
UNIT 4 CONSUMER BEHAVIOUR IN SERVICES

Objectives

After studying this unit you should be able to:

- review the basic concepts of Consumer Behaviour;
- outline the stages in consumer decision making process;
- explain the factors influencing buyer behaviour; and
- understand the concepts of search, experience and credence qualities and their implications on consumer decisions making process for services.

Structure

- 4.1 Introduction
- 4.2 Decision Making Roles
- 4.3 Classification of Buyers
- 4.4 Consumer Decision Making
- 4.5 Factors Influencing Buyer Behaviour
- 4.6 Search, Experience and Credence Quality
- 4.7 Summary
- 4.8 Self Assessment Questions
- 4.9 Further Readings

4.1 INTRODUCTION

All of us buy different services for various reasons. One person may prefer to go to a restaurant for good food while the other may opt for an exclusive restaurant, for status. One person may prefer to read 'The Times of India' early in the morning, while the other may prefer to read the same newspaper after coming back from the office. There are women who don't go to beauty parlors at all, whereas there are others who go regularly. Similarly, there are many such examples telling us that people show different behavior in buying and using different products and services.

The discipline of marketing which helps in developing a deeper insight in these behavioral differences is called "Buyer Behaviour". We have developed an appreciation that the meaning of marketing orientation is that a firm should aim all its efforts at satisfying its customers. And to keep customers satisfied it becomes essential to have a deeper knowledge regarding the behavior of the buyer.

4.2 DECISION MAKING ROLES

It is being said, that for the purchase decision some other people might also be involved and they may have different roles to play. But generally, and more often for services, both individual or organizational, these roles are played by more than one person. For a marketing person, it is important to know who plays what role in the purchase decision, so as to adapt the service format and promotional efforts to these key players.

Conceptually, the consumer decision making roles are best exhibited by the following example. At a confectionery shop visited by a family to buy bread, a child asks his parents for a candy. The child becomes the 'initiator'. The mother suggests that only one piece may be purchased of 'X' brand, she plays the role of 'influencer'. The father orders for one piece of 'X' brand and pays for it, playing the role of 'decider' and 'buyer'. Finally, the candy is eaten away by the child, which means that he plays the role of 'user'.

In the purchase of any particular service six distinct roles are played. These are:

- i) **Initiator:** The person who has a specific need and proposes to buy a particular service.
- ii) **Influencer:** The person or the group of people who the decision maker refers to or who advise. These could be reference groups, both primary and secondary. It could be even secondary reference group like word of mouth or media, which can influence the decision maker.
- iii) **Gatekeepers:** The person or organization or promotional material which act as a filter on the range of services which enter the decision choice set.
- iv) **Decider:** The person who makes the buying decision, irrespective of whether he executes the purchase himself or not. He may instruct others to execute. It has been observed at times, more typically in house hold or family or individual related services, one member of the family may dominate in the purchase decision.
- v) **Buyer:** The person who makes the actual purchase or makes bookings for a service like travel, hotel room, hospital, diagnostic lab, etc.
- vi) **User:** The person who actually uses or consumes the product. It can be other than the buyer. In a number of services, it has been observed that users are also the influencers.

The number of persons who play these six distinct roles is not fixed. At times more than one persons are involved (as we have seen in the above example) and at times only one person plays all the six roles. For example, while buying household grocery items a housewife plays all the roles and makes the purchases. In organizational buying the dynamics of these six roles becomes much different and while selling to an organization due care should be taken in identifying who is playing what role.

To summarize, let us take the example of a business traveler who is asked by his superior to visit a particular branch office. May be in this case the boss works as the initiator. The travel agency, which handles that company's travel booking, with its limited resources may work as a gatekeeper. The finance office may put restrictions on economy class and that too in the state run airlines, may work as influencer. The administrative division which makes the booking and handles the bills may become the buyer and finally the executive, who travels is the user, who was not left with any choice.

Activity 1

You are the sales manager for credit cards in your bank and you have learnt that a company is setting up a branch office in your city. You are planning to make a visit for institutional sales. Identify the people you would come across and also the roles they are likely to play.

