CONSUMER BEHAVIOR IN A SERVICE CONTEXT

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INTRODUCTION

In its early stages, the service literature focused on the unique characteristics of services (e.g., intangibility, heterogeneity, inseparability, and perishability, also referred to as “IHIP”) and their impact on consumer behavior in this context (Shostack 1977; Zeithaml 1981; Wolak, Kalafatis, and Harris 1998). Although there is much criticism about the uniqueness of these service characteristics, the process nature of services cannot be doubted. Grönroos (2000a) proposes that process is one of the main characteristics of services, in addition to simultaneous production and consumption and the customer’s participation in the service production process. The consumption of services has been characterized as “process consumption” (Grönroos 1998) because the production process is considered to form an element of service consumption and is not simply seen as the outcome of a production process, as is the case in the traditional marketing of physical goods. “Services are produced in a process wherein consumers interact with the production resources of the service firm … the crucial part of the service process takes place in interaction with customers and their presence. What the customer consumes in a service context is therefore fundamentally different from what traditionally has been the focus of consumption in the context of physical goods” (Grönroos 2000b, p.15).

Thus, the research agenda gradually shifted from an output focus adapted from the goods literature to a focus on process. Several models incorporating various stages of the service consumption process have been proposed in the literature. This chapter adopts the three-stage perspective (comprising the pre-purchase, encounter and post-encounter
stages) of consumer behavior (Lovelock and Wirtz 2011) and discusses relevant extant and emerging research on each stage.

The early service consumer behavior literature applied paradigms and approaches taken from the literature on goods. More recent research initiatives reflect an attempt to liberate services from the goods logic and develop new approaches more appropriate and relevant to services. In practice, the relationship marketing and service-dominant perspectives constitute recent theoretical developments that have enriched the research agenda and provided new lenses in explaining phenomena in services.

Originating in the B2B literature, the relationship-marketing paradigm prevails in contemporary marketing. According to Patterson and Ward (2000), relationship marketing “is the establishment of a long-term relationship between the service supplier and customer to their mutual benefit” (p. 320). Relationship marketing liberated current research from cognitive and attitudinal approaches in explaining consumer behavior in a service context. The relational perspective views traditional constructs such as trust and loyalty as qualitative elements of the relationship between consumers and service firms, and not as outcomes of transactions.

The service-dominant (S-D) or “service for service” logic has shifted the center of attention from a goods-dominant view, based on tangible outcomes, to one in which intangibility, relationships and service are central (Vargo and Lusch 2004). According to this notion, service is defined as a process (rather than a unit of output) and refers to the application of competencies (knowledge and skills) for the benefit of the
consumer. Here, the primary goal of a business is value co-creation as “perceived and determined by the customer on the basis of value-in-use” (Vargo and Lusch 2004, p. 7).

The remainder of this chapter is organized as follows. First, the three-stage model of service consumption is presented along with key new research developments concerning each stage. This is followed by a discussion of the relational marketing perspective and the service-dominant logic. The chapter concludes by outlining emerging research topics and directions for future investigation.

**THE THREE-STAGE MODEL OF SERVICE CONSUMPTION**

The services marketing literature can be organized according to a multi-stage approach to analyzing consumer behavior and service performance. In particular, consumers go through three major stages when they consume services: the pre-purchase stage, the service encounter stage and the post-encounter stage (Lovelock and Wirtz 2011, pp. 36-37). This framework is helpful because it assists academics in forming a clear research focus and direction, and businesses in identifying the stages that need the most improvement and therefore need more resources allocated to them (Blackwell, Miniard and Engel 2003; Hensley and Sulek 2007). Research has been conducted on all three stages to examine their major determinants, influences (direct and indirect), processes and outcomes (Figure 1).
Figure 1. The Three-Stage Model of Service Consumption

<table>
<thead>
<tr>
<th>PRE-PURCHASE STAGE</th>
<th>Key Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumer Behavior</strong></td>
<td><strong>Need awareness</strong>&lt;br&gt;<strong>Information search</strong>&lt;br&gt;<strong>Evaluation of alternatives</strong>&lt;br&gt;<strong>Make decision on service purchase</strong></td>
</tr>
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<tr>
<th>SERVICE ENCOUNTER STAGE</th>
<th>Key Concepts</th>
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<tbody>
<tr>
<td><strong>Consumer Behavior</strong></td>
<td><strong>Theoretical Approaches:</strong>&lt;br&gt;- Moments of Truth&lt;br&gt;- Role Theory&lt;br&gt;- Script Theory&lt;br&gt;- The Servuction Model&lt;br&gt;- The Servicescape/Environmental Perspective&lt;br&gt;Frontline Employee-Consumer Interactions&lt;br&gt;The Service Environment&lt;br&gt;The Role of Other Customers&lt;br&gt;Low-Contact Service Encounters</td>
</tr>
<tr>
<td><strong>Request service from chosen supplier or initiation of self-service</strong></td>
<td><strong>Interaction with service personnel</strong>&lt;br&gt;<strong>Service delivery by personnel or self-service</strong></td>
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</table>

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<tr>
<th>POST-ENCOUNTER STAGE</th>
<th>Key Concepts</th>
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<tr>
<td><strong>Consumer Behavior</strong></td>
<td><strong>The Expectancy/Disconfirmation Paradigm</strong>&lt;br&gt;The Attribute-Based Approach: Attribute Satisfaction, Service Quality, Service Value&lt;br&gt;Service Failure &amp; Dissatisfaction&lt;br&gt;- Complaining Behavior&lt;br&gt;- Dysfunctional Behavior&lt;br&gt;- Switching Behavior&lt;br&gt;Satisfaction and the “Service Recovery Paradox”&lt;br&gt;Repurchase Intentions, Trust, Engagement &amp; Loyalty</td>
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The Pre-Purchase Stage

According to Fisk (1981), the pre-purchase phase of the decision-making process for services is not linear, but is more complex in comparison with that for goods as it involves a composite set of factors and activities. Due to the participation of consumers in the service production process, the decision-making process takes more time and is more complicated than in the case of goods. Research supports the view that consumer expertise, knowledge (Byrne 2005) and perceived risk (Diacon and Ennew 2001) all play significant roles in this purchase decision process for services.

In the pre-purchase stage, consumers are triggered into action by arousing a need to start searching for information and evaluate alternatives before deciding whether or not to buy a particular service. Needs may be triggered by the unconscious mind (e.g., impulse buying), internal conditions (e.g., hunger) or external sources (e.g., marketing mix).

The information search process described in the next section assumes that consumer decision-making processes take place at a conscious level. However, it should be remembered that consumers can also engage in impulse buying or “unplanned behavior”. Although impulse buying is an important phenomenon extensively studied in the goods context, it has been neglected in services research (Kacen and Lee 2002). Because services are generally associated with higher perceived risk and variability, it is suggested that impulse buying occurs less frequently in services than in goods (Murray and Schlacter 1990; Sharma, Sivakumaran and Marshall 2009).
According to the notion of “planned purchase behavior”, once a need or problem has been recognized, consumers are motivated to search for solutions to satisfy that need or resolve that problem (Figure 2). It is well-established in the marketing literature that a consumer’s purchase decision is based on the information obtained in the pre-purchase stage (Alba and Hutchinson 2000; Mattila and Wirtz 2002; Konus, Verhoef and Neslin 2008).

Figure 2. The Pre-Purchase Process of Consumers in Services
Information Search

The way in which consumers search for information on services differs from the way in which they search for information on goods in terms of the amount of information sought and the number and type of sources used for gathering information. Given that the uncertainty and perceived risk associated with a purchase decision are considered higher in services due to their intangible nature and variability (Murray and Schlacter 1990; Bansal and Voyer 2000) and because of the high degree of price uncertainty due to service firms’ revenue management strategies (Kimes and Wirtz 2003; Wirtz and Kimes 2007), consumers engage in more extensive information search activities to reduce both (Alba and Hutchinson 2000; Mattila and Wirtz 2002).

Service consumers do not usually confine themselves to a single source of information, but employ multiple sources of information depending on their orientation (multichannel orientation), their tendency to innovate and the perceived pleasure of the shopping experience. They search for information from multiple sources to save money, to reduce risk, to develop performance expectations of service offers and to explore alternative service providers (Konus, Verhoef and Neslin 2008).

Consumers use a variety of methods to gather information: they seek information from trusted and respected personal sources such as family, friends and peers; they use the Internet to compare service offerings and search for independent reviews and ratings; they rely on firms with a good reputation; they look for guarantees and warranties; they visit service facilities or try aspects of the service before purchasing; they examine
tangible cues and other physical evidence and ask knowledgeable employees about competing services (Boshoff 2002; Zeithaml and Bitner 2003; Lovelock and Wirtz 2011, pp. 41-42).

In the pre-purchase decision-making process for services, consumers not only exhibit a greater propensity to search for more information than they do in the goods context, but they also tend to explore more personal sources of information such as friends, family and co-workers (Murray and Schlacter 1990; Bansal and Voyer 2000; and Wirtz 2002; Xiao, Tang and Wirtz 2011). Thus, word-of-mouth as a source of consumer information has become an important and influential concept within services due to their intangibility and higher perceived risk (Murray and Schlacter 1990; Bansal and Voyer 2000; Mattila and Wirtz 2002).

Consumers trust more specific personal sources of information. For example, it has been found that family is a predominantly trustworthy source of information considered more reliable than friends or professional advisors (e.g., accountants or financial planners) when buying retirement services (Rickwood and White 2009). Moreover, consumer expertise, perceived risk and perceived acquaintances’ expertise contribute to the active search for word of mouth (Alba and Hutchinson 2000; Bansal and Voyer 2000; Mattila and Wirtz 2002).

Another source of information is the Internet, although consumers’ online behavior differs in terms of the amount of search time spent on goods versus services websites. A study conducted in an online retailing context found that the average time consumers spent searching on the Web was 9.17 minutes on automotive sites, 9.26
minutes on telecom/Internet sites, 10.44 minutes on travel sites and 25.08 minutes on financial sites (Bhatnagar and Ghose 2004). Gender, education, age and Internet experience also influence the time consumers spend searching for information (Bhatnagar and Ghose 2004; Ratchford, Lee and Talukdar 2003), while search patterns vary by product category in retail services (Bhatnagar and Ghose 2004). Moreover, the more time consumers devote to searching for information via the Internet and the more often they do so, the more the information gathered online influences the purchase decision (Bhatnagar and Ghose 2004).

