# *Essentials of Services Marketing 3rd edition Wirtz Solutions Manual*

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# CHAPTER 2

# CONSUMER BEHAVIOR IN A SERVICES CONTEXT

***This chapter emphasizes the point made in Chapter 1 that service success requires a focus on both customers and competitive markets. Accordingly, Chapter 2 establishes a theme that runs throughout the book: the need for service firms to be customer focused, to understand customer concerns and expectations, and to recognize the customer's often dynamic role in service operations.***

## LEARNING OBJECTIVES

By the end of this chapter, students should be able to:

- (LO 1) Understand the three-stage model of service consumption.
- (LO 2) Use the multi-attribute model to understand how consumers evaluate and choose between alternative service offerings.
- (LO 3) Learn why consumers often have difficulty evaluating services, especially those with many experience and credence attributes.
- (LO 4) Know the perceived risks customers face in purchasing services and the strategies firms can use to reduce consumer risk perceptions.
- (LO 5) Understand how customers form service expectations and the components of these expectations.
- (LO 6) Know the "moment of truth" metaphor.
- (LO 7) Contrast how customers experience and evaluate high- versus low-contact services.
- (LO 8) Be familiar with the servuction model and understand the interactions that together create the service experience.

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- (LO 9) Obtain insights from viewing the service encounter as a form of theater.
- (LO 10) Know how role, script, and perceived control theories contribute to a better understanding of service encounters.
- (LO 11) Describe how customers evaluate services and what determines their satisfaction.
- (LO 12) Understand service quality, its dimensions and measurement, and how quality relates to customer loyalty.

## CHAPTER OUTLINE

### *(L01) Understand the three-stage model of service decision*

The three stages are:

- Pre-purchase stage
- Service encounter stage
- Post-purchase stage

During the pre-purchase stage, issues to note include:

- Understanding that customers seek solutions to aroused needs
- Evaluating a service may be done using the multi-attribute model, and service attributes
- Uncertainty about service outcomes increase perceived risk
- Understanding customers' service expectations

### *(L02) Use the multi-attribute model to understand how consumers evaluate and choose among alternative service offerings*

Students need to understand that with the multi-attribute model, a consumer is very likely to arrive at a different decision depending on whether they are using the simple linear compensatory rule or the conjunctive rule. The example in the text is worked out on page 39. The key is that, given that consumers do make decisions in this way, what can firms do to influence that decision process? This is discussed in this section.

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***(L03) Learn why consumers often have difficulties evaluating services, especially those with many experience and credence attributes.***

Students need to grasp the distinction between search, experience, and credence attributes. Product attributes include all features (both tangible and intangible) of a good or service that can be evaluated by customers. Most goods are high in search attributes, which makes it easier for customers to evaluate their quality. Many services are high in experience and/or credence attributes, reflecting two of the basic differences between goods and services discussed in Chapter 1: the dominance of intangible elements and the variability of operational inputs and outputs, leading to quality control problems. As a result, service marketers need to find ways to reduce the perceived uncertainty and risk of purchasing services, especially for a first time customer.

***(L04) Know the perceived risks that customers face in purchasing services and the strategies firms can use to reduce consumer risk perceptions***

Students should understand the concept of perceived risk during the pre-purchase stage (and also be able to extend this to the service encounter stage). They should be able to enumerate the seven different types of perceived risks listed in Table 2.2 *(*functional, financial, temporal, physical, psychological, social, and sensory). Examples are provided for each. A variety of risk reduction strategies are discussed and it students can be assigned to discuss which strategies listed might be appropriate for the different kinds of perceived risks.

***(L05) Understand how customers form expectations and the components of these expectations***

Understanding customer expectations plays a central role not only in satisfaction research but also, more practically, in service design, and quality control. Students should be thoroughly familiar with the factors influencing customer expectations of services, as shown in Fig. 2.11 and be able to define each of the components of customer expectations.

It's particularly important to distinguish between the desired (wished for) service level, adequate (minimum acceptable) level, predicted services level (anticipated level of service) and zone of tolerance (accepted variation in service). Students should be able to explain the zone of tolerance that lies between the three levels.

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***(LO 6) Know the "moment of truth" metaphor.***

"Moment of Truth" refers to the direct interaction of the customer with the service firm and it involves the skills, motivation and tools employed by the firm to prove to the customers that they are the best alternative for them.

***(L07) Contrast how customers experience and evaluate high- versus low-contact services***

The level of customer contact is the extent to which customers interact directly with service personnel, physical service elements, or both. Services range from high-contact to low-contact.

- High-contact services tend to be those where the customer visits the service facility and is actively with service personnel and the organization's physical facilities throughout service delivery. All people-processing services are defined as *high contact*. As contact is reduced, customer interactions with service providers are often limited to: establishing a relationship and defining a service need; dropping off and picking up a physical possession that is being serviced; or trying to resolve a problem.

- Low-contact services typically require minimal direct contact between customers and service providers. Contact occurs at arm's length through electronic or physical distribution channels.

  Many mental stimulus- and information-processing services are delivered this way. Possession processing can also be a low-contact service if the possession to be serviced can be shipped to the service provider's location or processing can occur electronically to customers' premises.

***(L08) Be familiar with the servuction model and understand the interactions that together create service experience***

The servuction system has two elements:

- Technical core (invisible to the customer)
- Service delivery system (where final assembly takes place)

Figure 2.17 presents these two elements of the service organization's physical environment that is visible to and experienced by the customer.

***(L09) Obtain insights from viewing service delivery as a form of theater***

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The theater is a good metaphor for services because service delivery consists as a series of processes that customers experience as a performance. It is a particularly useful framework for examining high-contact services in which customers come to a physical facility (the stage), encounter a variety of service personnel (actors), are part of a broader group of customers (the audience), and are exposed to a tightly scripted and choreographed service delivery process. The role and script theories are apt in describing how consumers should behave and what steps are needed in order for them to obtain maximum satisfaction from a service encounter.

### *(L10) Know how role and script theories contribute to a better understanding of service encounters*

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

### *(L011) Describe how customers evaluate services and what determines their satisfaction*

When customer expectations are positively disconfirmed, customers are satisfied. High levels of positive disconfirmation lead to customer delight. For negative disconfirmation of expectations, the reverse is true. Students should note that there are strategic links between customer satisfaction and a firm's performance. Service quality is defined as the high standard of performance that consistently meets or exceeds customer expectations. Consumers form their repurchase intentions by their general beliefs about the service quality which are formed as a result of evaluation of services along the five dimensions of tangibles, reliability, responsiveness, assurance and empathy. Customers' evaluation of a firm's service quality can be understood with the help of a tool called SERVQUAL. Table 2.4 provides 21 questions that measure customer's perceptions of a service with their own expectations.

## TEACHING SUGGESTIONS

This chapter covers a broad array of topics. All are important in laying the groundwork for future chapters, although depending on your objectives for the course, you may choose to give greater emphasis to some topics rather than others. You should be able to find many opportunities to bring behavioral concepts to life in class (or through written assignments) by getting students to evaluate their own service encounters, appraise the pros and cons of high- versus low-contact delivery systems in the services they patronize (especially banking),

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analyze their own expectations for different types of services, and discuss their roles as passive or active audience members in a variety of service "dramas."

A suggested case to consider is Case 5: Kiwi Experience.

**Pre-purchase stage.** Students can be asked to describe a recent service purchase of some significance (enrolling in college or taking a big holiday could be examples) and to identify what could be done to reduce the perceived risks in the pre-purchase stage and also how the various costs might be reduced.

**Evaluating service performances.** The continuum of evaluation is a concept that looks simple; however, students sometimes have a difficult time applying it. Review question 4 addresses this topic. We highly recommend that you assign application exercise 2 so that students will gain experience in using the continuum with some familiar service businesses.

**Service encounters.** To help students understand that the numbers and types of service encounters vary significantly depending on the level of contact service providers have with their customers, students need to grasp that the nature of these encounters varies widely across services. In high-contact services, customers are exposed to many more tangible clues and experiences than they are in medium-contact and low-contact services. Both opportunities and risks are associated with service encounters—key steps in these encounters represent "moments of truth" for the service provider. Review questions 6 and 8 can be used to help students understand this stage better.

**Levels of customer contact.** It is often helpful to discuss Figure 2.15 in class as a way of making sure that students understand the implications of the different levels of customer contact. You may want to point out that the same core service (e.g., banking) can be located in different parts of the figure depending on how the total service system is defined and operationalized. Students can be asked to provide other examples of services from the same industries that have different levels of customer contact. It's important to note that many traditionally high-contact services are reducing their levels of customer contact although still satisfying customers by using new technologies. Application Question 6 can also be used as a basis for discussion about levels of customer contact.

**Customer expectations.** From studying Figure 2.11, students will learn how customers form expectations of a specific service. They will recognize that a zone of tolerance exists between the desired level of service (what a customer hopes to receive) and the lower adequate level of service (the minimum pre-purchase stage will still accept). It may help to get students to talk about their own expectations of a recently purchased service, where these expectations came from, and

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how these expectations compared to the reality of the service they actually received. Review question 7 and application exercise 3 can be used to understand what impacts customer expectations.