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4.3 CLASSIFICATION OF BUYERS

Typically, buyers can be classified into two categories: Personal and Organizational. Personal buyers are those who buy a particular item for his or her own consumption or use. For example you may like to buy an Annual Maintenance Contract (AMC) for you personal computer installed in your house. The other category of buyers is called organizational buyers. The organizational buyers are those who buy the goods or services for the organizational use. For example, a government department may buy a similar AMC for the office computers. Another example can be of a hospital which may buy beds for the use of patients.

However, irrespective of the type of buyer, the buying roles remain the same, though the number of persons who play these roles may vary. In organization purchases, also called B-2-B (Business to Business) purchases more people are involved and typically they fall under influencer’s category. Because of large number of people working as influencers, generally the B-2-B purchases take longer time to minimize on perceived risks. The elements which are reviewed in the evaluation process might range from price, quality, reliability, etc. As the complexity of the service offer increases, in B-2-B purchases, the importance of confidence in service supplier increases.

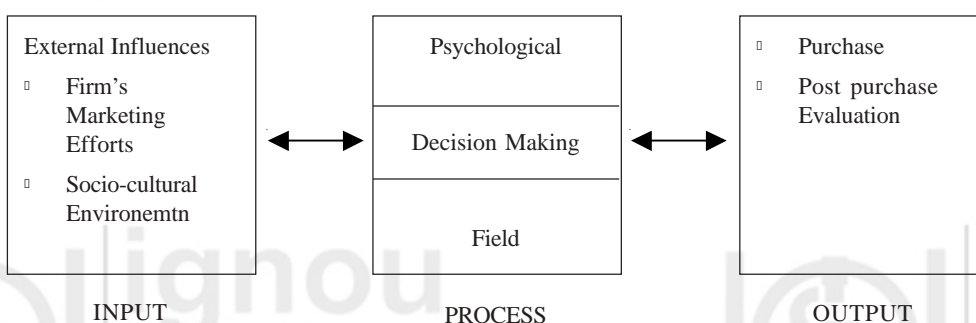
4.4 CONSUMER DECISION MAKING

The consumer’s decision to purchase or reject a product or service is the moment of final truth for the marketer. It signifies whether the marketing strategy has been wise, insightful, and effective, or whether it was poorly planned and missed the mark. Marketers are therefore interested in the consumer decision-making process by which a consumer selects one alternative amongst the lot available. The decision not to buy is also an alternative.

A simple consumer decision-making model, as shown in Figure 4.1, ties together the psychological, social and cultural concepts into an easily understood framework. The decision model has three distinct components input , process , and output.

Input component of the model include firm’s marketing efforts (marketing mix activities) which communicate the benefits of the products and services to potential consumers and the non-marketing socio-cultural influences. Socio-cultural influences include family, friends, social class, subculture and culture. The combined effect of firm’s marketing efforts, influence of family and friends, culture etc. affect what consumers purchase and how they use them. The process components deals with the consumer decision making which involves need recognition , prepurchase search and evaluation of alternatives.

Figure 4.1: Input, Process, Output Model of Consumer Behaviour



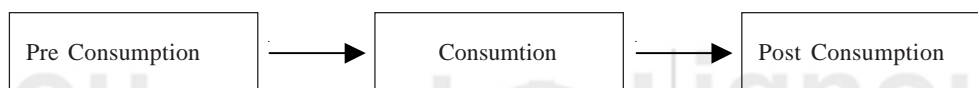
The decision making is affected by the psychological field i.e. the internal influences. These influences include motivation, perception, learning, personality and attitudes. The output portion of consumer decision making model includes two associated activities i.e. purchase behaviour and post purchase evaluation.

A more comprehensive purchase model was suggested by Fisk³, who divided the purchase behavior into three distinct stages viz. Pre-consumption Phase, Consumption Phase (Service Encounter) and Post-consumption Phase.