One way in which online vendors help consumers make their choices is by providing electronic recommendation agents also known as “smart agents” as an element of their services (Aksoy et al. 2006; Deihl, Kornish and Lynch 2003; Haubl and Murray 2003; Haubl and Trifts 2000). The use of recommendation agents and avatars as an entertainment and informational tool to fulfill consumers’ desire for a more interpersonal shopping experience has recently attracted research attention (Holzwarth, Janiszewski and Neumann 2006). Electronic recommendation agents assist consumers with their purchase decisions by providing information about products and their attributes after searching for a large amount of data using consumer-specified selection criteria (Aksoy et al. 2006; Deihl, Kornish and Lynch 2003). Similarly, avatars or virtual salespeople acting as sales agents have been found to increase consumer satisfaction with the firm, enhance positive attitudes towards products, and increase purchase intentions (Holzwarth, Janiszewski and Neumann 2006). Electronic recommendation agents can reduce the prices paid by consumers (Diehl, Kornish and Lynch 2003) and improve the quality of
their decisions (Ariely, Lynch and Aparicio 2004; Haubl and Trifts 2000). However, recommendation agents should have similarities with consumers in terms of either attribute weights or decision strategies to achieve higher quality choices, reduced search time for consumers, and increased website loyalty and satisfaction (Aksoy et al. 2006).

**Evaluation of Alternative Services**

During the search process, consumers form their consideration set and learn about the service attributes they should consider, in addition to forming expectations of how firms in the consideration set perform on those attributes (Lovelock and Wirtz 2011, p. 42).

Once the consideration set and key attributes are understood, consumers typically proceed to making a purchase decision. Multi-attribute models have been widely used to simulate consumer decision making. According to these models, consumers use service attributes (e.g., quality, price and convenience) that are important to them to evaluate and compare alternative offerings of firms in their consideration set. Each attribute is weighted according to its importance. An example of a multi-attribute model applied to dry cleaning services is presented in Figure 3. To make a purchase decision, consumers might use either the very simple linear compensatory rule (in which case the consumer would choose “New Dry Cleaner” in the example in Figure 3) or the more complex but also more realistic conjunctive rule (e.g., if price should have a minimum rating of “9”, then “Campus Dry Cleaner” would be chosen). Consumers using the same information
can ultimately choose different alternatives if they use different decision rules.

Figure 3. Application of a Multi-Attribute Model to Dry Cleaning Services

<table>
<thead>
<tr>
<th></th>
<th>Current Dry Cleaner</th>
<th>Campus Dry Cleaner</th>
<th>New Dry Cleaner</th>
<th>Importance Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Dry Cleaning</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td>30%</td>
</tr>
<tr>
<td>Convenience of Location</td>
<td>10</td>
<td>8</td>
<td>9</td>
<td>25%</td>
</tr>
<tr>
<td>Price</td>
<td>8</td>
<td>10</td>
<td>8</td>
<td>20%</td>
</tr>
<tr>
<td>Opening Hours</td>
<td>6</td>
<td>10</td>
<td>9</td>
<td>10%</td>
</tr>
<tr>
<td>Reliability of On-time Delivery</td>
<td>2</td>
<td>9</td>
<td>9</td>
<td>5%</td>
</tr>
<tr>
<td>Friendliness of Staff</td>
<td>2</td>
<td>8</td>
<td>8</td>
<td>5%</td>
</tr>
<tr>
<td>Design of Shop</td>
<td>2</td>
<td>7</td>
<td>8</td>
<td>5%</td>
</tr>
<tr>
<td>Mean Score</td>
<td>5.6</td>
<td>8.9</td>
<td>8.7</td>
<td>100%</td>
</tr>
</tbody>
</table>


Multi-attribute models assume that consumers can evaluate all important attributes before making a purchase. However, this is often not the case in the services arena, as some attributes are harder to evaluate than others. Attributes can be categorized into three types (Zeithaml 1981): search attributes, experience attributes and credence attributes. Search attributes refer to tangible characteristics consumers can evaluate before purchase (Wright and Lynch 1995; Paswan et al. 2004). These attributes (e.g., price, brand name, transaction costs) help consumers to better understand and evaluate a
service before making a purchase and therefore reduce the sense of uncertainty or risk associated with a purchase decision (Paswan et al. 2004). *Experience attributes*, on the other hand, cannot be reliably evaluated before purchase (Galetzka, Verhoeven and Pruyn 2006). Consumers must “experience” the service before they can assess attributes like reliability, ease of use and consumer support. *Credence Attributes* are characteristics that consumers find hard to evaluate even after making a purchase and consuming the service (Darby and Karni 1973). This can be due to a lack of technical experience or means to make a reliable evaluation, or because a claim can be verified only a long time after consumption, if at all (Galetzka, Verhoeven and Pruyn 2006). Here, the consumer is forced to believe or trust that certain tasks have been performed at the promised level of quality. Because most services tend to be ranked highly on experience and credence attributes, consumers find them more difficult to evaluate before making a purchase (Zeithaml 1981; Mattila and Wirtz 2002).

After consumers have evaluated the possible alternatives, they are ready to make a decision and move on to the service encounter stage. This next step may take place immediately, or may involve an advance reservation or membership subscription.

**The Service Encounter Stage**

Consumers move on to the core service experience after making the decision to purchase. The service encounter stage is when the consumer interacts directly with the service firm, and is the means by which consumers co-create value and co-produce a
service while evaluating the service experience.

Service encounters are complex processes where consumer interactions and surrounding environmental factors shape consumers’ expectations (Coye 2004), satisfaction, loyalty, repurchase intentions and word-of-mouth behavior (Bitner, Brown and Meuter 2000). The service encounter is generally considered a service delivery process often involving a sequence of related events occurring at different points in time. When consumers visit the service delivery facility, they enter a service “factory” (e.g., a motel is a lodging factory and a hospital is a health treatment factory) (Noone and Mattila 2009). However, service providers focus on “processing” people rather than the inanimate objects found in traditional factories. Consumers are exposed to many physical clues about the firm during the service delivery process. These include the exterior and interior of its buildings, equipment and furnishings, as well as the appearance and behavior of service personnel and other customers. Even the pace of service encounters can affect consumer satisfaction (Noone et al. 2009). The average level of performance along these dimensions constitutes a significant predictor of consumer satisfaction (Verhoef, Antonides and de Hoog 2004).

Theoretical Approaches to Service Encounters

A number of approaches have been proposed to provide a better understanding of consumer behavior and experiences during service encounters.

Moments of Truth. Service encounters have been regarded as moments of truth
The concept of moments of truth underlines the importance of effectively managing touch-points. Richard Normann borrowed the moment of truth metaphor from bullfighting to show the importance of contact points with consumers. At the moment of truth, the relationship between the consumer and the firm is at stake (Normann 1991). The service encounter is a “moment of truth” because the consumer's experience of the encounter is the main factor contributing to their perception of overall service quality.

**Role Theory.** Grove and Fisk (1983) define a role as “a set of behavior patterns learned through experience and communication, to be performed by an individual in a certain social interaction in order to attain maximum effectiveness in goal accomplishment” (p. 45). Roles have also been defined as expectations of society that guide behavior in a specific setting or context (Solomon et al. 1985). In service encounters, employees and consumers each have roles to play. If either party is uncomfortable in a role, or if they do not act according to their roles, it will affect the satisfaction and productivity of both parties.

According to this metaphor, service facilities constitute the stage and frontline personnel represent the members of the cast. The theater metaphor also includes the roles of the players on stage and the scripts they have to follow. The actors in a theater need to know what roles they are playing and be familiar with the script. Similarly, in service encounters, knowledge of role and script theories can help organizations to better understand, design and manage both employee and consumer behavior (Grove, Fisk and John 2000; Baron, Harris and Harris 2003; Lovelock and Wirtz 2011).
Script Theory. Just like a movie script, a service script specifies the behavioral sequences employees and consumers are expected to learn and follow during the service delivery process. Employees receive formal training (cf., Grandey et al. 2010), whereas consumers learn scripts through experience, observation, communication with others, and designed communications and education (Harris, Harris and Baron 2003). The more experience a consumer has with a service company, the more familiar that particular script becomes. Any deviation from this known script may frustrate both consumers and employees and can lead to dissatisfaction. If a company decides to change a service script (e.g., by using technology to transform a high-contact service into a low-contact one), service personnel and consumers need to be educated about the new approach and the benefits it provides. In addition, unwillingness to learn a new script can give customers a reason not to switch to a competing service provider.

Many service dramas are tightly scripted (such as flight attendants’ scripts for economy class), thus reducing variability and ensuring uniform quality. However, not all services involve tightly scripted performances. Scripts tend to be more flexible for providers of highly customized services—designers, educators, consultants—and may vary by situation and by consumer.

The theater is a good metaphor for understanding the creation of service experiences through the service production system, called the servuction system in short. This is because service delivery consists of a series of events that consumers experience as a performance (Grove, Fisk and John 2000; Baron, Harris and Harris 2003). Role theory and script theory complement each other in how we understand both consumer
and employee behavior during a service encounter. Together with the script and role theories, the theater metaphor gives us insights into how firms can look at “staging” service performances to create the desired experience.

**The Servuction Model.** The servuction model focuses on the various types of interactions that together create the consumer’s service experience (Figure 4). The servuction system (combining the terms service and production) consists of a technical core *invisible* to the customer and the service delivery system *visible* to and experienced by the consumer (Eiglier and Langeard 1977; Langeard et al. 1981). As in the theater, the visible components can be termed “front stage” or “front office”, while the invisible components can be termed “back stage” or “back office” (Chase 1978; Grove, Fisk and John 2000).

The servuction system includes all the interactions that together make up a typical consumer experience in a high-contact service. Consumers interact with the service environment, service employees, and even other consumers present during the service encounter. Each type of interaction can either create value (e.g., a pleasant environment, friendly and competent employees, and other consumers who are interesting to observe) or destroy value (e.g., another consumer blocking your view in a movie theater). Firms have to coordinate all interactions to ensure their consumers have the service experience they came for.

**The Servicescape/Environmental Perspective.** This approach considers all the experiential elements consumers encounter in service delivery settings. The physical service environment consumers experience plays a key role in shaping the service
experience and enhancing (or undermining) consumer satisfaction, especially in high-contact people-processing services (Figure 4).

Service environments, also called servicescapes, relate to the style and appearance of the physical surroundings and other experiential elements encountered by consumers at service delivery sites (Bitner 1992). Bitner (1992) identified several dimensions of
service environments including ambient conditions, spatial layout/functionality, and signs, symbols and artifacts. *Ambient conditions* refer to environmental characteristics that pertain to the five senses. Ambient conditions are perceived both separately and holistically and include lighting and color schemes, size and shape perceptions, sounds such as noise and music, temperature, and scents or smells. *Spatial layout* refers to environmental design and includes the floor plan, the size and shape of furnishings, counters, and potential machinery and equipment, and the ways in which they are arranged. *Functionality* refers to the ability of such items to facilitate the performance of service transactions and, therefore, the process of delivering the core service. Spatial layout and functionality create the visual and functional servicescape in which delivery and consumption take place. *Signs, symbols and artifacts* communicate the firm’s image, help consumers find their way, and convey the service script (the scenario consumers and employees should enact). Signals are aimed at guiding consumers clearly through the service delivery process and teaching the service script in an intuitive manner. Because individuals tend to perceive these dimensions holistically, the key to effective design is how well each individual dimension fits together with everything else (Bitner 1992).