**Service as theater, roles, and script theory.** The notion of service as theater is a useful metaphor, especially in high-contact services, and one to which students usually relate well.

## QUESTIONS AND EXERCISES

### *Review Questions*

***1. Explain the three-stage model of service consumption.***

In the pre-purchase stage, consumers identify an underlying need. They start to look for a solution, search for relevant information and obtain advice from friends and relatives. Once they have identified a possible set of potential suppliers, they will evaluate them based on their benefits and risks, before making their final decision. At the same time, they will start to from some expectations of the forthcoming service experience. After making a purchase decision, customers move on to the core of the service experience. They start to form contacts with the service provider when placing an order or requesting a reservation. During this service delivery, customers tart evaluating the quality of service they are receiving and deciding whether it meets their expectations. The final stage is the post purchase stage. Here, customers, continue the ongoing evaluation of service quality that determines if their expectations were met. It will affect their loyalty to the provider as well as the amount of positive or negative recommendations made to others.

***2. How can consumer choice between services in their consideration set be modeled?***

Consumer choice can be modeled using the multi-attribute model where consumer options are compared, using attributes that are important to the customers, and attaching importance weights to those attributes.

***3. What is the difference between the linear compensatory rule and the conjunctive rule?***

With the linear compensatory rule, the decision is arrived at by computing a global score for each of the competing brands. This is

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done by multiplying the score for each brand on the attributes by the importance weight. The scores are then added up for each of the three brands. Under the conjunctive rule, the consumer makes the decision based on the total overall score in conjunction with minimum performance levels on one or several attributes.

### *4. Describe search, experience, and credence attributes and give examples of each.*

These attributes can be divided into three different categories:

1) ***Search attributes*** (characteristics that can be readily evaluated prior to purchase). These include such tangible elements as color, texture, taste, sound, and the visible elements of style.

2) ***Experience attributes*** (features that can be evaluated only during service delivery). These include the nature of interactions with service personnel and other customers, the ambience of a service facility, the amount of time spent in different activities and the customer's comfort level during each, and how the customer reacts to different stimuli, and finally the outcome of the service process—the appearance of a haircut, newly cleaned clothes, or landscaping work; knowledge learned in a course, physical and mental feelings after medical treatment, and whether a package was delivered on time

3) ***Credence attributes*** (characteristics that are difficult to evaluate even after service purchase and consumption.). These may include a variety of professional services where the customer is dependent on the expertise of the service provider but may be unsure for some time (or ever) if their work was of good quality. Examples include legal advice, investment counseling, and complex medical interventions.

### *5. Explain why services tend to be harder for customers to evaluate than goods.*

Most physical goods are high in search attributes —tangible characteristics that allow prospective consumers to try out, taste test, or even "test drive" the product prior to purchase. By contrast, services contain fewer tangible clues that can be evaluated in advance of purchase and emphasize experience attributes that can only be evaluated after exposure during or immediately following service delivery. In some instances, services are high in credence attributes that customers have to take on trust because they find it impossible to evaluate them confidently even after purchase.

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Despite these generalizations between goods and services, we should note that inexperienced consumers are likely to have more difficulty in interpreting search attributes of goods prior to purchase although experienced users of a particular type of service will know what to look for, especially in terms of clues from physical facilities and the demeanor of service personnel.

***6. Why does consumer perception of risk play an important role in choosing between alternative service offers? How can firms reduce consumer risk perceptions?***

Perceived risk is an important aspect as customers face a great deal of uncertainty. This is even more so when the purchase requires a substantial amount of resources. Furthermore, services are difficult to evaluate before purchase and consumption making customers worried about the probability of a negative outcome. Firms can reduce this perceived risk by offering performance warranties, money-back guarantees and providing 24/7 access by a toll-free telephone call to a customer service center or informative web site.

***7. How are customers' expectations formed? Explain the difference between desired service and adequate service with reference to a service experience you've had recently.***

You should expect students to employ the diagram in Fig. 2.11 as the basis for their response. In using their own experience to illustrate the desired service level, they should be able to discuss how their personal needs, belief about what is possible (where does this come from in the specific example?), explicit and implicit service promises from the provider in question, word of mouth, and their own past experiences collectively defined the level of service they *hoped* to receive.

Then they should describe how past experience, word of mouth, interpretation of explicit/implicit service promises, situational factors (such as time of day, weather, day of week, etc.), and any perceived alterations combined to set the adequate service level. Realistically, responses to this question should also state where the actual service experience fell within the zone of tolerance or whether it occurred above (customer delight) or below (dissatisfaction) this zone.

***8. What are "moments of truth"?***

"Moments of truth" are the contact points between customers and

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service providers. They are "portals" from which customers get to interact with providers and influence their overall experience. They represent the skill, motivation and tools employed by the firm's representative and the expectations and behavior of client which together will create the service delivery process.

***9. Describe the difference between high-contact and low- contact servuction systems, and explain how the nature of the customer's experience may differ between the two.***

As the level of contact increases between a customer and a service operation, there are likely to be more and longer service encounters. Contact may take place with service personnel, with service equipment/facilities, or both. High-contact services tend to involve personal visits by customers to a physical service facility where they may be actively involved with service personnel. This situation creates a service experience that contains many different impressions and "moments of truth," and is sharply different from a low-contact service, such as one using electronic channels, in which the customer doesn't have physical contact with service personnel and doesn't need to visit a service facility. In between high- and low-contact services is an array of medium-contact services.

***10. How do the concepts of the theater, role theory and script theory help to provide insights into consumer behavior during the service encounter?***

In role theory, consumers understand their roles from social cues and expectations of society that guide their behavior in a specific setting or context. Customers need to "play by the rules" or risk causing problems for the firm, its employees and even other customers.

Script theory suggests a service script that specifies the sequences of behavior that customers are expected to learn and follow during service delivery. Customers learn scripts through experience, education and communications with others. The more experience a customer has with a service company, the more familiar that particular script becomes. Customers will be less likely to deviate from the known script which may frustrate themselves and others. However, this may occur when customers are new to the service as they may not know what to expect and may be fearful of behaving incorrectly.

A theatrical perspective provides insights of service delivery which

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consists of a series of events that customers experience as a performance. Customers imagine service facilities as containing the stage on which the drama unfolds. These stages may change when they move through the delivery process and may be elaborate in settings or simple in appearance. Customers learn to watch the whole setting, from the service facility to the actors involved in the drama and react accordingly.

### *11. Describe the relationship between customer expectations and customer satisfaction.*

Customers have expectations prior to consumption. They observe service performance and outcome, and then compare the experience against their expectations. Satisfaction judgments are based on this comparison:

- *Positive disconfirmation* if better than expected (high satisfaction or even "delight")
- *Confirmation* if same as expected (satisfaction)
- *Negative disconfirmation* if worse than expected (dissatisfaction)

Satisfaction can be defined as an attitude-like judgment following a service purchase (or series of service interactions). It reflects perceived service quality, price/quality tradeoffs, personal, and situational factors. Satisfaction is important to companies as well as to customers, because research shows links between customer satisfaction levels and a firm's overall financial performance.

### *12. What is service quality? How is it different from customer satisfaction?*

Service quality is defined as a high standard of performance that consistently meets or exceeds customer expectations. Although customer satisfaction is also determined by comparing perceptions with expectations but it is an evaluation of a single consumption experience whereas, service quality refers to a relatively stable attitude of belief about a firm.

### *13. What are the five dimensions of service quality?*

The five dimensions of service quality are: Tangibles, Reliability, Responsiveness, Assurance and Empathy.

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***14. How can you measure service quality?***

Service quality can be measured using the tool called SERVQUAL, whereby service quality perceptions can be measured against customer expectations.

## APPLICATION EXERCISES

1. ***Construct a multi-attribute model to compare three different restaurants for an important celebration in your family. Apply the two different decision rules and determine the choices that arise from that.***

This exercise can be set to see if students do know how to apply the two different decision rules. They can also then see for themselves how the application of the different rules leads to different choices.

2. ***What are the backstage elements of (a) a car repair facility, (b) an airline, (c) a university, and (d) a consulting firm. Under what circumstances would it be appropriate or even desirable to allow customers to see some of these backstage elements and how would you do it?***

Backstage operations involve the technical core of the total service system and are typically invisible to customers. Thus, students should identify elements of the services listed above that are not viewed by customers, such as the following examples:

- car repair—diagnosis and repair of vehicles.
- airline—maintenance of aircraft, training of crews, preparation of meals, handling of baggage between aircraft and terminal.
- university—administration, staff meetings, behind the scenes maintenance, marking of exams.
- consulting firm—staff meetings to hire/fire/promote consultants, preparing proposals, fieldwork other than at client site, analysis, report writing.