The first stage called the pre-purchase stage includes activities which take place before the actual purchase decision. These activities are typically called, problem/need recognition, information search on various alternatives and evaluation of alternatives to select the best of them. At this stage, the individual recognizes a need or problem whose solution usually involves a potential purchase. He searches for information from various sources-both internal and external and arrives at a set of possible solutions – ‘The evoked set’.

The second stage is called the consumption stage. This arises if outcome of the prepurchase stage is a decision to buy a certain brand of service. In this stage the expectations of the pre-consumption stage are compared with the actual service delivery. This stage is therefore called the service encounter stage. Finally, the post-purchase stage, which results in a decision whether to purchase the same service again or not.

Figure 4.2: The Three-stage model of consumer behaviour



The reasons why people buy or the motives of buying can be put into three categories, namely: buyers goals, wants and beliefs. As far as general intentions are concerned, people prefer to be in good or positive conditions and not otherwise. They prefer to be rich and not poor, entertained and not bored, clean and not dirty, healthy and not sick, fed and not starved etc. A more acceptable and positive condition gives rise to a vision which the consumer tracks in the pattern of purchase for a better life.

This positive and preferred vision in pursuit of better life is also called as the set of goals to which a buyer strives. These set of goals, perhaps, cannot be achieved simultaneously and therefore priorities are being set to attain these goals. The other aspect of these goals is that they also keep on changing as the time passes, hence leaving a scope for the firm to influence the goals of a buyer.

On the other hand, wants emerge from the buyer's goals. To want a particular product or service is nothing but to have a preference and desire to use it or possess it. For the purpose of convenience, wants are classified into two; standing wants and a current wants. Standing wants are those wants which are related to permanent goals and the current wants are those reflecting our existing circumstances.

At this stage a clarification may be noted that the needs are common to all but wants are socially and culturally oriented. For example, all of us have the basic need for food when we are hungry while the choice of a restaurant will be made by different people, differently, keeping in view a set of variables, like type of food, quality of food, price, atmosphere, etc.

Activity 2

In continuation to Activity 1, carry out this activity. If the branch manager of this new office is considering to give ‘Corporate Card’ to his executives, what decision process he is likely to go through? Discuss.

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4.5 FACTORS INFLUENCING BUYER BEHAVIOUR

There are a number of factors or variables which affect the buying behaviour. For example; people go on holiday during the vacation time so vacations become a variable. Similarly, a person may not buy any of the saving schemes till he comes in the tax bracket, so “tax payer” becomes a variable. A person may visit an exclusive restaurant during ‘happy hours’, which he does not visit normally. In this case the marketing efforts of the organization (sales person and the scheme) becomes the factor influencing to buy. Similarly, there are other factors which affect the buying decision. These factors can be classified into four major categories, namely: situational factors, buyer’s socio-cultural factors, personal factors and psychological factors. These have been summarized in the Figure 4.3

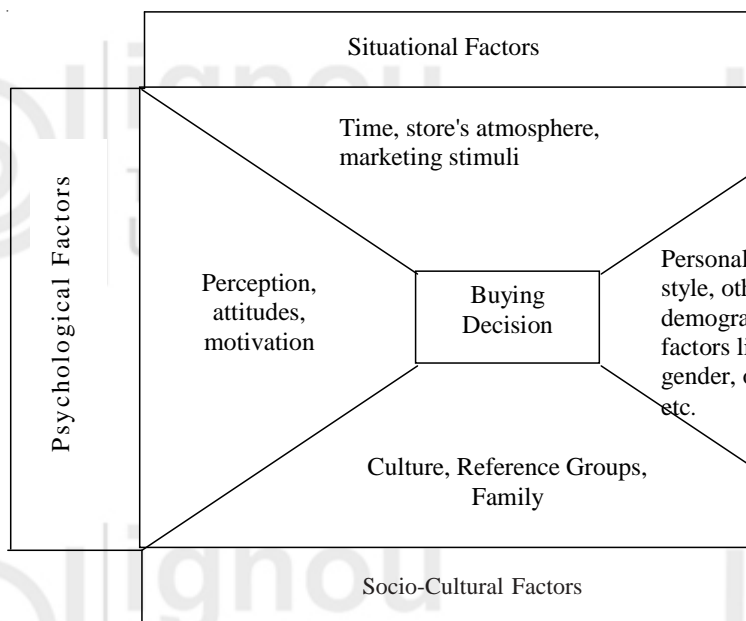
1. Situational Factors

The situational factors influencing the buying behaviour are, the influence of time pressure in product and brand choice, the atmosphere of the retail outlet, occasion of purchase etc. For example, if you are traveling, then demand for lodging and boarding will obviously be there.