According to Lovelock and Wirtz (2011, p. 255), servicescapes serve four purposes: (1) they engineer the consumer experience and shape consumer behavior; (2) they convey the planned image of the firm and support its positioning and differentiation strategy; (3) they are part of the value proposition; and (4) they facilitate the service encounter and enhance both service quality and productivity.
Inspired by Bitner’s (1992) servicescape model and theoretical perspectives on behavioral settings, approach-avoidance models and social facilitation theory, Tombs and McColl-Kennedy (2003) propose the social-servicescape model to conceptualize human elements and provide an account of how they influence consumption experiences. The social-servicescape model recognizes three separate aspects of the overall service experience: elements of the social-servicescape (including the purchase occasion as context and social interaction aspects), consumers’ affective responses, and consumers’ cognitive responses. The social-servicescape model explains the influence of social interaction on consumer affect through social density, the displayed emotions of others, the susceptibility of the consumer to emotional contagion, and consumer awareness of the emotions of others (Tombs and McColl-Kennedy 2003).

The remainder of this section on the service encounter stage is arranged according to the key interactions that together make up the service encounter experience: the employee to consumer, consumer to environment, and consumer to consumer interactions. All these interactions are better used to explain high-contact service encounters than to illuminate low contact or self-service encounters. The latter are discussed further at the end of this section.

Frontline Employees and Customer Interactions

High-contact service encounters facilitate the development of high-quality relationships with consumers by encouraging consumer-employee bond-building
Employees play an important role in service encounters because consumers’ interactions with frontline personnel are a significant determinant of their satisfaction or dissatisfaction with the service firm. Customer interactions with courteous, knowledgeable and efficient frontline employees lead to an enhanced corporate image (Nguyen and Leblanc 2002) and to increased perceptions of service excellence, customer satisfaction (Swan, Bowers and Richardson 1999) and repurchase intentions (Reynolds and Arnold 2000). In a similar vein, employee friendliness has been found to have a positive influence on unplanned purchasing behavior among consumers (Mattila and Wirtz 2008).

Recent empirical evidence also shows that consumer self-employee congruency directly influences consumer satisfaction with employee relationships and their loyalty towards employees, which in turn contribute to overall consumer satisfaction with the firm (Jamal and Adelowore 2008). Consumers’ perceptions of their similarity to service employees allows them to identify with service personnel on a personal basis, which subsequently increases their comfort, reduces interpersonal barriers, enhances consumer satisfaction and trust (Coulter and Coulter 2002) and engenders positive word-of-mouth (WOM) (Gremler et al. 2001). Other reported sources of satisfaction in service encounters include consumer delight with unprompted and/or unsolicited employee actions, the ability of employees to accommodate consumer needs for customized services, and employee responses to difficulties related to core service delivery (Bitner, Booms and Tetreault 1990).

However, employees do not always generate positive reactions from consumers.
For example, the inability or unwillingness of employees to respond to service failures and to consumer needs for customized services have been found to be significant sources of consumer dissatisfaction (Bitner, Booms and Tetreault 1990).

Furthermore, the appearance and behavior of both service personnel and consumers can reinforce or detract from the impression created by a service environment. Nickson, Warhurst and Dutton (2005) use the term “aesthetic labor” to capture the importance of the physical imagery of service personnel who serve consumers directly. Frontline personnel should play their roles effectively, including by ensuring their appearance, speech and movement are consistent with the servicescape in which they work.

**Customer-Service Environment Interactions**

The service environment (i.e., “the stage” in the theater metaphor) refers to the physical surroundings of the servicescape (Pullman and Gross 2004) and can be used as an important proxy signaling the quality of the firm’s services and its portrayal of its desired image.

Service environments are composed of hundreds of design elements and details that must work together if they are to create the desired service environment (Dunne, Lusch and Griffith 2002). Even when not noted consciously, these elements may still affect emotional wellbeing, perceptions and even attitudes and behavior. The resulting atmosphere creates a mood that is perceived and interpreted by the consumer (Davies and
Ward (2002). Recent research shows that the service environment is not only a cue for anticipated service quality, but also influences consumers’ evaluations of the intangible elements of a service firm, especially for hedonic services (Reimer and Kuehn 2005). Moreover, the physical service environment influences consumers’ perceptions of the experiential value of a service expressed in terms of aesthetics and playfulness, which in turn affect their purchase intentions (Keng et al. 2007).

Ambient conditions might also influence consumer behavior in a positive or negative way. For example, pleasant scents promote a favorable perception of the service environment (Morrin and Rateneshwar 2003) and have a positive effect on mood (Spangenberg, Crowley and Henderson 1996), on the amount of time consumers spend in stores (Donovan et al. 1994; Spangenberg, Crowley and Henderson 1996), and on overall expenditure and the number of brands purchased (Bone and Ellen 1999).

Contrary to the findings of early research endeavors on the topic, new developments support the conjecture that ambient conditions do not always affect consumer behavior or influence consumers in the same way. One precondition is that ambient conditions in the same service environment should be congruent with consumers’ affective expectations (Wirtz, Mattila and Tan 2000, 2007). Furthermore, Mattila and Wirtz (2001) report that when ambient scents and music are congruent with each other in relation to their arousing qualities, consumers make a significantly more positive evaluation of the service environment, exhibit a higher propensity for approach and impulse buying behavior, and are more satisfied than when these cues do not fit with each other.
Another precondition is that ambient conditions should be adapted to the service setting (e.g., a lavender aroma that is considered relaxing might not be the best choice for a dancing club, and loud music might not be appropriate for a hotel room). In the case of scents, evidence supports the proposition that not all scents affect consumer behavior. In an experiment conducted by Gueguen and Petr (2006), lemon and lavender aromas were diffused in a restaurant and compared to a no-aroma control condition. The study showed that the lavender aroma—but not the lemon aroma—increased the length of stay among consumers and the amount they purchased. Moreover, elements of the service environment should vary according to the setting—private (e.g., a guest room) versus public (e.g., a bar)—and be adjusted to consumer characteristics (e.g., arousal seeking tendency) (Lin 2010).

The importance of ambient conditions has been also recognized in online contexts. Companies have used technological advances to develop attractive online service environments equivalent to offline settings to enrich the experience of their consumers. Thus, companies like British Telewest Labs plug into PCs air fresheners that spray a scent related to a message to make the consumer’s experience more effective. The U.S. Department of Defense cooperates with ScentAir, a company specializing in scent appliances, and uses air fresheners in simulators employed for its military education programs.

In an online context, scents have been found to enhance consumers’ perceptions of interactivity (Ehrlichman and Bastone 1992) and vividness (Steuer 1992), as well as measures of approach behavior operationalized as time spent in the virtual store, number
of brands examined, and money spent (Vinitzky and Mazursky 2011). However, new developments in the area suggest that environmental factors (e.g., scents) might not operate in the same way for all consumers, and might also have an interruption effect on their cognitive shopping processes depending on their cognitive thinking style (an intuitive style versus a systematic cognitive style). It has been found that consumers with a highly systematic cognitive thinking style are more affected by the presence of scents, which in turn reduces their ability to perform an effective search process (disruption of the consumer’s focus and challenge). Thus, the use of scents to enrich the consumer experience might not always be desirable (Vinitzky and Mazursky 2011).

In line with the above reasoning, several environmental elements might have a negative impact on consumers’ emotions, evaluations and behavior. Design elements such as a lack of mirrors in dressing rooms, inadequate directions, items being rearranged and small stores also irritate consumers (d’Astous, Roy and Simard 1995). Social elements of the service environment might also affect consumers. For example, the sardine phenomenon—when too many consumers compete for space and service resources at the same time—can result in consumers experiencing discomfort (Chen, Gerstner and Yang 2009). Crowding has a negative effect on (a) consumer satisfaction when the primary motive for the service experience is utilitarian; (b) the desire to spend more money; and (c) the time spent in a restaurant (Noone and Mattila 2009).

In addition to consumers, the service environment is a highly aesthetic element in the corporate image creation process and plays a significant role in employee experience and performance in the servicescape (Nguyen and Leblanc 2002). After all, employees
spend much more time there than do consumers, and it is crucially important that the
design of the service encounter environment enables frontline personnel to be productive
and deliver quality services. Internal consumer and employee responses can be
categorized into cognitive responses (e.g., quality perceptions and beliefs), emotional
responses (e.g., feelings and moods), and psychological responses (e.g., pain and
comfort) (Mattila and Wirtz 2008). These internal responses lead to overt behavioral
responses such as avoiding a crowded department store or responding positively to a
relaxing environment by remaining there longer and spending extra money on impulse
purchases. It is important to understand that the behavioral responses of consumers and
employees must be shaped in ways that facilitate production and the purchase of high-
quality services (Mattila and Wirtz 2008).

**Consumer-to-Consumer Interactions**

In Grove and Fisk’s (1983) theater metaphor, other consumers are identified as
the service audience, whereas in Baker’s (1987) framework, other consumers represent
the social factor of the physical service environment. Other consumers have been found
to play several roles: acting as help-seekers, reactive helpers, admirers, competitors,
proactive helpers, observers, followers, judges, accused and spoilers (McGrath and Otnes
1995).

The presence of other consumers in the same service environment during an
encounter can affect the service experience of a consumer in a negative or positive way
When consumers receive social support from other consumers, consumer-to-consumer interactions might enhance their service experience, build loyalty, and therefore increase the profits of the service firm (Rosenbaum et al. 2007). A study conducted in a gym setting revealed that consumers receiving social-emotional support (and not so much instrumental support) from other consumers exhibit more voluntary performance behavior toward the service firm and its other customers (Rosenbaum and Massiah 2007). In addition, Harris and Baron (2004) find that conversations between consumers in the same service environment stabilize their expectations and perceptions of the service experience, which in turn reduce their dissatisfaction.

Other factors proposed to affect satisfaction include consumers’ compatibility and service settings. Consumers are more satisfied with the service experience when they perceive a high degree of compatibility with other consumers in the same service context (Martin and Pranter 1989; Grove and Fisk 1997). For example, non-smoking consumers in a restaurant will be more satisfied when the other consumers are non-smokers as well. However, it has been proposed that situational and service context variations are more important factors influencing consumer satisfaction. For example, other consumers being barefoot might constitute acceptable behavior in a bowling center, but not in a restaurant (Martin 1996). A recent study reported that the degree of interaction with other consumers depends on the level of importance attached to other consumers according to the service setting (Zhang, Beatty and Mothersbaugh 2010). For example, the presence of and interactions with other consumers are an essential element of the service experience of a sporting event, whereas this might not be the case in services such as hair salons or
financial services. Moreover, Zhang, Beatty and Mothersbaugh (2010) found that not only does the impact of other consumers differ across service settings, but certain settings are more strongly associated with negative incidents between consumers (e.g., movie theaters and skiing slopes) or positive incidents (e.g., retail stores, hair salons, and amusement parks), while others are related to both negative and positive incidents (e.g., restaurants and public transportation).