There are some situations where it might be appropriate to give customers a peek at backstage activities. These activities can actually become part of the service performance if they are carefully orchestrated (but they should then be treated more like front stage activities in terms of managing their impact on customers.) Examples of this include: car repair facilities where the service operations are fully visible through large plate glass windows and advertisements for

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consulting firms that describe their approach to projects. Many of the backstage activities described above, however, would be boring, incomprehensible, inappropriate or unpleasant for customers to experience.

***3. Visit the facilities of two competing service firms in the same industry (e.g. two banks, restaurants, or gas stations) that you believe have different approaches to service. Compare and contrast, using suitable frameworks from this chapter.***

Students should be able to apply the script theories and follow them through to map out the service. Using the table on perceived risks, students can also evaluate the service.

***4. Apply the script theory and role theories to a service of your choice. What insights can you give that would be useful for management?***

Students will find it useful to apply these theories as they get to see how it works out in reality. They will find that these theories may apply to some situations and not in others.

***5. Explain why services tend to be harder for customers to evaluate than goods.***

This exercise can be undertaken as two groups where students in one group can play the roles of customers in face-to-face and online encounter and the other group can be service providers.

***6. Describe an unsatisfactory encounter you experienced recently with (a) a low-contact service provider via email, mail, or phone and (b) a high–contact, face-to face service provider. What were the key drivers of your dissatisfaction with these encounters? What could the service provider have done to improve the situation?***

This makes a great in-class discussion exercise. Have the students form teams and identify the best unsatisfactory encounter they experienced in the last six months. They can then present to the rest of the class.

***7. How would you define "excellent service quality" for an enquiry/information service provided by your cell phone or electricity service provider? Call a service organization, go through a service experience, and evaluate it against your definition of excellence.***

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Students can be made to develop their own SERVQUAL scale for the 5 dimensions of service quality in cell phone and electricity provider.

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*Case 30*

# National Library Board Singapore: World-Class Service through Innovation and People Centricity[1]

Thomas Menkhoff and Jochen Wirtz

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**Abstract**

The National Library Board (NLB) Singapore is a statutory board that managed to become a serial innovator. Its globally leading innovations in the library context include an award-winning radio frequency identification (RFID) system to automate check-out, returns, and sorting of books, shelf-reading robots, and even self-service libraries. NLB's consistent focus on excellent service delivery reinforced its commitment to innovation. Key levers were effective strategic leadership, a smart innovation strategy that made heavy use of technology—such as app-delivered self-service technologies and crowdsourcing—as well as a people-centric staff culture. NLB managed to co-create attractive libraries of the future together with different types of community members, such as volunteers and corporations, ushering in a new age of citizen involvement while also preparing both the library and the population of Singapore for the knowledge demands of the 21st century. This case study examines NLB's drivers of successful innovation.

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## NATIONAL LIBRARY BOARD'S JOURNEY OF INNOVATION

The National Library Board's (NLB's) vision is an ambitious one, to say the least. The vision's stated aim is to achieve "Readers for Life, Learning Communities, and a Knowledgeable Nation." Correspondingly, it describes its mission thus: "We make knowledge come alive, spark imagination and create possibilities." Naturally, this massive endeavor could only be approached with significant and sustained innovation and the massive deployment of technology.

### NLB's Vision

The Board's innovation objectives were outlined in several master plans that envisioned the establishment of a world-class library system which sought to meet the learning needs of a rapidly developing young nation. The Board evolved through three waves of transformation, each successive wave building on what was achieved through the previous one's master plan.

*Wave 1 – Library 2000*

The focus of the early transformation effort in Wave 1 was to develop and expand the infrastructure of an adaptive, world-class public library system in Singapore that would be convenient, accessible, and useful. Several strategic undertakings were formulated and subsequently implemented, such as establishing a network of national reference libraries and a three-tier public library system of regional, community, and neighborhood libraries, as well as assisting in the setting up of school libraries and development of specialized libraries for specific sectors. All publicly funded libraries within Singapore were linked to overseas libraries and information services through computer networking. A coordinated national collection strategy was initiated to provide comprehensive coverage of Singapore's literary and publishing heritage. This culminated in the core collection of the so-called Lee Kong Chian Reference Library, with over 300,000 items featuring material in various formats (microfilms, maps, audio-visual materials, ephemera, posters, and print publications) related to the history, political and economic history, literature, as well as social-cultural history of Singapore. As Singapore developed into a global knowledge hub offering information on regional businesses and cultures, Wave 1 laid the foundation for safeguarding the documentary heritage and intellectual memory of the country, in keeping with its aim to build a literate, informed, and participative society.

Another strategic goal was to ensure that the libraries would offer quality service through market orientation. The innovative use of radio frequency identification (RFID) technology–enabled self-service allowed customers to perform the check-out and return transactions themselves. As waiting times were minimized, customers could engage with the library more proactively. In a bid to remain relevant in an increasingly digital world, NLB launched the eLibraryHub, enabling users to access digital content easily from an online portal without having to be physically present at the libraries.

New strategic and symbiotic linkages between the government, businesses, and the general public were formed to ensure that NLB would meet the needs of Singaporeans in the 21st century. Through initiatives such as the Friends of the Library Programme, NLB involved community members, reaching out to volunteers whose personal preferences and abilities were matched with areas within its libraries. By organizing enriching programs for children



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from low-income families or delivering books to those unable to visit libraries, volunteers made a real difference and felt that they were part of something greater than themselves.

*Wave 2 – Library 2010*

Wave 2 of NLB's transformation had an even stronger focus on IT, supporting the leadership's desire to achieve higher productivity in library services. The reengineering of business processes had stretch targets in five key areas: Time-to-Market, Time-to-Checkout, Time-to-Shelf, Time-to-Information, and Library Planning, Setup, and Renewal. This also included greater emphasis on use-education so that library users could fully appreciate and explore the breadth of the collections.

The key thrusts of NLB's digital strategy included the following:

- Creation of immersive reading experiences inside physical library spaces with e-reading stations, multimedia video walls, and mobile services. The latter included NLB Mobile app, which could be used to borrow items and bypass the queue at book-borrowing stations.

- Pushing personalized content and recommendations to encourage users to read more. This was enabled through patron analytics, smart displays, and devices.

- Increasing NLB's outreach through presence in spaces outside its libraries, such as personalized recommendations on partner platforms and spaces.

- Productivity-focused automation and self-service technology to optimize staff deployment and enhance patron convenience. For instance, thanks to reservation lockers, patrons were able to make reservations outside library opening hours.

- Data-driven library operations and collections planning allowed NLB to plan effective library services, optimize content usage, and provide relevant collections to users.

The innovative efforts by NLB to create digital libraries culminated in the OneSearch Service, an online search portal for information spread across a variety of resources, spanning NLB's libraries and archives databases as well as the National Heritage Board's museum repository of artefacts and artworks. Through the OneSearch Service, users could conveniently retrieve a wide range of digital content (books, magazines, audio-visual materials, e-books, photographs, films, maps, etc.).

As more people were reading online, NLB's "eRead" resources offered digital and audio books, newspapers, and magazines from various genres and in English, Chinese, Malay, and Tamil. Capable of retrieval from a wide range of digital content including books, magazines, audio-visual materials, e-books, photographs, films, oral history interviews, and maps, NLB once again achieved service excellence with technology as an enabler.

*Wave 3 – Library 2020*



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Wave 3 was launched in 2016 with the motto "Readers for Life, Learning Communities, and a Knowledgeable Nation" to create more learning communities and inspiring spaces across Singaporean society.

To promote reading, learning, and literacy, NLB rolled out various reading programs tailored to the needs of different demographic groups. They included Early READ for children up to 6 years, kidsREAD for children of ages 4 to 8 years from low-income families, and READ@School for students of ages 7 to 17 years.

An example of NLB's concept of an "Inspiring Space" is the historical Memories at Old Ford Factory site. Once the assembly plant of the Ford Motor Company of Malaya, on 15 February 1942, it became the site where the British forces surrendered Singapore to the Japanese Imperial Army. In early 2017, the building reopened to mark the 75th anniversary of the start of the Japanese Occupation of Singapore. It features archival records and multisensory displays to bring history to life. After a public call for donations of historical materials such as Japanese textbooks or oral history accounts covering the years 1937 to 1954, NLB received over 400 donated items.

As a guardian of historical knowledge, NLB's HistorySG projects such as Memories at Old Ford Factory are critical for presenting Singapore's collective memory to the young and old alike.

How did a statutory board like NLB manage to become an award-winning serial innovator? Key fundamentals underpinning NLB's innovation success included (1) an effective innovation leadership and innovation process, (2) a strong focus on (technology-enabled) service delivery, (3) an enduring culture of staff involvement and innovation, and (4) innovation through co-creation and 3P (people, private, public sectors) engagement.

## Transformational Leadership and Innovation Process

From the beginning, senior management exhibited strong, transformational, and intrapreneurial leadership as it worked with Singapore's public administration to enhance organizational efficiency, digitalization (e.g., as part of the computerization of the entire civil service) and service delivery. All levels of staff within NLB were galvanized for technological and organizational change as the Information Age was ushered in. If one looks at the innovation strategy development process as a series of cascading stages, where each stage derives from or acts upon the results of the preceding stage (see Table 1), it becomes clear that NLB's leaders managed to ask the right strategic questions and followed through them decisively, step after step.