2. Socio Cultural Factors

Buyers or consumers do not take buying decision or the decision not to buy, in a vacuum. Rather, they are strongly influenced by Socio Cultural factors.

Figure 4.3: Factors Influencing Buyer Behaviour



a) **Cultural Factors:** Children acquire from their environment a set of beliefs, values, and customs which constitute culture. These beliefs, values and customs go deeper and deeper as a person grows. Therefore, it is sometimes said that culture is learnt as a part of social experience.

The various sub-categories within a culture can be identified based on religion, age, gender, occupation, social class, geographical location etc. This classification is significantly relevant from the consumer behaviour point of view. To elaborate, let us come back to our earlier example of people buying hospitality and tourism services. It has been observed that people from Gujarat go out on vacations more often. Eating out is a very common phenomenon in the north of India.

b) **Reference Groups:** There are certain groups to which people look to guide their behaviour. These reference groups may guide the choice of a product but may not be the brand. Peer groups and the peer pressure has generally been observed to play an important role in the purchase of credit cards, cell phones, etc.

The knowledge of reference group behaviour helps in not only offering substitutes but also in pricing and positioning them. It is important to note that there are 'negative' reference groups also and some persons don't want to associate themselves with these groups. The negative reference groups guide the behaviour in terms of "what not to do".

c) **Family:** The family is another major influence on the consumer behaviour. The family consumption behaviour to a large extent depends on the family life cycle. The stages in family life cycle include bachelorhood, newly married, parenthood with growing or grown up children, post-parenthood and dissolution. Knowledge of these stages helps greatly in knowing the buying process. Often family members play a significant role in the purchase of a particular service, for example it's the teenage children who influence the parents to decide on a destination and middle aged buy more of insurance services than the younger ones.

3. Psychological Factors

a) **Perceptions:** It is the process by which buyers select, organize and interpret information into a meaningful impression in their mind. Perception is also selective in which only a small part is perceived out of the total what is perceptible. Buyer's perception of a particular product greatly influences the buying behaviour. For example, if the buyer's perception of a product is not positive it requires much harder efforts from the marketing or sales person to convince the buyer on the qualities of the product and thus suggesting him to purchase it.

b) **Attitude:** An attitude is a learned predisposition to respond in a consistently favourable or unfavorable manner with respect to a market offer (i.e. a brand, a particular shop or retail outlet, an advertisement, etc.). Attitude is a dispositional term indicating that attitudes manifest themselves in behaviour only under certain conditions. Knowing a buyer's attitude towards a product without knowing the personal goals is not likely to give a clear prediction of his behavior. For example, someone may have a highly favourable attitude towards car insurance but stays away from buying it since he has no use for it, as he doesn't own a car.

c) **Motivation:** Motivation is the driving force within individuals that compel them to action. This driving force is subconscious and the outcome of certain unfulfilled need. Needs are basically of two types. First, the 'innate needs'

those needs an individual is born with and are mainly physiological. They include all the factors required to sustain physical life e.g., food, water, shelter, clothing, etc. Secondly, the ‘acquired needs’ those which a person acquires as he/she grows and these needs are mainly psychological, like love, fear, esteem, acceptance etc.

For any given need, there could be a variety of goals. The specific goal selected is dependent on the experiences, cultural norms and values, (apart from other characteristics) of the individual. Failure to achieve a goal generate two types of responses. First, called the defense mechanism, which includes withdrawal, rationalization etc. and second is called search for substitute.

