failure, possible failure.

And during the service, the stage that we are now discussing service encounter stage, we need to maintain a good level of knowledge flow. So, that there is a lesser chance of failure and a higher chance of generating satisfaction, we discussed some models like the servuction model earlier, which is the a combination of service and production, this we discuss this model when we discussed about the systems nature of services, where marketing and operations, marketing or human resource, operations and human resource cannot be segregated, they have to be thought of as a total system.

We talked about the theater metaphor that to ensure at the moments of truth and the touch point we maintain, some ensure to some extent, standardization is by understanding the roles given to the service employees at those touch points and providing them with scripts. So, if you have already done the servuction model work or the service blue print work for one of these high contact services as your assignment in week 1, week 2, then this will become quite clear to you that how you need to manage the inservice stage or the service occurrence stage.

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And I think also, I should highlight that the in service stage management for a credence based service will have to be most completely thought out. See that the knowledge flow is not interrupted, see that the anxiety level does not raise in the mind of the consumer and similarly, in the experience heavy services it is a bit easier than the credence ((Refer Time: 09:52)) services, but we have to see that the touch points are well managed.

So, for example, famous theme parts like the so called Disney land, Disney world, if you see there, the short movies which are available on the net. You will see how much training they put in to their employees, how much care they take for the flawless operation of the systems. So, that the service experience is safe, secure and pleasurable it is; obviously, if they have although joy rights and there are accidents that can destroy a theme park business right fast.

So, you have not only ensure security, safety, pleasure flow, but you have to also ensure it time after time day after day. So, that you have a 99.99 percent of safety record. So, all the touch points need to be managed continuously for that level of high performance that is why for example, experience heavy services, like restaurants or haircuts and so on quality management techniques likes six sigma can be quiet gainfully applied.

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CUSTOMER SATISFACTION WITH SERVICE EXPERIENCE

- **Satisfaction: *attitude-like judgment* following a service purchase or series of service interactions**
 - Whereby customers have expectations prior to consumption, observe service performance, compare it to expectations

- **Satisfaction judgments are based on this comparison**
 - Positive disconfirmation (better)
 - Confirmation (same)
 - Negative disconfirmation (worse)

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We will discuss in lot more detail about the various models that are there for understanding customer satisfaction and quality of service. But, today I would like to highlight that in service which is highly intangible and has all those other characteristics understanding customer expectation as they flow from pre encounter to encounter to post encounter stage is very important. Because, ultimately quality for an intangible service is the valuation in the customers mind of the gap between the post conception perception with respect to the preconception or in conception expectation.

So, perception after service and expectation before service or in service this $p - e$ is the measure of quality is the foundation of customer satisfaction models. There are elements inside, there are positive this confirmation and negative disconfirmation; that means, filling of better same and worse. These are ((Refer Time: 13:23)) of satisfaction we will discuss that when we discuss service quality, service productivity and customer satisfaction relationships.

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**CUSTOMER DELIGHT:
GOING BEYOND SATISFACTION**

- **Research shows that delight is a function of three components**
 - Unexpectedly high levels of performance
 - Arousal (e.g., surprise, excitement)
 - Positive affect (e.g., pleasure, joy, or happiness)

- **Strategic links exist between customer satisfaction and corporate performance**
 - By creating more value for customers (increased satisfaction), the firm creates more value for the owners

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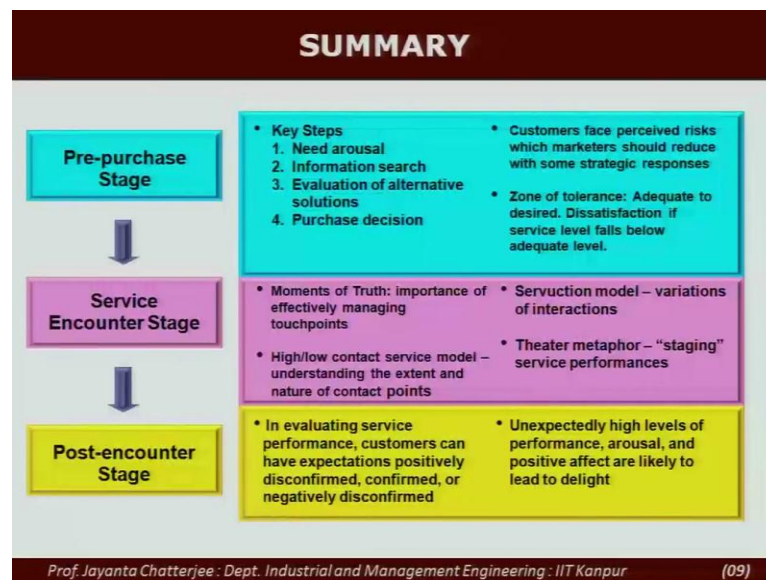
We will also have to discuss about, what goes beyond satisfaction in the customer delight or wow. The objective which we will look at that blue level and the yellow level and our target of exceeding the blue level, what we have to understand is that the delight or wow happens when there is an serendipity, there is unexpected high level of positive feeling which therefore, goes much beyond need arousal and need satisfaction expectation.

So, this positive affect and unexpected affect that creates the joy and we will have to look at some examples of how that happens. But, most importantly I would request you now as an assignment for discussion on the forum and I would request all of you to put in share your experiences of those moments of any service, it could be a laundry service, it could be a musical versatile, it can be a movie, but actually the movie or theater may be a little bit more difficult to describe.

So, choose services like high contact services or medium level of contact services, think about your moments of joy during the services. I am write one or two paragraphs about how it happened and try to characterize what exactly give you that joyful moment. What made that service touch point memorable? How do you recall and what are the emotions that are evoked when you think about that particular joyful service day, service occurrence, it will be could if you all share then we will see how certain patterns emerge.

And we may also explore that whether there is a linkage that is supported by your empirical experiences with respect to the service organizations performance. So, whether there is a correlation between delight satisfaction in the customers mind with the financial performance, business performance of service organization.

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So, in summary in the last two sessions, we have looked at these three stages of service consumption by in the consumer, pre purchase stage, service encounter stage and post encounter stage. The slight in front of you shows the key steps in each stage like the need arousal, information search evaluation and purchase decision in case of the pre purchase stage. The risk perception and management of the need of managing the risk perception in customers mind that we discussed, the zone of the tolerance that we discussed with respect to the pre purchase stage.

In the service stage we talked about the moments of truth and the importance of understanding service as a complete system, as a seem less system, where operations, marketing, human resource management, supply chain management have to all work as an integrated entity. All those functions have to be well coordinated to deliver the model that we had earlier discussed servuction. And also we discussed about service as a theater the metaphor of theater and the importance of roles and scripts to create some levels of standardization in highly variable possibilities.

The talker during the service encounter between the consumer in the service provider, because these are people to people happenings. And finally, we have discussed today that in the post encounter stage, we have to understand that the customers evaluation of service will be based on $p - e$ post encounter perception with respect to pre encounter or in encounter expectation. So, this $p - e$ which we will discuss in greater detail when we discuss service quality and productivity later on.

So, the last two sessions have shown as key dimensions of consumer behavior in the service domain and key factors that are important for us to build good service brands, create customers satisfaction and ultimately customer delight. So, that we have more and more customers as our co marketers. In the next session, we will see that how this customer as co marketer or customer as our advocate can happen through a process that we are now recognizing more and more as an very important process which is the process of co creation all that next week.

Thank you.