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**Table 1: Critical Aspects of a Strategic Innovation Cascade***

**1. What's Our Purpose?**
Why innovate, and on the basis of what kind of objectives?

**2. Where to Play** (Where Not to Play)?
Where should the innovation's focus and scope be?

**3. With What Intensity?**
How much innovation (e.g., incremental or radical) is wanted?

**4. How to Win?**
How should corporate innovation goals be pursued, and which unique value proposition should they be based on?

**5. With Whom to Innovate?**
With whom should collaboration be (e.g., internal partners and/or external complementors), and where are the innovation boundaries?

**6. With What Capability Assets?**
How can it be ensured that people in the organization are capable and motivated to make innovation work?

**7. With What Management Systems?**
How can working relationships be structured and organized to "get things done" innovatively?
What business processes need to be built in order to create and capture innovation value?
How can strategic innovation matters be tracked and innovation efforts be evaluated?

* As an innovation strategy tool, the Strategic Innovation Cascade can point management's attention to critical questions that need to be answered to make innovation work.

*What Is Our Purpose / Where Should We Play?*

NLB's mission ("We make knowledge come alive, spark imagination and create possibilities") and innovation objectives were derived from several master plans envisioning the establishment of a world-class library system. National development goals such as becoming an internationally competitive nation and a cohesive society with a strong national identity paved the way for NLB to find the right "playing field" in terms of its vision, mission, localities, product and service categories, customer segments, channels etc. Encouraging Singaporeans to discover and celebrate the joy of reading propelled many of its nation-wide reading initiatives, such as "Read! Singapore" (2005). The initiative was aimed at promoting a culture of fiction-reading among Singaporeans, and a key component of the initiative was the promotion of cross-translated short stories. Presented in Singapore's four official languages, the initiative featured meet-the-author sessions, book clubs, writing workshops, storytelling sessions, and book-derived workshops for children and adults. This allowed the public to be more hands-on with the library's initiatives.

Important questions that NLB's leadership team had to answer concerned the Intensity Level of Innovation Efforts ("How much incremental or radical innovation do we want?") and the strategic approach towards pursuing innovation goals on the basis of a compelling value proposition ("how to win"). The outcomes of such strategy decisions included the



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deployment of RFID technology to enable self-service borrowing and returning as well as the development of a new mobile application enabling library members to borrow materials using their mobile devices on the go (see Table 3).

*With Whom to Innovate?*

NLB became a leader in "co-creation." An example of this boundary-spanning collaboration approach was the 2013 opening of the library@chinatown, whose whole day-to-day operations are fully run by volunteers. Through this kind of novel service co-creation, NLB involved community members and public organizations such as CP1 Pte. Ltd. (the property developer for the Chinatown Point shopping center) and Kwan Im Thong Hood Cho Temple, based on the 3Ps sector motto (People, Public, and Private). It enabled NLB to tap into the knowledge, input, and resources of the wider community, contributing to improved public service delivery.

Gradually, NLB further strengthened its customer value proposition with a focus on "non-customers" and demonstrated the ability to create and capture new demand as evidenced by its "Verging All Teens" program, rolled out in the Jurong Regional Library (the first library space created for teens by teens), and My Tree House, the world's first green library for children (created in collaboration with City Development Limited) to promote learning and reading for life in line with the Library 2020 vision. The colorful indoor setting changed the perception of reading, while the décor was made of recyclable or environmentally friendly resources, with energy-saving furnishings. Such partnerships with private companies added to NLB's capabilities in developing and improving public libraries while serving as a touch point for these organizations to give back to the public.

*With What Capability Assets?*

All this wouldn't have worked if not for a strong foundation comprising a set of reinforcing capabilities and competency-enhancing activities, such as the Master of Science in Library Science program for library staff (developed together with the Nanyang Technological University in Singapore), embedded in a robust culture of learning and innovation.

*With What Management Systems?*

Besides good innovation governance and strategy execution in general, NLB established various supporting management systems (e.g., for innovative IT deployment such as the OneSearch service). Rather than focusing on traditional librarianship duties, staff across all levels were motivated to provide ideas for innovation and engage in new initiatives such as crowdsourcing. The latter became a core component of NLB's Citizen Archivist Project, which enabled the public to contribute to the nation's intellectual memory. NLB's success in innovation was driven by numerous value-adding business processes, such as rapid prototyping and open innovation, and an integrative performance measurement approach. Recently, NLB deployed the use of geo-spatial analytics to better understand the borrowing behavior of library users across the island.

At the structural level, several innovation processes were implemented to create and capture innovation value. This provided a conducive environment for all ideas to be considered and then further refined for implementation (see Table 2). Through the establishment of strong



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channels for internal communication within NLB, staff was kept informed about organizational changes and encouraged to make suggestions for improvements.

**Table 2: Examples of Innovation Processes and Strategic Actions Taken by NLB**

| Processes | Examples of Strategic Actions Taken |
|---|---|
| The organization generates, gathers, and screens creative ideas from all sources. | NLB involved its own employees in the innovation process through various initiatives. An example of its "dare to try" innovation spirit and ideation process was the BlackBox program. It consisted of (i) a call for ideas, (ii) an innovation competition, (iii) development and trial, and (iv) the presentation of findings and recommendation to senior management.<br><br>While testing out technology-based ideas, NLB employed a rapid prototyping approach called proof of concept (PoC), through which NLB could safely and economically assess the viability of an idea by developing small-scale projects. By maximizing time and resources within a limited period of time, the PoC approach helped NLB to evaluate the viability of ideas and to minimize the financial risks they might pose. |
| The organization incorporates new developments and changing requirements into innovations. | Predictive data analytics enables NLB to forecast user demand for new and existing titles, which in turn leads to more efficient resource management and greater service quality. |
| The organization involves employees and partners in the new product/service design. | NLB proactively maintained and expanded partnerships with overseas libraries, government agencies, non-profit organizations, and private organizations as well as communities.<br><br>The library@chinatown was Singapore's first volunteer-run public library that was co-developed with and managed by the community, for the community.<br><br>MOLLY, NLB's mobile library, brought library services to orphanages, children's homes and special education schools such as Pathlight School (a school for autistic children) in collaboration with SBS Transit Ltd. and Comfort Delgro Pte. Ltd. |
| The organization has a relationship with customers to identify and address innovation opportunities. | NLB aligned itself effectively between several customer segments and its customer strategy, in line with its overall mission. An example was reaching out to seniors above the age of 60 and examining their requirements for productive leisure, mental stimulation, and social engagement. Tools deployed to understand their (future) needs included |



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| | |
|---|---|
| | customer dialogue sessions and customer feedback channels.<br><br>Customers were involved systematically in library renovation projects or when niche library spaces were designed for community members via face-to-face sessions and CRM-enabled feedback loops. |
| The organization reviews management of innovation projects and validates them. | To ensure that innovation projects delivered the intended outcomes, NLB carefully managed the end-to-end maturation journey of an idea. Key milestones included planning, followed by business cases, project management, and post-implementation review. |
| The organization seeks breakthrough improvements in key business processes for value creation. | One strategic goal of NLB was to make its content discoverable with the help of digital services. NLB's Mobile app, the revamp of its Archives Online, the Oral History Interviews Portal and the OneSearch search engine were examples of e-services that were rolled out to facilitate easy access to content on Singapore and to NLB's resources. |
| The organization evaluates and improves its management of innovation processes for product, service and business process innovation. | One hallmark of NLB's innovation culture was co-creation powered by the strategic belief in the importance of harnessing the power of collective wisdom via public participation. |

Source: Various NLB materials such as its Innovation Award Report, available at https://www.spring.gov.sg/Building-Trust/Business-Excellence/Documents/IAward_NLB_2016_Summary_Report.pdf

NLB's leadership team created a strong foundation for greater innovativeness by putting in place systems for effective people management systems (e.g., training programs on ideation and innovation management) and innovation process management (e.g., idea generation approaches together with staff, customers, suppliers, and other partners). While the impetus was to adopt advanced technology to improve work processes, NLB's leadership involved all levels of staff as part of the change efforts in order to create a trustworthy and engaged work environment.

**Focus on Technology-Enabled Service Delivery to Library Users**

Over the years, NLB continuously rolled out numerous digital services (self-service technologies) aimed at making its content accessible. For example, in the nation with the highest mobile penetration rate in the world, NLB Mobile app has given library users access to library information and allowed transactions such as loaning of library materials and e-books that can be read on the go. Users can borrow books with their mobile phones using



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updated RFID technology via the app, rendering queuing for self-checkout machines a thing of the past.

NLB provided e-books (in all four official languages) that could also be accessed through its website. Subjects include the arts, economics, literature, history and geography, philosophy and religion, social science, politics and law, and science. These e-books were procured through major international e-books providers. To provide easy access to Singapore's archival holdings, Archives Online was revamped to enable a seamless search for information across the National Archives of Singapore's various databases, which include photographs, maps, oral history interview samplers, and snippets of audio-visual recordings. Library users could also get online access to the Oral History collection of Singapore's National Archives, including a vast collection of stories from politicians to street hawkers, medical professionals to prisoners-of-war, and artists to entrepreneurs.