4. Personal Factors

a) **Personality:** Personality can be described as the psychological characteristics that determine how an individual will react to his or her environment. There are a number of dimensions (personality traits) against which an appreciation of an individual’s personality can be developed. Each personality trait denotes two absolute points and a person’s personality characteristics can be identified somewhere between those two absolute points, indicating the proximity to either of the two. Some of the traits are as follows:

Personality Trait	Behavioural Dimensions
Rigidity	Rigid————— Flexible
Leadership	Leader————— Follower
Neuroticism	Stable————— Neurotic
Extroversion	Extrovert————— Introvert
Dependability	Independent————— Dependent
Achievement	High achiever————— Low achiever

Let us examine how buyer behaviour is affected by the personality of an individual and for this we take the example of extroversion. Extrovert is a person who is more sociable, likes meeting people, making more friends, prefers to move about, careful about his appearances and doesn’t like reading books or confining to the four walls of a room. On the other hand an Introvert is a person who prefers to be left alone, would like to read books rather than making friends, shies away from social gatherings. There are a number of products which are preferred more by extroverts rather than introverts. Perhaps the products suggesting status are purchased more by the extroverts than the others.

b) **Life Style:** Lifestyle as distinct from social class or personality is nothing but a person’s pattern of living and is generally expressed in his/her activities, interests and opinions. Some of the dimensions of life style are as follows:

Activities	Interests	Opinions
Work	Family	Themselves
Hobbies	Home	Special issues
Entertainment	Job	Products
Shopping	Fashion	Future
	Media	
	Achievements	

Life styles suggests differences in the way people opt to spend on different products differently. Life style variables (psychographics variables) help a firm to identify the ‘Inner consumer’ or the feelings of the consumer about their products which needs to be stressed in advertising campaigns.

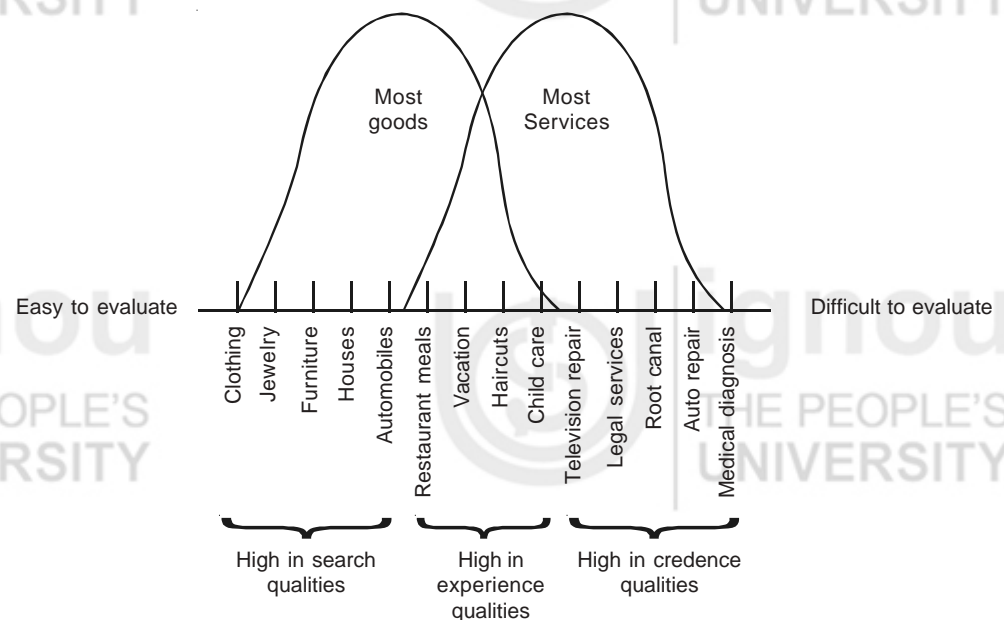
c) **Demographic Factors:** Buyer's demographic factors like age, gender, education, occupation, etc. also have influence on the purchase behaviour. These factors are very much significant in the study of behaviour of buyers. For example, fast food outlets are more patronized by the teenagers than the elderly persons- example of age as a factor; air travel is more used by the executives than the factory workers-examples of occupation as a factor.