Low-Contact Service Encounters

Low-contact services involve little, if any, physical contact between consumers and service providers. Instead, contact takes place at arm’s length through electronic or physical distribution channels. In practice, many high-contact and medium-contact services are becoming low-contact services as part of a fast-growing trend whereby convenience plays an increasingly important role in consumer choice (Lovelock and Wirtz 2011). Voice-to-voice and self-service encounters have become increasingly common and have recently attracted research interest.

Voice-to-Voice Encounters

Voice-to-voice encounters have, until recently, been an under-investigated topic in the service literature. Service encounters with a telephone-based customer service representative are often moments of truth that influence consumers’ perceptions of a firm.
Voice-to-voice encounters can be important because the telephone is often the initial contact medium for the consumer (e.g., price checking) with a firm (Uzicker 1999), they can lead to purchase or non-purchase decisions, they are increasingly used as the platform through which transactions are conducted (e.g., placing an order), and are used as a channel for after-sales service and recovery processes (Whiting and Donthu 2006).

Voice-to-voice encounters play a significant role in developing, sustaining and managing consumer relationships (Anton 2000) and enhancing satisfaction (Feinberg et al. 2002). Voice-to-voice encounters often involve waiting time, music and information. Music and information have become two common tools firms use to keep consumers occupied while they wait and thereby reduce their perceptions of waiting time. However, recent research has shown that it is only when the customer likes the music that it reduces the perceived waiting time and increases satisfaction (Whiting and Donthu 2006).

Self-Service Encounters

Self-service technology-enabled encounters can benefit consumers because they allow for the production and consumption of services without relying on service personnel (e.g. automated teller machines, self-scanning checkouts and Internet banking). Self-service technologies (SSTs) allow consumers to “produce a service independent of direct service employee involvement” (Curran, Meuter and Surpreneant 2003, p. 209). For consumers, SSTs often require the co-production of services, increased cognitive involvement, and new forms of service behavior, while they can offer greater
customization and more satisfying experiences (Meuter et al. 2000; Prahalad and Ramaswamy 2004). However, self-service encounters not only benefit consumers, but also frequently benefit service providers by providing them with direct and immediate feedback from their consumers (Voorhees and Brady 2005), improving service design, developing consumer loyalty (Voss et al. 2004) and reducing costs.

Research on the application of SSTs has focused on factors that either facilitate or inhibit their adoption and usage by customers. Perceived usefulness, ease of use, reliability and fun have been identified as key drivers of consumer attitudes toward SSTs (Weijters et al. 2007). Dabholkar, Bobbit and Lee (2003) consider self-scanning checkouts in retail stores and find that control, reliability, ease of use and enjoyment are important usage determinants of this kind of SST. Consumer characteristics such as a lack of confidence, anxiety, technology-related attitudes, and self-efficacy might inhibit the use of SSTs and successful co-production, especially in complex services (Boyle, Clarke and Burns 2006; Dabholkar and Bagozzi 2002; Meuter et al. 2000).

Consumers are often dissatisfied with SSTs if they deliver poor service (Meuter et al. 2000) or the technology fails (Holloway and Beatty 2003; Meuter et al. 2000), and if they cause frustration they might engender poor service delivery and technological failure (Harris et al. 2006; Lee 2003). Due to these reasons and because SSTs might deter consumers from voicing their complaints (Forbes, Kelley and Hoffman 2005), consumers might avoid engaging in self-service technology-enabled encounters (Bitner, Ostrom and Meuter 2002) and even switch service providers (Forbes, Kelly and Hoffman 2005). Recent research shows that the ease with which complaints can be made in SST settings
mediate the relationship between consumers’ perceptions of the likelihood of voice success and their likelihood of complaining (Robertson and Shaw 2009). SST-enabled service encounters also reduce the opportunity for service providers to get in touch with consumers, determine their emotional state (Freidman and Currall 2003) and detect service failures (Pujari 2004).

The Post-Encounter Stage

Consumer satisfaction and perceived service quality have dominated the research agenda at this stage of the service consumption process due to their association with business performance (Brady and Robertson 2001). However, consumers who are satisfied and have high perceptions of service quality do not necessarily return to the same service provider or buy their services again (cf., Keiningham and Vavra 2001). As a result, there has recently been a shift in the consumer research agenda toward other important post-purchase outcomes such as perceived service value, consumer delight, consumer reactions to service failures (e.g., complaining and switching behavior), and consumer responses to service recovery.

Customer Satisfaction with Services

Several conceptual models such as the expectancy-disconfirmation paradigm (Oliver 1980) and the perceived performance model (Churchill and Suprenant 1982), as
well as attribution models (Folkes 1984), affective models (Westbrook 1987; Wirtz and Bateson 1999; Mattila and Wirtz 2000) and equity models (Oliver and DeSarbo 1988) have been developed to explain consumer satisfaction with services.

The following section describes two prevailing approaches—the expectancy-disconfirmation paradigm and the attribution model of satisfaction—and reviews current research supporting these approaches.

**The Expectancy-Disconfirmation Paradigm**

Most customer satisfaction research is based on the expectancy-disconfirmation model of satisfaction (Oliver 1980) where confirmation or disconfirmation of consumers’ expectations is the key determinant of satisfaction (Oliver 1980; Wirtz and Mattila 2001). According to the expectancy-disconfirmation paradigm, consumers evaluate the service performance they have experienced and compare it to their prior expectations (Figure 5).

Consumers will be reasonably satisfied as long as perceived performance falls within the zone of tolerance, that is, above the adequate service level. When performance perceptions approach or exceed desired levels, consumers will be very pleased. Consumers with such perceptions are more likely to make repeat purchases, remain loyal to the service provider, and spread positive word of mouth (Wirtz and Chew 2002; Liang, Wang and Farquhar 2009). Thus, satisfaction is related to important post-purchase attitudes and behavior such as consumer loyalty (Yang and Peterson 2004; Vazquez-Carrasco and Foxall 2006), frequency of service use (Bolton and Lemon 1999),
repurchase intentions (Cronin, Brady and Hult 2000), service recommendations to acquaintances (Zeithaml, Berry and Parasuraman 1996), and compliments to service providers (Goetzinger, Park and Widdows 2006).

Figure 5. Consumer Satisfaction (Expectancy/Disconfirmation) and its Outcomes in Services

When service performance is well above the expected level, consumers might be delighted. Consumer delight is a function of three components: (1) unexpectedly high levels of performance; (2) arousal (e.g., surprise, excitement); and (3) positive affect.
(e.g., pleasure, joy or happiness) (Oliver, Rust and Varki 1997). It should be noted, however, that consumers’ expectations might be raised once they have been delighted (Santos and Boote 2003). This can lead to consumers becoming dissatisfied if service levels return to the previously lower levels, and it will probably take more effort to delight them in the future (Rust and Oliver 2000).

The expectancy-disconfirmation framework generally works well when consumers have sufficient information and experience to purposefully choose a service from the consideration set expected to best meet their needs and wants. However, this may not always be the case for services. For example, the expectancy-disconfirmation model seems to work very well for search and experience attributes, but less so for credence attributes. Consumers cannot assess the latter type of attributes directly and rely on tangible cues and expectations to form their views on satisfaction. If no tangible evidence contradicts their expectations, customers tend to evaluate credence attributes as meeting their expectations and will be satisfied (Wirtz and Mattila 2001).

Probably the least investigated area of consumer behavior after a satisfying service experience is the giving of compliments. Service firms could use customer compliments as an opportunity to develop personal relationships with their customers (Goetzinger, Park and Widdows 2006). Motives that stimulate complimenting behavior are a high level of satisfaction or delight, an improved relationship with a service employee, voting behavior to continue special services, being polite, dissonance reduction, the fun of providing compliments, reciprocity or social norms, a high degree of involvement with a service, softening complaints, and gaining a reward (Kraft and Martin...
In an online context, ease of use/ordering, consumer service, service delivery and pricing selection result in consumer compliments about a service provider via a third party (Goetzinger, Park and Widdows 2006).

**The Attribute-Based Approach to Satisfaction**

Attribute-based perspectives have become a frequently used conceptual framework for explaining consumer satisfaction because they complement the expectancy–disconfirmation paradigm (Busacca and Padula 2005; Kano et al. 1984; Mittal and Kamakura 2001; Oliver 2000, p. 247). Based on the study of Weiner (2000), Oliver (2009, pp.302-303) proposed that expectancy-disconfirmation precedes attribute evaluations, which in turn affect consumer satisfaction. Recent empirical evidence supports the significance of service attributes in influencing overall satisfaction (Mittal, Kumar and Tsiros 1999; Akhter 2010). The attribute-based approach argues that both cognitive (expectations) and affective (desires-motives associated with personal objectives) elements should be considered when examining the consumer satisfaction formation process (Bassi and Guido 2006; Oliver 2000, p. 250). Moreover, the affective component of satisfaction is expected to be greater in services than in goods due to the interactive and experiential nature of the former (Oliver 2000, p. 252).

Multi-attribute models provide several benefits to theory and practice in understanding the satisfaction formation process. Focusing on service attributes: (a) is useful for identifying the specific attributes which act as antecedents of customer
satisfaction (Mittal, Kumar and Tsiros 1999); (b) facilitates the conceptualization of commonly observed phenomena such as mixed feelings toward a service (consumers are satisfied with certain attributes and dissatisfied with others) (Mittal, Ross and Baldasare 1998); (c) allows customers to render evaluations of their post-purchase experiences at an attribute level rather than only at the product level (Gardial et al. 1994); d) helps firms identify and manage attributes that have a strong impact on satisfaction and dissatisfaction (Mittal, Ross and Baldasare 1998).

The attribute-based approach considers the evaluation of different attributes of a service as an antecedent of overall satisfaction (Oliver 1993). Singh (1991) stated there is sufficient and compelling evidence to suggest consumer satisfaction can be considered a collection of multiple satisfactions with various attributes of the service experience. Satisfaction with service attributes thus results from the observation of attribute-specific performance and strongly influences the overall satisfaction rating (Oliver 1993).