NLB's innovation was successful because it was both technological and non-technological. This was in line with academics' and consulting firms' findings that it was organizational strategy and innovation culture, not technology per se, that drove the success of digital transformation efforts. NLB used technological innovation not as an end goal but as a means to free up resources so that they could engage in other forms of innovation, mainly co-creation for service excellence and productivity with external parties.

Technologically enabled service innovations pioneered by NLB such as book drops, self-checkout machines, and borrower enquiry machines became standard features in new libraries. They exemplified a positive trend where innovation efforts by NLB were accompanied by the gradual evolution of citizen engagement.

As an example of innovative service co-creation, the library@orchard won the prestigious President's Design Award for its outstanding interior design in 2015. Its space design was informed by the ideas and proposals contributed by Orchard Road "regulars" and other members of the public in collaboration with design thinking experts from Singapore Polytechnic (SP). The three development phases included (i) observing target users and understanding their needs and "pain points" via interviews, (ii) ideation based on the results of data collection efforts, and (iii) development of prototypes to obtain user reactions and to appreciate customer preferences. At the Pasir Ris Public Library, a new (volunteer-run) teen's mezzanine with comfortable multi-functional furniture and a doodle wall for self-expression and discussions was created for teenagers.

**Culture of Staff Involvement and Innovation**

Future-proofing the libraries and expanding the nation's learning capacity with the aid of information resources provided a purpose for many organizational members and ultimately helped NLB to achieve its strategic objectives. All librarians were encouraged to build up relevant competencies and human capital alongside the transformation of the library, aimed at reaching Level One certification from the Singapore Workforce Skills Qualifications in six months. Thus, a culture of staff involvement was built from the organization's beginning.

While public organizations elsewhere were stereotyped as being bureaucratic, NLB gave its staff the autonomy and empowerment to voice their opinions and raise suggestions. The adoption of the Staff Suggestion Scheme served as a channel for staff across all levels to



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share their ideas, to be evaluated by the heads of the divisions and then approved online. This was not a token exercise. For example, as early as in 1997, when the scheme was introduced, 60 percent of 2,239 suggestions received were implemented. This sent a strong signal to all levels of staff that contributions were taken seriously and that the organization was genuine about constant incremental improvements. Tools such as the BlackBox program (see below) ensured that the ideas and innovation potential of NLB's staff were fully exploited.

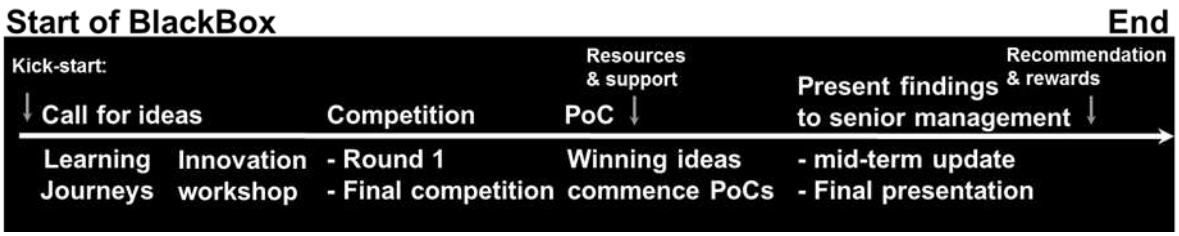
To sustain innovation efforts, NLB realized that it was key to invest in people. Librarians' competencies were developed over the years in line with changing customer expectations. The form in which knowledge was processed and interpreted evolved even if the core services of providing research and references services to the public remained. Traditional librarianship had to be further professionalized, moving beyond cataloguing and referencing to research, synthetization, and packaging of information. To aid in this upgrade, NLB signed a memorandum of understanding (MoU) with the Nanyang Technological University in 1998 to offer the Master of Science in Library Science degree to library staff. These formal academic qualifications helped librarians specialize in information and navigate the Information Age, serving readers all the same. Many more MoUs followed to facilitate knowledge sharing on technical systems and innovations with academics.

Other capabilities that were built for librarians included skills to develop specialized collections, including arts, multi-culture, and Singapore; the productization of information services to provide reference answers to the public on an online database, namely, Singapore Infopedia; specialized information services in business information and customized information; cataloguing and indexing newspapers on the digital space through the Dublin Core Standard; and Cybrarian services for users to communicate remotely on the eLibraryHub.

Specialization in these roles helped NLB to increase the range of services delivered to customers as well as serve a wider segment. Knowledge across different areas also helped to expand the scope for innovation.

As we know from innovation studies, trying to make innovation work with the same tight planning, budgeting, and reviews that are applied to existing businesses can create a "trap." One remedy is to add flexibility to planning and control systems; for example, by providing special funds for new opportunities. NLB did just that. To support the passage of ideas from initial planning to post-implementation review, various means and channels were instituted. The BlackBox program (held biennially) was spearheaded by the Technology & Innovation division (see Figure 1) and has helped to identify numerous potential innovative projects. Winning teams were provided with funds, mentors, and financial resources to conduct a 6-month proof-of-concept.

**Figure 1: NLB's BlackBox Program**



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One of the projects spawned out of BlackBox was Quest, a trading-card game aimed at encouraging young boys to read. Quest won the American Library Association Presidential Citation for Innovative International Projects in 2011. The continuity of the BlackBox program exemplifies NLB's strong innovation culture.

Another effective innovation management approach adopted by NLB was the involvement of staff in projects that featured cross-divisional teams. The formation of such work groups broke the functional silos and allowed staff from all levels to come together. Cross-functional project teams reduced hierarchy and bureaucracy, bringing together various domain experts to be involved as team members and manage and implement projects together. The re-opening of revamped libraries like the Pasir Ris Public Library in 2015 provided clear evidence of the benefits of cross-divisional collaboration between staff from the Public Library Service, Properties and Facilities Management division, and the Technology and Information division to ensure that the library provides up-to-date services across all functions on time.

**Innovation through Co-Creation and 3P (People, Private, Public Sectors) Engagement**

One of the first instances of public involvement with NLB beyond the traditional library usage was during the rollout of the Verging All Teens program in the Jurong Regional Library. It was the first library created for teens by teens, meant to inspire each other to read more about the creation of relevant library spaces. Thanks to youths' input, the Teens Library had unique features catered to this target group, including music, décor, stage performances, and even a graffiti wall. This section of the library was publicly run by volunteers.

NLB's co-creation approach eventually expanded beyond the daily running of operations to the very conceptualization of libraries. This was particularly important for mall libraries, because they were set apart from the regional, neighborhood, and national libraries in terms of space, location, and curated collections. The library@esplanade became Singapore's first performing arts library. Taking in feedback from the arts community, it boasted an exhibition space and performing stage alongside a niche collection of books, screenplays, and music scores.

The success of this mall library led to the co-development of library@chinatown alongside a panel of experts on Chinese culture comprising educators, academia, and media experts. Opened in 2013, the library's main purpose was to promote Chinese art and culture. It was also a step-up from volunteer programs, for all its day-to-day operations were fully run by volunteers. These volunteers not only addressed basic queries but also brainstormed for engaging library programs for the public. Customer satisfaction, in fact, registered higher in these volunteer-run libraries; library@chinatown had the highest customer satisfaction rating, proving that NLB's careful design and planning over the years not only matched user behavior and expectations but gratified them even more as users were directly involved in the library's activities.

**Table 3: Components and Outcomes of NLB's Breakthrough Innovations**

| Innovation Strategy Components and Outcomes | NLB's Innovation Strengths |
|---|---|
| *Component: Citizen Engagement and* | Co-creation and volunteer-delivered services |



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| | |
|---|---|
| *Collaboration through Co-Creation*<br><br>**Outcome:**<br>**Greater social engagement of NLB's stakeholders (e.g. volunteers)** | have multiplied impact and reach:<br>• library@orchard<br>• library@chinatown<br>• Pasir Ris Public Library<br>• Citizen Archivist project aimed at greater public participation in the archival process |
| *Component: Making NLB Content Discoverable through Digital Services*<br><br>**Outcome:**<br>**Effective harnessing of digital (e.g. self-service) technologies** | Digital services facilitated easy access to content on Singapore and NLB's e-Resources:<br>• NLB Mobile app<br>• Revamp of Archives Online<br>• Oral History Interviews Portal<br>• OneSearch Portal |
| *Component: Buffering Front Office Activities from the Back Office*<br><br>**Outcome:**<br>**Organizational efficiency gains through resource optimization** | Resources saved through technologies were channeled to higher value tasks:<br>• Auto-sorter system<br>• Self-service reservation system<br>• Shelf-reading robot |

Co-creating with public and private organizations allowed NLB to participate in other projects beyond the library, combining its internal strengths with the business know-how of these organizations. In 2011, NLB led the Singapore Memory Project for the Singapore Government, reaching out and partnering with other institutions, which included heritage agencies and research institutions, to kick-start a memory movement. Through their shared expertise, the partnership enabled the creation of a new wave of knowledge assets in a Library 2.0 environment.[2] An Add to Singapore Memory app was created through which the public could contribute their own perspectives in the form of videos, photographs, and web links to the platform, with NLB playing a key role in the curation and archiving of these assets.