In sum, knowledge of all such dimensions of the buyer will help you in understanding his needs and wants and also help you in integrating all those elements in your product offer which the consumer wants.

4.6 SEARCH, EXPERIENCE, AND CREDENCE QUALITIES

One of the most significant differences between goods and services is that in goods "Search Qualities" dominate while services are dominated by "Experience and Credence Qualities".

Figure 4.3: Continuum of evaluation for different types of products



Source: Zeithaml and Bitner, Services Marketing, Tata McGraw-Hill.

Search qualities are those attributes of a product which the consumer can determine before the purchase. This is more common in physical goods. For example colour, style, fit, feel, smell etc.

The second is the experience qualities, which are the attributes which can only be determined after the purchase, or during the process of consumption. The third, is the credence qualities i.e. characteristics which the consumer can not evaluate even after the consumption, like auto repair or medial diagnosis. For example, it may be difficult for a patient to assess whether or not a hospital provided appropriate services. Such characteristics exist invariably in services. In nutshell, most goods are high in search qualities and most services are high in experience or credence qualities. Figure 4.3 gives a continuum of evaluation for different types of products based on search, experience and credence qualities.

As services are rich in experience and credence qualities, the following important aspects related to consumer decisions making process need to be understood.

- **Information Search:** In the case of services, consumers rely more on personal sources of information for pre purchase evaluation. Also they indulge in more post purchase evaluation than pre purchase evaluation and as a result the amount of post purchase evaluation done in services is much higher than in case of goods. Some of the reasons for this are:
 - i. Mass communication conveys very little about experience qualities.
 - ii. Most of the service providers are local/independent and therefore lack the financial or marketing acumen to promote their offering.
 - iii. Shared advertising is rare as the producer and retailer are the same in services.
 - iv. Very few attributes of services could be discovered prior to purchase.
- **Criteria for Evaluating Quality:** Consumers normally tend to evaluate the quality of a service offering through its price and physical facilities provided by the service provider. Higher the price better is the quality perceived. Same holds good for physical facilities. This is especially true when other cues for evaluating quality are not available.
- **Evoked Set of Alternatives:** In services the customers' "evoked set of offering" is small. This is due to the following:
 - i) Differences in retailing: In services the offerings of the competitors are rarely exhibited unlike in case of goods. Also it is highly uncommon to find more than one provider of a service in a given area.
 - ii) The consideration set is small as very little information is available prior to purchase.

In case of Non-professional services the evoked set includes self provision of services. e.g. housekeeping, laundry etc.

- **Innovation Diffusion:** Consumer adoption of innovations is much slower in case of services than in products. This is because consumers have to find a distinct benefit in the offering of the competitor to shift to that. Complexity of services makes it difficult to evaluate the ability of the provider and indivisibility does not allow trying the service before consumption.
- **Perceived Risk:** Consumers associate greater risk with buying services than with goods. This is on account of intangibility of services which makes it difficult to get information about the offering. Most services are not standardized even if they are provided by the same provider because a lot depends on the person's caliber and ability to customize it based on the need of the consumer. Another important reason is that unlike in goods most services do not come with guarantees/warranties.
- **Brand Loyalty:** Brand switching is lesser with services as compared to services. This is due to the following factors:
 - i) Greater search and monetary cost associated with moving to another service provider.
 - ii) Fewer substitutes are available for services.
 - iii) The rapport that a consumer creates with a service provider prevents him from moving to a new provider as there is always a possibility that the new provider may not understand his needs as well as the previous one did.
- **Attribution of Dissatisfaction:** The provision of the service is based on the requirements stated by the consumer. As such he holds himself partly responsible if the service provided is not up to his requirements and hence complains less frequently.
- **Perceived Control:** The model proposed by Bateson emphasizes that consumers evaluate services control, they are able to exercise in a given situation. Perceived control theory is based on the premise that customers

feel more satisfied with a service if they believe that they have greater control over the service delivery. This notion is useful when designing new services. Similarly, if the employees also think the same way, satisfaction drawn from the job is higher. However, they two may not co-exist. Simultaneously, therefore, it is important for the organization to balance out between the two, by developing adequate service standards, communicating the same to the consumers, to deliver the services adhering to those standards and developing systems for operational efficiency.