Although these satisfaction approaches offer a framework with which to examine and understand consumer behavior, they encourage the adoption of a “zero defects” service paradigm (Bowden 2009). In other words, in their effort to maximize satisfaction, these models treat all consumers within the consumer base as homogeneous. For example, they regard newly acquired consumers as the same as loyal consumers, although the two groups might differ in the importance they place on each attribute (Mittal and Kamakura 2001). Furthermore, service consumers cannot always freely choose the service that best fits their needs, wants and desires. Services are time and location-specific, both of which restrict consumer choice, and consumers are frequently
locked into a specific provider. For example, in situations where switching costs are high, needs congruency would be a better comparison standard for modeling satisfaction than would expectations (Wirtz and Mattila 2001). Consumers use multiple standards in the satisfaction process (e.g. expectations as well as needs), and because needs-congruence explains satisfaction better than do expectations, it should be incorporated into the modeling of satisfaction in reduced consumer choice situations.

Due to the above deficiencies in existing satisfaction modeling approaches, we propose an integrative model that combines the abovementioned perspectives to provide a more comprehensive framework for explaining the formation of service satisfaction and its outcomes.

**An Integrative Model of Service Satisfaction**

When consumers use a service, they rate its transaction quality (e.g., the quality of food, the friendliness of the server and the ambiance of a restaurant), which when combined with the satisfaction derived from key attributes (i.e. attribute satisfaction) and the perceived value of the specific transaction then lead to a judgment of the level of overall satisfaction with a particular service experience. Over time and over many satisfaction judgments, customers then form a belief about the overall service quality a firm offers. This in turn influences behavioral intentions (e.g. purchase intentions, remaining loyal to the firm and positive word of mouth) (see Figure 6).
Using the general living systems theory, Mittal, Kumar and Tsiros (1999) propose that a consumption system consists of attribute-level evaluations, satisfaction and behavioral intentions and several subsystems. Their study shows that evaluations of a number of attributes lead to an overall level of satisfaction, which in turn influences customers’ behavioral intentions. Akhter’s (2010) recent study also supports the view that a service encounter is a multi-attribute experience comprising satisfaction with service attributes such as the provider, the offering, the location, information, and facilitation, which together form overall satisfaction. Overall satisfaction reflects the level of
satisfaction with the overall service experience, and is a global evaluation of a specific service consumption experience.

The attribute-based model has also been used in an online context to explain the link between self-service technology (SST) attributes and quality satisfaction. In a recent study, Yen (2005) identified efficiency, ease of use, performance, perceived control and convenience as the main Internet-based self-service technology (ISST) attributes determining consumer satisfaction with service quality. The findings of the study indicate that consumer satisfaction with ISST is not only a function of the benefits associated with its usage (e.g., convenience) and the attributes related to reduced barriers to use (e.g., ease of use), but also of its ability to perform the expected functions properly.

However, the relationship between attribute-level performance and overall satisfaction is more complex than initially thought. Evidence has shown that there is a nonlinear and asymmetric relationship between service attribute importance and attribute-level performance evaluations, a relationship that can be unstable over time (Busacca and Padula 2005; Kano et al. 1984; Mittal and Kamakura 2001). Research on consumer delight suggests that there is a nonlinear relationship in attribute-based judgments, probably due to the role affect plays in consumer satisfaction judgments as opposed to the weighting or importance consumers assign to a particular attribute only (Bowden 2009). Moreover, the phenomenon of “fundamental attribution error” has been observed in the literature (Oliver 2000, p.252). According to this “error”, negative attribute performance has a greater effect on overall satisfaction than does positive attribute performance (Mittal, Ross and Baldasare 1998). Furthermore, research shows that attribute weights do
not remain stable but change over time due to modified consumer goals (Mittal, Kumar and Tsiros 1999). One possible explanation for these findings might be found in the dimensions of attributions proposed by Weiner and adopted in the marketing field by Oliver (2010, pp.295-296). The locus of causality (internal-self vs. external-others), the stability of service attribute performance (stable vs. variable) and the degree to which an attribute is under the control of the service provider might influence the relationship between attribute satisfaction and overall satisfaction.

However, factors other than attribute-level evaluations might also influence the formation of consumer satisfaction. Spreng, Mackenzie and Olshavsky (1996, p.17) stated that “attribute-specific satisfaction is not the only antecedent of overall satisfaction, which is based on the overall experience, not just the individual attributes”. Lages and Fernandes (2005) suggest that any evaluation of a service provider is made at four abstract levels of a hierarchy comprising simple attributes of the service offering, transactional service quality, value, and more complex personal values. The present model proposes that in addition to attribute satisfaction, transaction quality and service values are further antecedents of overall satisfaction with services.

*The Role of Service Quality and Service Value*

Before further proceeding to explain the model in Figure 5, it is necessary to distinguish between the transaction-specific and firm-related aspects of service quality. Transaction-specific quality refers to consumers’ perceptions of a specific service
encounter experience, whereas a firm’s service quality reflects evaluations of quality based on cumulative experience that are developed over time. Inconsistencies in the literature regarding the role of service quality in relation to satisfaction and purchase intentions can be attributed to interchangeable use of the above types of service quality, which are often not distinguished from each other. We thus posit that transaction quality precedes overall consumer satisfaction, which in turn influences the formation of perceptions of a firm’s overall service quality.

At a transaction level, it has been proposed that perceptions of the quality of service attributes are antecedents of satisfaction with the service experience (Otto and Ritchie 1995). Wilson et al. (2008, pp.78-79) have proposed that satisfaction results from service quality evaluations (in addition to product quality and price) that mirror consumers’ perceptions of its five dimensions: reliability, responsiveness, assurance, empathy and tangibles. It should be noted here that the early service literature considered these dimensions components of the perceived service quality of the firm (Boulding et al. 1993) and not as transaction-specific. Brady and Cronin (2001) proposed that service quality is a multifaceted concept comprising three dimensions and nine sub-dimensions (in parentheses): interaction quality (attitudes, behavior and expertise), physical environment quality (ambient conditions, design and social factors) and outcome quality (waiting time, tangibles and valence). Consumers evaluate service quality based on these three dimensions assessed via each of their three corresponding sub-dimensions. Additional empirical evidence has also demonstrated that the quality of the service
delivery personnel (Johnson and Zinkham 1991) and physical environment (Bitner 1992) attributes have an impact on satisfaction with the service experience.

Another construct gaining increasing research attention is service value. Service value is the “utility of a product based on perceptions of what is received and what is given” (Zeithaml 1988, p. 14). Empirical evidence shows that transaction service quality is a significant determinant of service value (Cronin, Brady and Hult 2000; Hu, Kandampully and Juwaheer 2009). Perceived service value is considered highly personal, idiosyncratic and variable among consumers (Holbrook 1994). It also seems reasonable to suggest that consumers evaluate transaction-specific attributes first before evaluating the service value of the service encounter experience. Transaction quality-related attributes may therefore represent most of the positive benefit drivers of consumer service value (Hu, Kandampully and Juwaheer 2009). Moreover, service value has been shown to have a direct effect on both consumer satisfaction with the service experience (Cronin, Brady and Hult 2000; Hu, Kandampully and Juwaheer 2009; Lin, Sher and Shih 2005; Vakri and Colgate 2001) and behavioral intentions (Cronin, Brady and Hult 2000; Hu, Kandampully and Juwaheer 2009).

Service quality at the firm level has been linked to consumers’ behavioral intentions. Boulding et al. (1993) conducted two studies in a service context and found that consumers’ perceptions of a firm’s overall service quality will influence their behavior intentions expressed as positive word of mouth and recommendation of the service. Perceptions of a firm’s overall service quality are relatively stable but will change over time in the same direction as transaction satisfaction ratings (Boulding et al.
Consumers’ re-purchase intentions are influenced by their perceptions of overall service quality at the time of re-purchase (i.e. consumers try to predict how good the next service transaction will be), and not by the individual transaction satisfaction formed immediately after a consumption experience (Boulding et al. 1993; Palmer and O’Neill 2003). For example, consumers might return to a hair stylist if they think the stylist is generally fantastic, even if they were unhappy the last time they went there because they believe the poor haircut was an exception. However, a second or even third dissatisfaction evaluation will reduce the overall service quality perception of the firm more dramatically and jeopardize repeat purchases.

The strength of the relationship between satisfaction and consumers’ behavioral intentions is often influenced, moderated or mediated by other factors. For example, consumers’ adjusted expectations (Yi and La 2004) and characteristics such as personality traits (e.g., the need for social affiliation and relationship proneness) may act as mediators (Vazquez-Carrasco and Foxall 2006), whereas consumer demographics (e.g., age and income) may act as moderators (Homburg and Giering 2001) in the relationship between satisfaction and behavioral outcomes.

**Service Failure and Behavior of Dissatisfied Customers**

Service failures might result from various sources such as poor transaction quality due to long waits (Hensley and Sulek 2007), overbooking in excess of service capacity (Wangenheim and Bayon 2007) and other misbehavior among consumers (Huang 2010).
Customers are less satisfied when the length of the service-entry wait increases, especially when they perceive that waiting time is under the control of the service provider (Diaz and Ruiz 2002). Dissatisfaction due to waiting time is also influenced by the physical comfort consumers experience during service delivery (e.g., temperature and noise) and the behavior of frontline employees (Gupta, Lehman and Stuart 2004).

When the service experience does not meet customers’ expectations and services fail, they may complain about poor service quality, suffer in silence, exhibit negative WOM, lose trust, complain to a third party, misbehave, or switch providers either immediately or in the future (Bitner, Brown and Meuter 2000; Chebat, Davidow and Codjovi 2005; Ganesh, Arnold and Reynolds 2000; Goetzinger, Park and Widdows 2006; Mattila and Wirtz 2004; Reynolds and Harris 2009). Service failures result in negative disconfirmation of expectations and might induce negative emotional reactions such as cynicism toward the service provider (Chylinski and Chu 2010), which in turn could lead to complaints from consumers (Strauss and Siedel 2004; Mattila and Wirtz 2004).

**Consumer Complaining Behavior**

Depending on their level of seeking redness propensity (SRP), dissatisfied consumers might complain (high in SRP) or not complain (low in SRP) to service providers (Chebat, Davidow and Codjovi 2005). The range of purposes for which complaints are made include to change a criticized behavior, to inform a service provider of a harmful experience, to request compensation (Stauss and Siedel 2004, p. 95), and to
reduce anger and frustration (Mattila and Wirtz 2004). Depending on their motives, consumers select different channels to make their complaints. Thus, when consumers intend to receive a tangible form of compensation due to a service failure, they prefer to relay their complaints by interactive means (e.g., face-to-face or by telephone), whereas when they aim to reduce their level of frustration, they tend to use remote channels (e.g., letters and e-mail) (Mattila and Wirtz 2004).