The Citizen Archivist project, a crowd-sourcing portal launched in 2015, tapped the public's knowledge and wisdom for its extensive collections of archival records. This encouraged more public participation in the archival process. Citizens' involvement in the description and transcription of archival records directly contributed to the greater accessibility of Singapore's intellectual memory in the form of archives.

Another example of 3P participation was the development of NewspaperSG, a digital archive of Singaporean and Malaysian newspapers published between 1831 and 2009. With the support of Singapore Press Holdings, the leading publisher in Singapore, NLB was granted permission to digitize *The Straits Times* from its first issue onwards. Once again, it was the fruitful partnership with different stakeholders that allowed NLB to broaden its range of services offered to the public, maintaining its commitment to customer-centricity.

**Going Forward**

[2] The term "Library 2.0" refers to the application of interactive and collaborative (multimedia) web-based technologies to library services and collections.



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NLB's strong staff culture has provided a conducive environment for innovations to occur, supported by leadership, strategy, innovation culture, capacity-building, formalized processes, IT mastery, and 3P partnerships for co-creation. The adoption of both technological and non-technological innovations enabled NLB to engage stakeholders such as the public in unprecedented ways. Although innovations usually started internally within the organization, through suggestions from the staff seeking to improve customer delivery, these novel and value-creating ways of doing things eventually diffused outwards and had a far-reaching impact on the scope and depth of NLB's services.

In the era of Big Data, NLB continues to use innovations to serve its customers in line with its mission and vision. As Singapore's demographics change, NLB is well advised to harness the capabilities of data analytics and artificial intelligence for effective collection planning in order to serve the different segments of Singapore's diverse population. With transformation as a continual process rather than an end goal along with Singapore's growth as a smart nation, NLB can rely on its established innovation processes, forward-looking vision, and digital thrusts to address the ever-changing needs of readers of all ages and backgrounds. Several of NLB's current technology initiatives are aimed at figuring out how to use technology for *personalization* and to push out actionable information that is useful to individual users. This is just one of numerous new initiatives of NLB to future-proof itself.

**Study Questions**

1. What are the main transformation waves NLB has gone through?

2. How did NLB manage to create a strong culture of innovation and service excellence?

3. What did NLB do in terms of staff capacity-building in order to expand the propensity for innovation?

4. What was the role of IT and digital services in transforming NLB and to improve the customer experience?

5. How did organizational strategy and culture drive NLB's digital transformation and innovation outcomes?

6. What could NLB do to further stay ahead as a "Library for Life" as part of NLB's 10-year strategic development plan?



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Essentials of

# Services Marketing

3rd Edition

# 2 Consumer Behavior IN A SERVICES CONTEXT

WIRTZ LOVELOCK

# Learning Objectives

2.1 Understand the three-stage model of service consumption.

2.2 Use the multi-attribute model to understand how consumers evaluate and choose between alternative service offerings.

2.3 Learn why consumers often have difficulty evaluating services, especially those with many experience and credence attributes.

2.4 Know the perceived risks customers face in purchasing services and the strategies firms can use to reduce consumer risk perceptions.


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# Learning Objectives

2.5 Understand how customers form service expectations and the components of these expectations.

2.6 Know the “moment of truth” metaphor.

2.7 Contrast how customers experience and evaluate high- versus low-contact services.

2.8 Be familiar with the servuction model and understand the interactions that together create the service experience.


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# Learning Objectives

2.9 Obtain insights from viewing the service encounter as a form of theater.

2.10 Know how role, script, and perceived control theories contribute to a better understanding of service encounters.

2.11 Describe how customers evaluate services and what determines their satisfaction.

2.12 Understand service quality, its dimensions and measurement, and how quality relates to customer loyalty.


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# Consumer Behavior in a Services Context

## 2.1

**Understand the three-stage model of service consumption.**



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# The three-stage model of service consumption

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

- Overview

| Stages of Service Consumption | Key Concepts |
|---|---|
| **1. Pre-purchase Stage** | |
| Awareness of need<br>• Information search<br>• Clarify needs<br>• Explore solutions<br>• Identify alternative service products and suppliers | *Need arousal*<br><br>*Evoked set* |
| Evaluation of alternatives (solutions and suppliers)<br>• Review supplier information (e.g. advertising, brochures, websites)<br>• Review information from third parties (e.g. published reviews, ratings, comments on the web, blogs, complaints to public agencies, satisfaction ratings, awards)<br>• Discuss options with service personnel<br>• Get advice and feedback from third-party advisors and other customers | Consideration set<br><br>Multi-attribute model<br><br>Search, experience, and credence attributes<br><br>Perceived risk<br>Formation of expectations<br>- desired service level<br>- predicted service level<br>- adequate service level<br>- zone of tolerance |
| Make decisions on service purchase and often make reservations | |

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# The three-stage model of service consumption



**2. Service Encounter Stage**
Request service from a chosen supplier or initiate self-service (payment may be upfront or billed later)
Service delivery by personnel or self-service

*Servuction system*
*Theater as a metaphor*
*Role and script theories*
*Perceived control theory*

**3. Post-encounter Stage**

Evalution of service performance

*Confirmation/ disconfirmation of expectations*

*Dissatisfaction, satisfaction, delight, and service quality*

Future intentions and behaviors

*Word-of-mouth*
*Repurchase*
*Loyalty*

**Figure 2.3** The three-stage model of service consumption.

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# The three-stage model of service consumption



- Need awareness
- Information search
- Evaluation of alternatives
  - Multi-attribute model
  - Service attributes
  - Perceived risk
  - Service expectations
- Purchase decision

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# The three-stage model of service consumption

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

**Need Awareness**

- A service purchase is triggered by an underlying need (need arousal)
- Needs may be due to:
  - People's unconscious minds (e.g., aspirations)
  - Physical conditions (e.g., chronic back pain)
  - External sources (e.g., marketing activities)
- When a need is recognized, people are likely take action to resolve it

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# The three-stage model of service consumption

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

**Information Search**

- When a need is recognized, people will search for solutions.
- Several alternatives may come to mind, and these form the evoked set
  - Evoked set: set of possible services or brands that a customer may consider in the decision process
- When there is an evoked set, the different alternatives need to be evaluated before a final choice is made

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# Consumer Behavior in a Services Context

## 2.2

**Use the multi-attribute model to understand how consumers evaluate and choose between alternative service offerings.**



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# The Multi-attribute Model

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

**Table 2.1** Modeling consumer choice—Susan Munro's multiattribute 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%** |

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# Consumer Behavior in a Services Context

## 2.3

**Learn why consumers often have difficulty evaluating services, especially those with many experience and credence attributes.**



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# Service Attributes

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

- Search attributes help customers evaluate a product before purchase
- Experience attributes cannot be evaluated before purchase—must "experience" product to know it
  - Vacations, sporting events, medical procedures
- Credence attributes are product characteristics that customers find impossible to evaluate confidently even after purchase and consumption
  - Quality of repair and maintenance work

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# Consumer Behavior in a Services Context

## 2.4

**Know the perceived risks customers face in purchasing services and the strategies firms can use to reduce consumer risk perceptions.**



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# Perceived Risks

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

- *Functional*—unsatisfactory performance outcomes
- *Financial*—monetary loss, unexpected extra costs
- *Temporal*—wasted time, delays leading to problems
- *Physical*—personal injury, damage to possessions
- *Psychological*—fears and negative emotions
- *Social*—how others may think and react
- *Sensory*—unwanted impact on any of five senses

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# Perceived Risks



**How Do Consumers Handle Them?**

- Seeking information from respected personal sources
- Using Internet to compare service offerings and search for independent reviews and ratings
- Relying on a firm that has a good reputation
- Looking for guarantees and warranties
- Visiting service facilities or trying aspects of service before purchasing
- Asking knowledgeable employees about competing services

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# Perceived Risks



**Strategies for Firms to Manage Consumer Perceptions of Risk**

- Preview service through brochures, websites, videos
- Encourage visit to service facilities before purchase
- Free trial (for services with high experience attributes)
- Advertise (helps to visualize)