4.7 SUMMARY

The buying process of services are typically different from the manufactured goods. Since the services are intangible, it is difficult to evaluate them before the purchase. Though similar to manufactured goods, the three stages of consumer decision making, input variables, process variables and output variables are the same, but in services, the process variable differs significantly.

There are a number of factors which influence buyer behaviour. These include socio-cultural factors, psychological factors, personal factors and situational factors. The buyer behaviour for services is quite different from goods as services are rich in experience and credence qualities unlike goods, which are rich in search qualities.

4.8 SELF ASSESSMENT QUESTIONS

1. In what ways the buying process differs between individual buyer and the organizational buyer?
2. What are the differences between 'search', 'experience' and 'credence' qualities? Explain with the help of examples.
3. Why do consumers of services perceive higher levels of risks associated with their purchases? Discuss with the help of examples.
4. Briefly describe the buying process taking the example of 'Home-Loan Financial Services'.

4.9 FURTHER READINGS

1. Adrian Palmer, *Principles of Services Marketing*, London: McGraw Hill, 1998, p.87
2. J.A. Howard and J.N. Sheth, *The Theory of Buyer Behaviour*, New York, John Wiley and Sons; 1969
3. R.P. Fisk, *Toward a Consumption/Evaluation Process Model for Services*, in Donnelly and George, *Marketing of Services*, 1981 pp.191-195.
4. Valarie A. Zeithaml, *How Consumer Evaluation Processes Differ Between Goods and Services*, in (Donnelly and George, *Marketing of Services*, 1981 pp.191-195) pp.39-47.
5. John E.G. Bateson, "Perceived Control and the Service Encounter", in, John A.Czepiel, Michael R. Solomon, and Carol F. Suprenant, eds., *The Service Encounter*, (Health: Lexington Mass), 67-82.

FURTHER READINGS : BOOKS ON SERVICES MARKETING

Given below is a list of books on “Marketing of Services” which you may find useful for further reading for this course.

- S. Baron and K. Harris, *Services Marketing – Text and Cases* , Palgrave, 2003
- J. Bateson, *Managing Services Marketing: Text and Readings*, Dryden, 1995
- L.L. Berry and A. Parasuraman, *Marketing Services : Competing Through Quality*, The Free Press, 1991
- D. Carson and A. Gilmore (eds.), *Service Marketing- Text and Readings*, Mercury Publications, 1996
- D. Cowell, *The Marketing of Services*, Heinemann, 1996
- W.J. Glynn and J.G. Barnes (eds.), *Understanding Service Management*, John Wiley and Sons, 1995
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- J.L. Heskett, W.E. Sasser, Jr. and C.W.L. Hart, *Service Breakthroughs - Changing the Rules of the Game*, The Free Press, 1990
- D.L. Kurtz and K.E. Clow, *Service Marketing*, John Wiley, 2002
- C. H. Lovelock, *Services Marketing*, Prentice Hall
- A. Payne, *Essence of Services Marketing*, Prentice Hall of India, 1996
- R.T. Rust, A.J. Zahorik and T.L. Keiningham, *Service Marketing*, Harper Collins, 1996
- Ravi Shanker, *Services Marketing- The Indian Perspective*, Excel Books, 2002
- T.A. Swartz, and D. Iacobucci (eds.), *Handbook of Services Marketing and Management*, Sage Publications, 2000
- H. Woodruffe, *Services Marketing*, Macmillan India, 1997
- V.A. Zeithaml , A. Parasuraman and L.L. Berry, *Delivering Quality Service – Balancing Customer Perceptions and Expectations*, The Free Press, 1990
- V.A. Zeithaml and M.J. Bitner, *Services Marketing* , Tata McGraw-Hill, New Delhi, 2003.