Complaining via third parties (e.g., agencies, the media, online social networks, user-generated content sites, blogs and forums) has probably received the least research attention (Goetzinger, Park and Widdows 2006; Gregoire and Fisher 2008; Ward and Ostrom 2006), although the use of online third party intermediaries has become an increasingly common trend among consumers reacting to service failures due to their convenience and accessibility (Ward and Ostrom 2006). After a poor service recovery, consumers might believe that they have been betrayed and that fundamental norms related to their relationship with the firm have been violated. They will often try to restore fairness by both retaliating against the firm and demanding reparation (Gregoire and Fisher 2008), or by misbehaving and engaging in acts such as vandalism, illegitimate complaining, and rage (Reynolds and Harris 2009).

**Consumer Dysfunctional Behavior**

Dysfunctional behavior among consumers of services—sometimes called the “dark side” of the consumer—has recently attracted a greater level of attention among
researchers (Fisk et al. 2010). Such behavior includes illegitimate complaining, resistance and vandalism (Reynolds and Harris 2009), making opportunistic claims during service recovery (Wirtz and McColl-Kennedy 2010), and cheating on service guarantees (Wirtz and Kum 2004). Dysfunctional behavior takes place when “a customer deliberately behaves in a way that violates the norms and unwritten rules of an individual service setting in a negative fashion” (Reynolds and Harris 2009, p. 321). Due to the high frequency of incidents reported (Grandey, Dickter and Sin 2004; Bamfield 2006), consumer misbehavior is considered endemic within the service industry (Reynolds and Harris 2009).

The literature on dysfunctional behavior has focused on developing typologies of consumer misbehavior (Berry and Seiders 2008) and on examining the antecedents (Reynolds and Harris 2009) and consequences of such behavior (Harris and Reynolds 2003). Berry and Sieders (2008) have categorized consumers misbehaving into verbal abusers, blamers, rule breakers, opportunists and returnaholics. Reynolds and Harris (2009) recently found that disaffection with service (indicated by dissatisfaction and inequity), the servicescape and psychological obstructionism constitute significant factors related to dysfunctional behavior. Dysfunctional behavior has also been found to have a negative effect on other consumers, on the firm’s employees and on the service firm (Harris and Reynolds 2003).
**Consumer Switching Behavior**

Dissatisfied customers are likely to switch service providers or consider doing so. Consumer switching behavior is considered serious for continuously delivered services (e.g., banking, insurance, public services, telecommunications, and medical insurance) and subscription-based services (Keaveney and Parthasarathy 2001). Dissatisfied switchers tend to be the most satisfied customers of their new service provider after the switch, and are the most likely to engage in active loyalty behavior (Ganesh, Arnold and Reynolds 2000).

Consumer switching behavior is complex. Several factors have been proposed as direct determinants of switching behavior. Poor service quality or changes in the firm’s quality levels can lead to changes in consumers’ attitudes and behavior toward the firm (Bansal, Taylor and James 2005), including the emergence of switching, especially when consumers are aware of alternative service providers (Anton, Camrero and Carrero 2007). Moreover, switching intentions increase when consumers perceive they are not obtaining value for money or believe the price they paid for a service is unfair (Bansal, Taylor and James 2005; Homburg, Hoyer and Koschate 2005). Critical incidents that increase consumer anger and emotional reactions also significantly influence consumers’ decisions to terminate a relationship with a firm and look for alternatives (Anton, Camrero and Carrero 2007).

Researchers have proposed that consumer involvement, knowledge and expertise, the number of alternative service providers and the cost/risks associated with switching
are factors that moderate switching behavior among consumers (Anton, Camrero and Carrero 2007). Switching costs such as searching and learning costs, emotional cost, cognitive effort, and transaction cost, along with the associated risks (financial, social and psychological), may prevent consumers from changing service providers (Burnham, Frels and Mahajan 2003).

Burnham, Frels and Mahajan (2003) have categorized switching costs into three types: procedural (e.g., economic risk and expenditures in time and effort), financial (loss of benefits and financial resources) and relational (psychological and emotional discomfort due to termination of the relationship). When consumers are dissatisfied with a service provider and switching costs are high, then they may remain in the relationship and exhibit what has been called “false loyalty” (Burnham, Frels and Mahajan 2003) or “spurious loyalty” (Ganesh, Arnold and Reynolds 2000). However, consumers who switch providers can still harm the previous service provider by spreading negative word of mouth. Recent research shows that post-switching negative word of mouth is determined by product involvement, market mavenism, perceived risk, satisfaction with the new provider, and the reason for switching provider (Wangeneheim 2005).

**Consumer Responses to Service Recovery**

To transform dissatisfied consumers into satisfied advocates of their services, firms respond to complaints by adopting service recovery tactics. Service recovery refers to all the “actions of a service provider to mitigate and/or repair the damage to a customer
that results from the provider’s failure to deliver the service as designed” (Johnston and Hewa 1997, p. 467). In relation to consumer behavior, the service recovery literature has focused on consumer attributions of service failures (Folkes 1984), consumer complaining behavior (Bell and Luddington 2006), consumers’ expectations for service recovery (Kelley and Davis 1994) and recovery evaluations (Hoffman and Kelley 2000).

The handling of consumer complaints has become an increasingly important service research and management topic because of its value in pursuing long-term relationships with consumers (Bell and Luddington 2006). A new development in the service literature is satisfaction with service recovery and the “service recovery paradox”. According to this paradox, consumers who perceive an excellent recovery after a service failure will be more satisfied than consumers who have never experienced a service failure (Andreassen 2001). Thus, when service recovery performance is high, consumers will be more satisfied with the service provider (McCollough, Berry and Yadav 2000; Smith and Bolton 1998), perceive higher service quality (Berry 1995), exhibit positive word of mouth (Berry 1995) and have stronger re-patronage intentions (Smith and Bolton 1998), increase their loyalty (Vazquez-Carrasco and Foxall 2006), trust and commitment to the service provider (Tax, Brown, and Chandrashekaran 1998), and have a more positive image of the firm (Andreassen 2001; Zeithaml, Berry and Parasuraman 1996) (see Figure 7).
Recent studies, however, show that the service recovery paradox does not hold universally. Rather, it is a function of the frequency of service failure and of the severity and the “recoverability” of the failure. The paradox holds when consumers experience a service failure that is recovered and are satisfied with the recovery. However, the paradox
no longer holds if a second service failure takes place. Consumers might forgive service
providers once, but they become disappointed when failures recur. Moreover, when a
service failure is considered serious and the service cannot be recovered (e.g., a ruined
wedding video), then it might not be possible to satisfy consumers with a service
recovery. On the other hand, when a poor service is recovered by delivering a superior
service, consumers are usually delighted and probably hope for another service failure in
the future (e.g., a free upgrade on a flight due to a missed connection flight) (de Matos,
Henrique and Rossi 2007; Michel and Meuter 2008).

RELATIONSHIP MARKETING: DEVELOPING LONG-TERM
RELATIONSHIPS WITH CUSTOMERS

As noted in the introduction to this chapter, the relationship marketing paradigm
is the prevailing thesis in contemporary consumer behavior literature in the services field.

Adopting a relational approach to the marketing of services offers several
advantages. A relational view revitalizes scientific research into major relationship
constructs (Bolton 1998) such as consumer satisfaction, service quality, trust and loyalty,
and introduces new ones such as attachment, commitment and engagement. These
constructs can help distinguish relational services (e.g., high-contact services such as
healthcare services) from transactional services (e.g., low-contact service encounters such
as those in call centers) (Berry 1995) and indentify appropriate strategies through which
firms can build relationships with consumers who see value in such relationships.
Moreover, relationship notions motivate cross-level research that links consumer- and firm-level domains, enabling us to examine how firms create, retain and profit from strong customer relationships (Sirdeshmukh, Singh and Sabol 2002).

In addition, service providers aim to develop stable customer-firm relationships because they can assist in many ways. Strong relationships can protect service providers from damage potentially caused by an occasional service failure or poor service performance (Berry 1995). Furthermore, a customer-firm relationship may act as a barrier to its termination because consumers gain several benefits through a long-term relationship (e.g., economic and psychological benefits, emotional and social bonds, customization and personalization of services) (Colgate et al. 2007). Strong consumer-firm relationships positively influence satisfaction with service recovery (Hess, Ganesan and Klein 2003), mitigate the effect of poor service recovery on relational outcomes such as trust, commitment and loyalty (Mattila 2001), and reduce the propensity for consumer retaliatory behavior (Gregoire and Fisher 2006).

The Role of Trust and Loyalty in Developing Relationships

The desire among researchers and practitioners to move beyond consumer satisfaction to find other ways to build deeper and long-lasting relationships between customers and firms has lead to the study of important relational constructs such as loyalty and trust (Morgan and Hunt 1994; Chaudhuri and Holbrook 2001; Singh and Sirdeshmukh 2000), and more recently social identity (Homburg, Wieseke and Hoyer...
commitment (Ballester and Aleman 2001) and attachment (Esch et al. 2006; Tsiotsou 2011; Vlachos et al. 2010).

The link between trust and loyalty among consumers is well-documented in the marketing literature (Morgan and Hunt 1994; Chaudhuri and Holbrook 2001; Singh and Sidershmukh 2000). Trust is considered an intrinsic feature of any valuable social relationship. Trust not only affects positive and favorable consumer attitudes, but also results in consumer commitment (Ballester and Aleman 2001) and loyalty (Morgan and Hunt 1994; Chaudhuri and Holbrook 2001), both of which are expressions of successful consumer-firm relationships (Morgan and Hunt 1994; Chaudhuri and Holbrook 2001; Park, MacInnis and Priester 2006; Singh and Sidershmukh 2000). Consumer trust exists “when one party has confidence in the exchange partner’s reliability and integrity” (Morgan and Hunt 1994, p. 23). Consumers trust service providers to continue meeting their commitments and can be rewarded by remaining in a relationship with them (Doney and Cannon 1997). Furthermore, consumers’ future expectations of using and benefiting from a service relationship can result in higher customer retention rates (Lemon, White and Winer 2002). Based on commitment-trust theory, Morgan and Hunt (1994) consider trust a key variable in developing and maintaining enduring and highly valued relationships.

Trust affects consumer commitment even more than does overall satisfaction (Ballester and Aleman 2001), and is directly linked to purchase and attitudinal loyalty (Chaudhuri and Holbrook 2001). The association between trust and loyalty results from the conception that trust can create highly valued relational exchanges (Morgan and Hunt
1994). That is, consumers who trust a service firm will commit to a relationship with the firm and be willing to sustain the relationship over the long term.

However, recent findings indicate that the relation between trust and loyalty might not be equally strong across service types (Ball, Coelho and Machas 2004). In airlines and banks, trust determines consumer satisfaction but does not directly affect consumer loyalty, whereas in experiential services such as hotels, beauty salons and hospitals, trust is a direct determinant of intentional loyalty (Sirdeshmukh, Singh and Sabol 2002). Ball et al. (2004) study the trust-loyalty relationship in the banking sector where basic services are not well differentiated, and find that loyalty is explained less by trust and more by communication.