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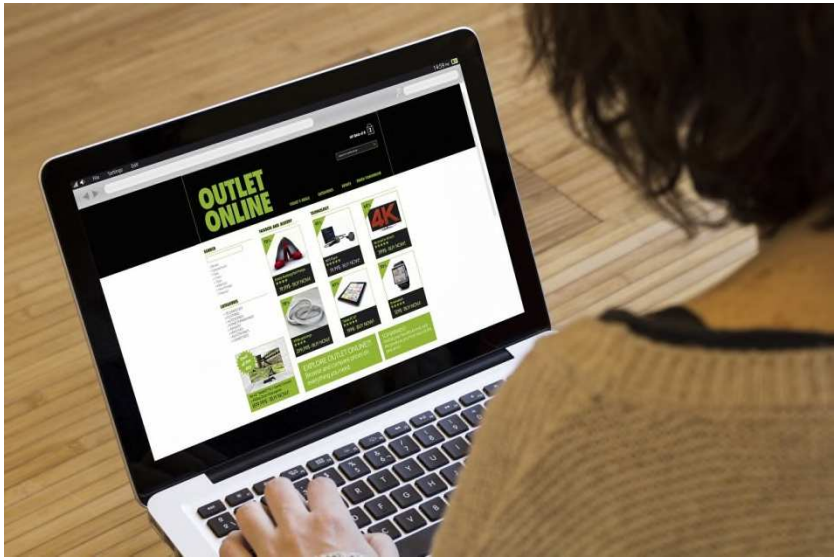
# Perceived Risks



**Strategies for Firms to Manage Consumer Perceptions of Risk**

- Display credentials
- Use evidence management (e.g., furnishing, equipment etc.)
- Give customers online access to information about order status
- Offer guarantees

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# Consumer Behavior in a Services Context

# 2.5

**Understand how customers form service expectations and the components of these expectations.**



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# Service Expectations

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

- Customers evaluate service quality by comparing what they expect against what they perceive
  - Situational and personal factors also considered
- Expectations of good service vary from one business to another, and differently positioned service providers in same industry
- Expectations change over time

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# Service Expectations

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

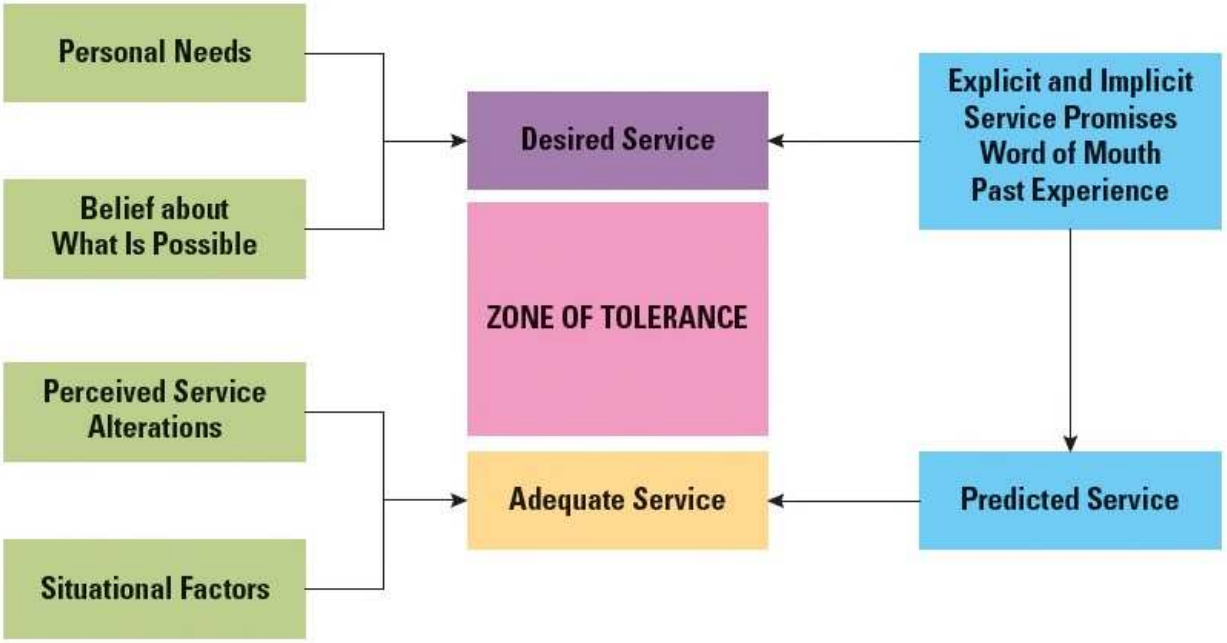


**Figure 2.11** Factors influencing customer expectations from the service.

SOURCE

From Valarie A. Zeithaml, Leonard L. Berry and A. Parasuraman, "The Nature and Determinants of Customer Expectations of Service," *Journal of the Academy of Marketing Science*. Springer 1993, pp. 1–12.


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# Service Expectations

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

**Components of Customer Expectations**

- Desired Service Level:
  - Wished-for level of service quality that customer believes can and should be delivered
- Adequate Service Level:
  - Minimum acceptable level of service

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# Service Expectations

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

**Components of Customer Expectations**

- Predicted Service Level:
  - Service level that customer believes firm will actually deliver
- Zone of Tolerance:
  - Range within which customers are willing to accept variations in service delivery

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# Service Expectations



**Purchase Decision**

- When possible alternatives have been compared and evaluated, the best option is selected
- Can be quite simple if perceived risks are low and alternatives are clear
- Very often, trade-offs are involved. The more complex the decision, the more trade-offs need to be made
- Price is often a key factor in the purchase decision

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# Consumer Behavior in a Services Context

# 2.6

**Know the "moment of truth" metaphor.**



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# Moments of truth



- The “moment of truth” is when the customer directly interacts with the service firm.
- It involves the skills, motivation and tools employed by the firm to prove to the customer that they are the best alternative for them.

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# Consumer Behavior in a Services Context

## 2.7

**Contrast how customers experience and evaluate high- versus low-contact services.**



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# High- versus low-contact services

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

- Service Encounters Range from High-contact to Low-contact

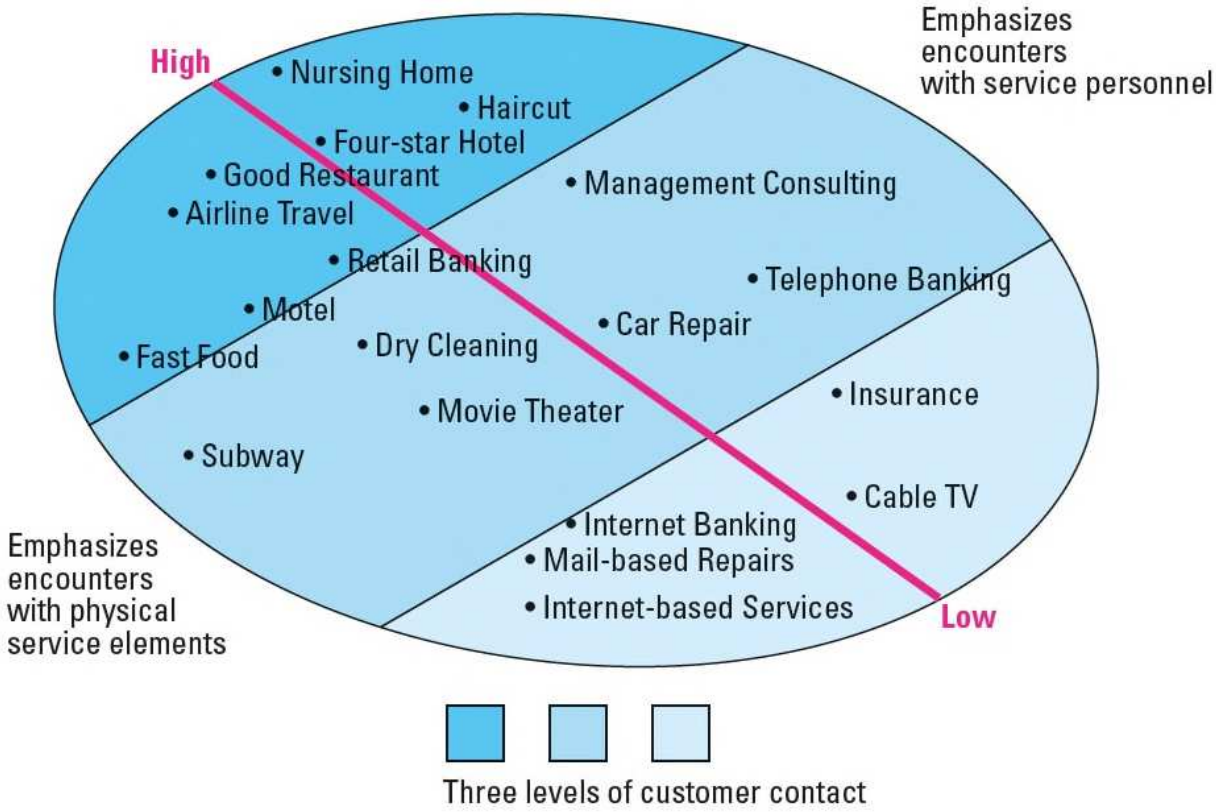


**Figure 2.15** Levels of customer contact with service firms.

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# High- versus low-contact services

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

- High-contact Services
  - Customers visit service facility and remain throughout service delivery
  - Active contact between customers and service personnel
  - Includes most people-processing services
- Low-contact Services
  - Little or no physical contact with service personnel
  - Contact usually at arm's length through electronic or physical distribution channels
  - New technologies (e.g. Web) help reduce contact levels
- Medium-contact services lie in between these two