One explanation for the above findings might be the product context in which the trust-loyalty relationship is examined. Because much of our knowledge on the trust-loyalty and trust-commitment relationships comes from previous studies in goods, it seems that these models do not necessarily hold in the same manner in a services context, or in credence services. The relationship between trust and loyalty in services is more complex, thus indicating that the characteristics of services (e.g., credence and experiential attributes) might result in differences in the strength of the trust-loyalty relationship, while the process for developing loyal consumers is multifaceted and is carried out through avenues other than trust (e.g., communication, perceived value and attachment). Thus, building stable and long-term relationships with consumers in services is a more complicated process than in goods.
In addition, current empirical evidence indicates that the relationship between trust and loyalty might not be direct, but may be mediated by other affective factors such as consumer attachment to a service provider (Esch et al. 2006; Tsiotsou 2011; Vlachos et al. 2010) and consumer-firm affection (Yim, Tse and Chan 2008). Recent research applies attachment theory in marketing (Thomson and Johnson 2006) and supports the conjecture that consumer attachment drives the strongest commercial relationships in services in areas such as the automotive sales (Paulssen and Fournier 2007). A recent study on a retail setting (Vlachos et al. 2010) indicates that firm trust and trust in employees act as antecedents of consumer-firm emotional attachment, which in turn is a strong predictor of behavioral loyalty and word of mouth. Moreover, attachment anxiety appears to multiply the effects of emotional attachment on behavioral loyalty and word of mouth. In a similar vein, Tsiotsou (2011) examines the direct and indirect effects of trust on loyalty in banking and insurance services. Although trust has a much weaker direct effect on loyalty than attachment in her structural model, it was found that consumer attachment to a service provider partially mediates the relationship between trust and loyalty.

**Customer Responses to Firms’ Loyalty Strategies**

Service firms have been implementing various strategies and tools to build loyalty with their consumers. Consumer experience management (CEM) is considered an effective strategy for gaining loyal customers (Meyer and Schwager 2007). The purpose
of consumer experience management is to ensure that every consumer’s contact or interaction with the firm is positive so that it results in satisfaction (Goldsmith 2011). A consumer experience is considered successful when “a customer finds (it) unique, memorable and sustainable over time” (Pine and Gilmore 1998, p. 12). Service encounter stimuli such as tangible elements and process quality, brand relationships and interpersonal relationships have been proposed as the antecedents of consumer experience (Palmer 2010). Moreover, it has been suggested that facilitating the co-creation of value will affect consumer loyalty (Vargo and Lusch 2004).

Customer relationship management (CRM) is being touted as another key technique for creating loyal relationships with consumers. As important components of CRM, loyalty or reward programs have been used as tools for building consumer loyalty in services (Keh and Lee 2006; Uncles, Dowling and Hammond 2003; Wirtz, Mattila and Lwin 2007). Rewards or incentives play a significant role in driving future consumer behavior, although they depend on the consumer’s level of satisfaction and ties with a service provider. Reward programs might enhance consumer loyalty, but the timing of the reward functions differently between satisfied and dissatisfied consumers (Keh and Lee 2006). Satisfied consumers prefer a delayed redemption of rewards to immediate rewards when the former are of higher value, while dissatisfied consumers should be given immediate rewards to allay their dissatisfaction and secure their loyalty (Keh and Lee 2006).

In a development related to CRM programs, consumer concerns and responses regarding information privacy have been attracting increased attention in research
showing key variables such as trust, information congruency and sensitivity explain consumer promotion and prevention-focused behavior (e.g. Lwin, Wirtz and Williams 2007; Wirtz and Lwin 2009).

Because satisfied consumers do not always engage in positive word of mouth, rewards/incentives might increase the likelihood of generating positive word of mouth for a service provider (Xiao, Tang and Wirtz 2011). Incentives targeted at satisfied customers and relatives and friends with whom they have strong ties are more likely to be effective than those targeted at customers to recommend to those with whom they have weak ties (Wirtz and Chew 2002). This is in line with the findings of Tsiotsou (2011), who indicates that in addition to rational/cognitive appeals (e.g., rewards and incentives), affective aspects of consumer-firm relationships should be considered when developing loyalty.

**Service Brands As Relationship Builders**

Human relationships have long inspired research on marketing relationships and, more recently, research on consumer–brand relationships (Fournier 1998). The consumer–brand relationship perspective suggests that there are relationship qualities between consumers and brands. Nowadays, marketers try to anchor brands not only in the minds of customers, but also in their hearts. Departing from the share-of-wallet notion, the share-of-heart approach is becoming increasingly important for marketing managers.
because it is related to post-consumption behavior and assists in developing long-term consumer-brand relationships.

Schultz et al. (2009, p. 12) defined brand relationships as “those bonds that bring the buyer and the seller of branded products or services together on a continuing basis”. In services, consumers are inclined to consider all services offered by a firm as elements of a single brand. Riley and de Chernatony (2000) agree that in services, “relationships with consumers should be sought at the corporate brand level, rather than at the individual product level” (p. 145). Thus, the firm becomes the brand in services and consumers use the corporate brand name, size and reputation as indicators of brand quality when choosing between brands (Kotler and Bloom 1984). Although relationships based on functional and utilitarian benefits certainly exist, emotional relationships between consumers and firms tend to be more important. The desired relationship between firm and consumer is therefore based on the emotions evoked by the brand as it acquires meaning for the consumer (Allen et al. 2008).

As a result, an emerging aspect of consumer-brand relationships research is its focus on the emotional features of brand relationships expressed as consumer brand attachment (often referred as affective commitment), brand engagement and brand love. Existing empirical investigations are, however, confined to goods (Albert et al. 2008; Carroll and Ahuvia 2006; Hemetsberger, Kittinger-Rosanelli and Friedmann 2009), and there are limited data on services. The following section briefly discusses these three qualities and their role in consumer-service brand relationship building and examines all the available research related to services.
Fournier (1994) considers *brand attachment* one of the six dimensions relevant to a consumer-brand relationship. Brand attachment refers to “the strength of the cognitive and affective bond connecting the brand with the self” (Park et al. 2010, p. 2) in a symbolic manner (Wallendorf and Arnould 1988). The importance of brand attachment as a major determinant of consumption behavior is substantiated by several features endogenous to the concept. Attachment reflects emotional bonds that affect cognition, are characterized by persistence and resistance to change, and predict behavior (Krosnick and Petty 1995). Furthermore, brand attachment is critical because it should affect forms of behavior that boost brand profits and consumer lifetime value (Thomson, MacInnis and Park 2005; Tsiotsou 2011). A recent study by Park et al. (2010) in a retail banking setting shows that brand attachment is a direct determinant of consumers’ purchase behavior (actual sales), brand purchase share and share-of-wallet. Moreover, Tsiotsou (2011) found that attachment to a service brand (e.g., in banking and insurance) is a direct determinant of trust and loyalty to these services. Park et al. (2010) went further by observing that brand attachment is more than an attitudinal construct and accounts for higher-order forms of consumer behavior associated with the commitment to a relationship.

*Brand engagement* is the emotional tie that binds the consumer to the service provider (Goldsmith 2011). Brand engagement can be used as a proxy for the strength of a firm’s consumer relationships based on both emotional and rational bonds consumers have developed with a brand (McEwen 2004). Bowden (2009) conceptualized brand engagement as “a psychological process that models the underlying mechanisms by
which customer loyalty forms for new customers of a service brand as well as the mechanisms by which loyalty may be maintained for repeat purchase customers of a service brand” (p.65). Bowden (2009) supported this concept in stating that engagement is a construct particularly applicable to services because they usually involve a certain degree of interactivity such as that seen between consumers and frontline personnel, and therefore imply a reciprocal relationship. Engagement might include feelings of confidence, integrity, pride and passion in a brand (McEwen 2004). In addition to these affective elements, consumer engagement with service brands has been considered a behavioral manifestation toward a brand or firm that goes beyond a purchase and includes positive word of mouth, recommendations, helping other consumers, blogging, writing reviews and even engaging in legal action (van Doom et al. 2010).

*Brand love* is considered a rich, deep and long-lasting feeling (Carroll and Ahuvia 2006) defined as “the degree of passionate emotional attachment that a person has for a particular trade name” (Carroll and Ahuvia 2006). It is conveyed as attachment and passion for the brand, assertions of love for the brand, and positive evaluations and emotions for the brand (Ahuvia 2005). Brand love plays a central role in post-consumption consumer behavior expressed either as positive word of mouth and brand loyalty (Carroll and Ahuvia 2006) or as willingness to forgive and pay a price premium (Heinrich, Albrecht and Bauer 2010). Although it plays a significant role in consumer-brand relationships, brand love has only recently attracted research attention in marketing (Albert et al. 2008). A recent study by Tsiotsou and Goldsmith (2011) examined the antecedents of brand love and compared its formation between goods (a coffee brand)
and services (an insurance brand). It was found that brand attachment and brand trust acted as direct determinants of brand love and that their effects were stronger for the service brand than for the goods brand.

**Brand Communities**

Developing online or offline clubs/brand communities for consumers has been employed as a means of creating loyalty (Roos, Gustafsson and Edvardsson 2005). Brands not only foster links with consumers, but also connect consumers with each other through a set of common meanings (McAlexander, Schouten and Koenig 2002). The consumer’s relationship with the brand, the product and the firm is an influential antecedent to their integration into the brand group (McAlexander, Schouten and Koenig 2002) and to their identification with the brand group (Algesheimer, Dholakia, and Herrmann 2005). The relationship of the consumer with the brand is described as a brand relationship, while the relationships consumers form with other consumers because of the brand are referred to as tribal behavior whereby consumers belong to a brand community or brand tribe (Tsiotsou and Veloutsou 2011).

The consumer’s relationship with a brand precedes and contributes to their relationship with the brand tribe/community (Algesheimer, Dholakia and Herrmann 2005). A recent study conducted by Tsiotsou and Veloutsou (2011) in a service context supports the view that the perceived meaning of a service brand facilitates consumers’ association with the brand, which in turn influences their intention to join groups of
consumers sharing the same passion for the brand. Moreover, their findings indicate that
consumers need to first develop close relationships with the brand before forming
relationships with other consumers from the brand community. For example, sport fans
first develop a relationship with a team before becoming members of a sport team
community and actively engaging in the community. The degree to which consumers feel
part of a brand community is a function of their perceived relationship with other
members of the community (McAlexander, Schouten and Koenig 2002) and the degree to
which they want to interact with the other members of the brand community (Bagozzi
and Dholakia 2006). Those who are actively engaged in the brand followers’ group tend
to stay in the group for a longer period (Algesheimer, Dholakia and Herrmann 2005). A
recent study among car-club communities’ members in Europe showed that 67% of their
brand loyalty intentions were explained by the quality of the relationship with the car
brand and by membership continuance intentions (Algesheimer, Dholakia and Herrmann
2005).

Social networking is being touted as another effective means to establish
relationships with consumers (Li and Bernoff 2008) and promote word of mouth (Brown,
Broderick and Lee 2007). Online social media environments provide new forms of
consumer interaction in which the dyadic relationship seen in offline word of mouth no
longer exists. Online communities and forums involve multiple participants at different
stages, with some actively engaged and others simply observing interactions among their
members (Libai et al. 2010). However, these communities might not be very effective
without consumer engagement (Straczynski 2009). “Community engagement suggests
that members are interested in helping other members, participating in joint activities, and otherwise acting volitionally in ways that the community endorses and that enhance its value for themselves and others” (Algesheimer, Dholakia and Herrmann 2005, p. 21). Identification with a brand community results in higher community engagement, which in turn influences intentions for membership continuance, community recommendation and participation (Algesheimer, Dholakia and Herrmann 2005).

**THE SERVICE-DOMINANT LOGIC**

The service-dominant (S-D) logic is an emerging paradigm in the marketing literature (Grönroos 1994, 2000b; Gummesson 1995; Rust 1998; Shostack 1977; Vargo and Lusch 2004) that provides “a new lexicon for marketing practices” linking transactional and relational approaches to marketing (Brodie, Saren and Pels 2011, p. 79). According to this perspective, organizations, markets and society are basically involved in exchanges of service—the application of competencies (knowledge and skills) for the benefit of another party. Because services are exchanged for other services, all firms should be considered service firms. The foundation of marketing theory and practice should thus come from service logic, principles and theories (Vargo and Lusch 2004, 2008). Due to the predominance of services, the S-D logic has been characterized as “the philosophical foundation of service science” (Maglio and Spohrer 2008, p. 9).

The S-D logic focuses on the concepts of value-in-use and co-creation of value rather than on the value-in-exchange and embedded value concepts of the goods
perspective (G-D). Thus, firms market with consumers and other value-creation partners, called “actors”, in their network, and do not market to consumers (Vargo and Lusch 2011). The service-centered approach is inherently consumer-centered and relational (Vargo and Lusch 2004).

The S-D perspective has its central focus on consumers. This means that firms not only are consumer-oriented, but also collaborate with and learn from their consumers to adapt and respond to their individual and continuously changing needs (Vargo and Lusch 2004). Vargo and Lusch (2004, 2008) have proposed several differences between the goods and service-centered dominant logics in relation to the primary unit of exchange, the role of goods, the role of the customer, the determination and meaning of value, firm-customer interaction and the source of economic growth. The goods perspective posits that consumers become involved in exchanges to acquire goods, whereas the service-centered view maintains that service is the fundamental basis of exchange. Goods are viewed as operand resources and end products in the G-D notion, whereas in the S-D logic they are considered transmitters of operant resources and intermediate “products” used by consumers in value-creation processes. In the G-D framework, value is determined by the producer and firms are limited to offering value propositions, whereas in the S-D perspective, value is perceived and determined by the consumer (“value in use”). Consumers are considered operand resources in the G-D notion, whereas they are seen as operant resources actively participating in relational exchanges and the co-creation of value in the S-D perspective.
Thus, the “service for service” approach has shifted the offering concept from one that views the offering as an output to one in which it is seen as a process of value creation where the role of the consumer changes. The consumer is no longer a receiver of business and is instead considered the source of business, a creator of firm value and a co-producer of value. In this sense, consumers play a fundamental joint role with the firm in creating value-in-use (Michel, Vargo and Lusch 2008) through interactivity and collaboration (Grönroos 1994). Thus, the service perspective requires that consumer-firm relationships be developed for value to be created.

Because value creation is an interactive process, the interaction between a firm and a consumer should be viewed in a relational framework. “Value creation is always a collaborative and interactive process that takes place in the context of a unique set of multiple exchange relationships, though often somewhat tacitly and indirectly so” (Vargo 2009, p. 374). Interactivity results from the “inseparability” characteristic of services that requires production and consumption to take place simultaneously (Zeithaml, Parasuraman and Berry 1985). Moreover, to create value, these interactions should take place over extended periods in which new knowledge is combined with extant knowledge. The activities of consumers and service firms interactively and interdependently combine over time to create value. Therefore, relationships constitute a prerequisite to the creation of value, and are not optional. The S-D logic conceptualizes relationships through these joint, interactive, collaborative and reciprocal activities performed by all actors involved (i.e. consumers, service providers and stakeholders) to create value (Vargo 2009; Vargo and Lusch 2004; Chandler and Vargo 2011).
DISCUSSION

Consumer behavior in the services context has increasingly attracted research attention across all three stages of the consumption process. However, post-purchase behavior seems to dominate consumer behavior research in the services field, with the other two stages—the pre-purchase and service encounter stages—being under-investigated and requiring further research attention. Moreover, the consumer behavior literature in services has gradually become delinked from the goods perspective and has moved on from merely adapting models developed in the goods literature and trying to apply and contrast them to a service context. New models and approaches (e.g., the servuction model, the servicescape/environmental approach and relationship marketing) have increasingly been developed from a service perspective to explain consumer behavior related to service experiences.

The development of relationship marketing and the service-dominant logic have moved into the center of current thinking and research in the services arena. The service-dominant logic provides a promising consumer and marketing foundation and merits further development and empirical work. Furthermore, conceptual models integrating the service-dominant logic with existing consumer models and frameworks are needed to gain a better understanding of service consumer behavior. For example, this chapter illustrates that the service-dominant logic, relationship marketing and brand relationship
frameworks could be integrated by using relationships as a common denominator of the three perspectives.

In addition to presenting new developments in the consumer behavior literature in services, this chapter also identifies several research gaps that warrant further attention. The first has emerged from the realization that the influence of the service environment on consumers’ emotional reactions, evaluations and behavior is more complicated than initially thought. New research developments indicate that the effects of environmental elements depend on the service setting (e.g., private vs. public), the congruency between these elements, and consumers’ individual characteristics. Research is needed to further clarify the complexities involved in the influence of the service environment not only on consumers, but also on employees and the social interactions taking place in a servicescape.

The application of new technologies and their impact throughout the three stages of service consumption is another important area for further research. The increasing growth of new technologies and their use in services is giving rise to questions about their acceptance in information kiosks, service delivery (self-service) and consumer service platforms by all kinds of consumers and in different situational contexts. The Internet has brought about several changes in consumer expectations, as well as true interactivity, consumer-specific, situational personalization, and the opportunity for real-time adjustments to a firm’s offerings (Rust and Lemon 2001). One can expect the advent of smart phones and tablet computers (e.g., the iPhone and iPad) with their many applications being created by individual service firms (e.g., Singapore taxi firms have
created applications to make booking taxis easier) to further revolutionize self-service applications.

Furthermore, the Internet has changed the role of consumers from being simply receivers of services to becoming actively involved in the production and delivery processes (Xue and Harker 2002). These new consumer roles and determinants of the co-creation of value in e-services need further examination. In an online context, e-service quality dominates the literature and is followed in importance by e-service value (Parasuraman, Zeithaml and Malhorta 2005; Santos 2003). However, all recent e-service quality and value models are based on traditional service models. For example, several e-service quality models are based on the SERVQUAL dimensions developed for traditional offline services (Parasuraman, Zeithaml and Malhorta 2005; Santos 2003). Using Grönroos’ model, Heinonen (2006) initially proposes four dimensions of e-service value—technical, functional, temporal and spatial—but later also includes benefits and sacrifice components borrowed from the offline literature. Because consumer evaluations of e-services and mobile services differ from those of traditional offline services (Rust and Lemon 2001), there is a need to develop and test new models of e-service quality and value (Parasuraman, Zeithaml and Malhorta 2005).

The role of avatars in enhancing the consumer experience, increasing trust and loyalty and developing consumer relationships with service providers has not been investigated in much detail in the service literature. There is also limited research related to the use of recommendation agents and mobile services and their effect in improving the quality of consumer decisions (Haubl and Trifts 2000).
Consumers’ responses to service failure and recovery continue to receive significant research attention. Several topics to have emerged in this area require further examination. Because the relative effectiveness of a service recovery might be situation-specific (Ruyter and Wetzels 2000), consumers’ responses to service performance and process failures should be examined further, as should the role of other-consumer failure (Huang 2010). The role of other-consumers in service failure has not been studied extensively in the service literature, although in several services (e.g., banks, gyms and restaurants), other consumers might be present and interact in a positive or negative way. The evolution of the employee-consumer relationship after a consumer complaint and service recovery constitutes another promising research direction.

Dysfunctional behavior among consumers is also an emerging topic in the service literature, as it seems this type of behavior might be endemic in the service industry (Fisk et al. 2010; Reynolds and Harris 2006). Understanding the motives, personality characteristics and situational contextual factors behind dysfunctional behavior among service consumers and how to prevent or control for such behavior are topics requiring further investigation.

Building longitudinal relationships with their consumers constitutes a significant challenge to contemporary service firms. Current empirical evidence questions the validity of traditional relationship models (e.g., satisfaction -> trust -> loyalty), highlights the complexity of consumers’ post-purchase behavior, and shifts attention to the role of consumers’ characteristics (e.g., relationship proneness) and affective reactions (e.g.
attachment) to service firms and their employees as prerequisites for developing and maintaining longitudinal relationships.

Service brands are an under-researched area in which existing methods are largely confined to qualitative approaches (e.g., de Chernatony and Segal-Horn 2001). Consumers’ responses to service brands and building consumer-service brand relationships are topics that demand more research attention. Recent calls argue for future research to develop comprehensive conceptual models of consumer engagement and test them empirically in services contexts (van Doom et al. 2010).

The role of consumer clubs (Roos, Gustafsson and Edvadsson 2005) and consumer brand communities/e-communities/tribes (Veloutsou and Tsiotsou 2011) in building stable consumer relationships is another direction in which service research must be taken and developed further. Identifying the motives (e.g., utilitarian and affective) behind joining or remaining in a club/community and the antecedents (e.g. service provider image and personality) and outcomes of participating in such groups (e.g. behavioral intentions, commitment, loyalty, trust, positive word of mouth) are potential avenues for future research.

If the service-dominant logic prevails as a marketing paradigm in coming years, then consumer behavior models developed in the services field might be used as the foundation for the respective models for the marketing of other types of products (e.g., fast-moving consumer goods, durables and industrial goods). However, more research on consumer behavior in a service context is needed to shed light on various aspects of the purchase decision process and the development of relationships. This chapter provides an
overview of key developments in the consumer behavior literature in the services field and highlights relevant issues warranting further research attention.

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