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# Consumer Behavior in a Services Context

## 2.8

**Be familiar with the servuction model and understand the interactions that together create the service experience.**



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# The Servuction System



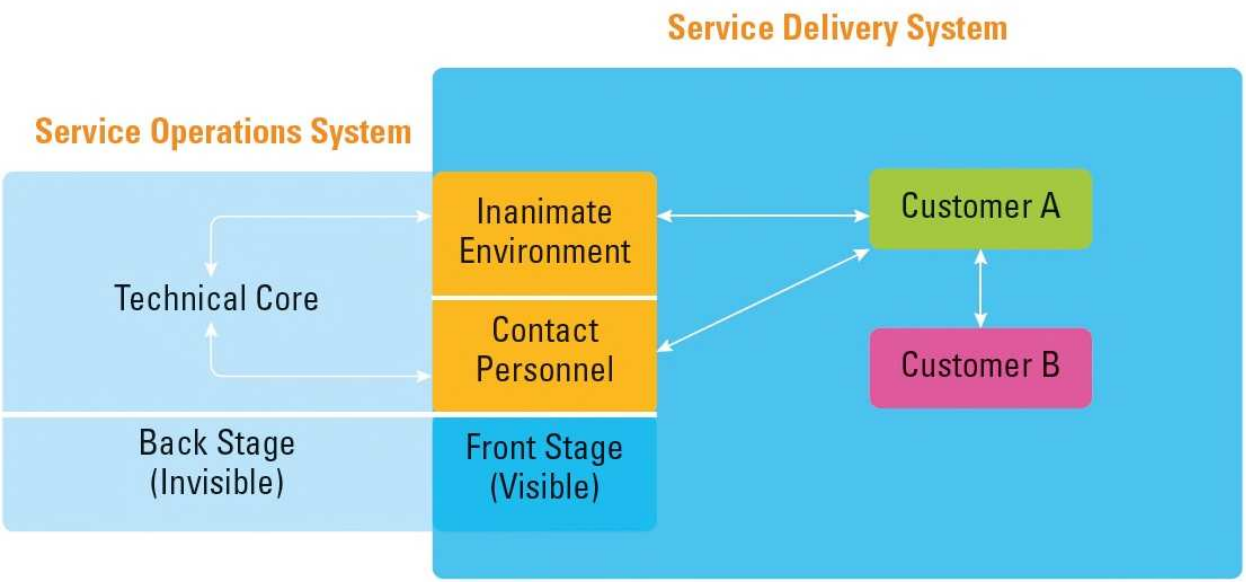


**Figure 2.17** The servuction system.

SOURCE

Adapted and Expanded from an original concept by Eric Langeard and Pierre Eiglier, "Services as Systems: Marketing Implications," in Pierre Eiglier, Eric Langeard, Christopher H. Lovelock, John E. G. Bateson, and Robert F. Young (eds.), *Marketing Consumer Services: New Insights* (Cambridge, MA: Marketing Science Institute, Report 77–115, November 1977): 83–103.

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# The Servuction System

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

- Visible front stage and invisible backstage
- Service Operations system
  - Technical core where inputs are processed and service elements created, usually backstage
  - Includes facilities, equipment, and personnel
- Service Delivery System (front stage)
  - Where “final assembly” of service elements takes place and service is delivered to customers
  - Includes customer interactions with operations and other customers

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# Consumer Behavior in a Services Context

# 2.9

**Obtain insights from viewing the service encounter as a form of theatre.**



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# Theatrical Metaphor

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

- Good metaphor as service delivery is a series of events that customers experience as a performance
- Service facilities
  - Stage on which drama unfolds
  - This may change from one act to another
- Personnel
  - Front stage personnel are like members of a cast
  - Backstage personnel are support production team

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# Consumer Behavior in a Services Context

# 2.10

**Know how role, script, and perceived control theories contribute to a better understanding of service encounters.**



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# Role, script, and perceived control theories



- Roles
  - Like actors, employees have roles to play and behave in specific ways
- Scripts
  - Specifies the sequences of behavior for customers and employees

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# Role, script, and perceived control theories



- Behavioral control
  - Allows the customer to change the service situation by asking the firm to customize its typical offerings
- Decisional control
  - The customer can choose between two or more standardized options without changing either option
- Cognitive control
  - Exercised when the customer understands why something is happening and knows what will happen next

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# Consumer Behavior in a Services Context

## 2.11

**Describe how customers evaluate services and what determines their satisfaction.**



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# How customers evaluate services and what determines their satisfaction

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

- Expectancy-disconfirmation model of satisfaction.

**Figure 2.22** The expectancy-disconfirmation model of satisfaction.

SOURCE

Based on Richard L. Oliver and M.E. Sharpe, *Satisfaction: A Behavioral Perspective on the Consumer.* 2nd ed., 2010, p. 120, © Jochen Wirtz.


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# How customers evaluate services and what determines their satisfaction

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

**Customer Satisfaction Is Central to the Marketing Concept**

- Satisfaction defined as attitude-like judgment following a service purchase or series of service interactions
- Customers have expectations prior to consumption, observe service performance, compare it to expectations
- Satisfaction judgments are based on this comparison
  - Positive disconfirmation if better than expected
  - Confirmation if same as expected
  - Negative disconfirmation if worse than expected

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# Consumer Behavior in a Services Context

# 2.12

**Understand service quality, its dimensions and measurement, and how quality relates to customer loyalty.**



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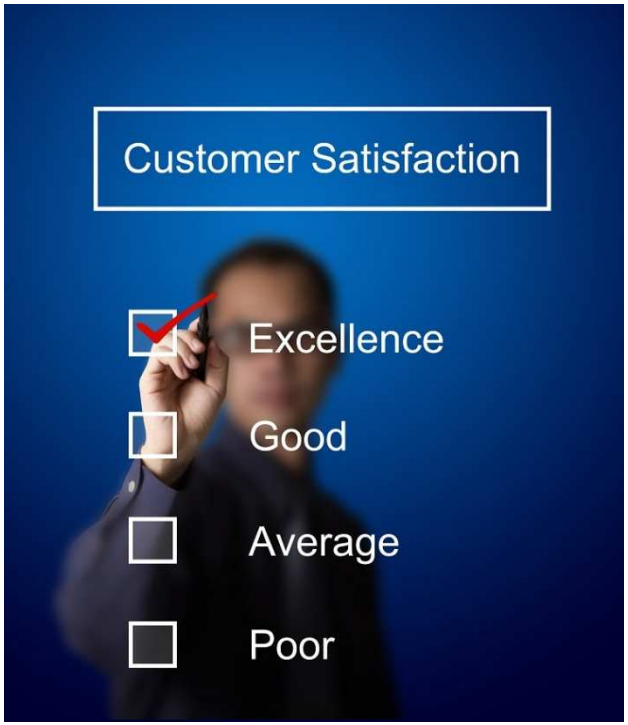
# Understand service quality

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

- Service quality is *the high standard of performance that consistently meets or exceeds customer expectations*.
- Customer satisfaction and service quality are determined by comparing customers' expectations with their performance perceptions.
  - Satisfaction is an evaluation of a single consumption experience
  - Service quality refers to relatively stable attitudes and beliefs about a firm
- Transaction quality and attribute satisfaction are also transaction-specific and determine overall customer satisfaction.





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# Understand service quality

CONSUMER BEHAVIOR IN A SERVICES CONTEXT

- 10 dimensions used by consumers in evaluating service quality

**Table 2.3** 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?<br>Is my accountant dressed appropriately?<br>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?<br>Is my telephone bill free of errors?<br>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?<br>Is my stockbroker willing to answer my questions?<br>Is the cable TV company willing to give me a specific time when the installer will show up? |
| **Assurance**<br>• Credibility | Trustworthiness, believability, honesty of the service provider | Does the hospital have a good reputation?<br>Does my stockbroker refrain from pressuring me to trade?<br>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?<br>Is my credit card protected against unauthorized use?<br>Can I be sure that my insurance policy provides complete coverage? |

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# Understand service quality



Table 2.3

| Dimensions of Service Quality | Definition | Sample Illustrations |
|---|---|---|
| • Competence | Possession of the skills and knowledge required to perform the service | Can the bank teller process my transaction without fumbling around?<br>Can my health insurance obtain the information I need when I call?<br>Does the dentist appear to be competent? |
| • Courtesy | Politeness, respect, consideration, and friendliness of contact personnel | Does the flight attendant have a pleasant demeanor?<br>Are the telephone operators consistently polite when answering my calls?<br>Does the plumber take off muddy shoes before stepping on my carpet? |
| **Empathy**<br>• Access | Approachability and ease of contact | How easy is it for me to talk to a supervisor when I have a problem?<br>Does the airline have a 24-hour, toll-free phone number?<br>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?<br>Does my doctor avoid using technical jargon?<br>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?<br>Does my financial advisor try to determine my specific financial objectives?<br>Is the moving company willing to accommodate my schedule? |

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# Thank You.