part two

The Service Customer

All successful service firms are customer oriented. To the greatest possible extent, these companies try to build their operations around the customer rather than forcing customers to conform to a predefined operating model. They also recognize that not all customers have similar needs, that their firm's services will appeal more to certain types of customers than others, and that customers differ in terms of their potential value to the firm. The four chapters in Part II are built around increasing your understanding of the service customer. Figure 11.1 emphasizes those elements of the service management decision framework that relate to the question: **Who are our customers and how should we relate to them?**

Understanding the nature of the processes used to create and deliver services is the key to designing service encounters and creating appealing experiences for customers. Marketers need to work with their colleagues in operations to answer the question: *Where should customers fit in our service operation?* In people-processing services, customers themselves are an integral part of the process and must physically remain in the company's facilities (e.g., a hotel, an airliner, or a hospital) for the duration of service delivery. Other types of services may have the opportunity to select processes that will substantially reduce contact with customers. Before a firm chooses a particular process, marketers should address the question: *Do customers and prospects prefer high or low levels of contact with service personnel and facilities?* The answer to this question may help guide decisions on

whether to offer self-service options. We discuss these issues in Chapter 3.

Many marketing decisions—including those involving product elements, pricing, promotion and education, and service delivery—are related to the question: *How do customers evaluate, purchase, and use our services? And how satisfied are they?* We need to learn what alternatives customers consider, how they evaluate services, what criteria they use in making their decisions, where and when they make purchases, whether there are differences among customers in how they use a specific service, and what factors lead to satisfaction or dissatisfaction. The purchase decision process for services is one of the key topics addressed in Chapter 4, which also addresses how customer expectations are formed and introduces the technique of mapping the service experience from the customer's perspective.

Managers must understand their customers' behavior in order to design services that best fulfill identified needs. But they should also realize that not all customers are equally desirable to a firm. Some current customers are likely to offer greater value than others. And not all prospects are attractive either. Thus marketers should ask: *What are the key characteristics of the market segments that we target?* The more a firm knows about its existing customers, the better it will be able to answer the question: *Which customer relationships are worth developing and preserving?* Chapter 5 reviews the concept of market segmentation, introduces
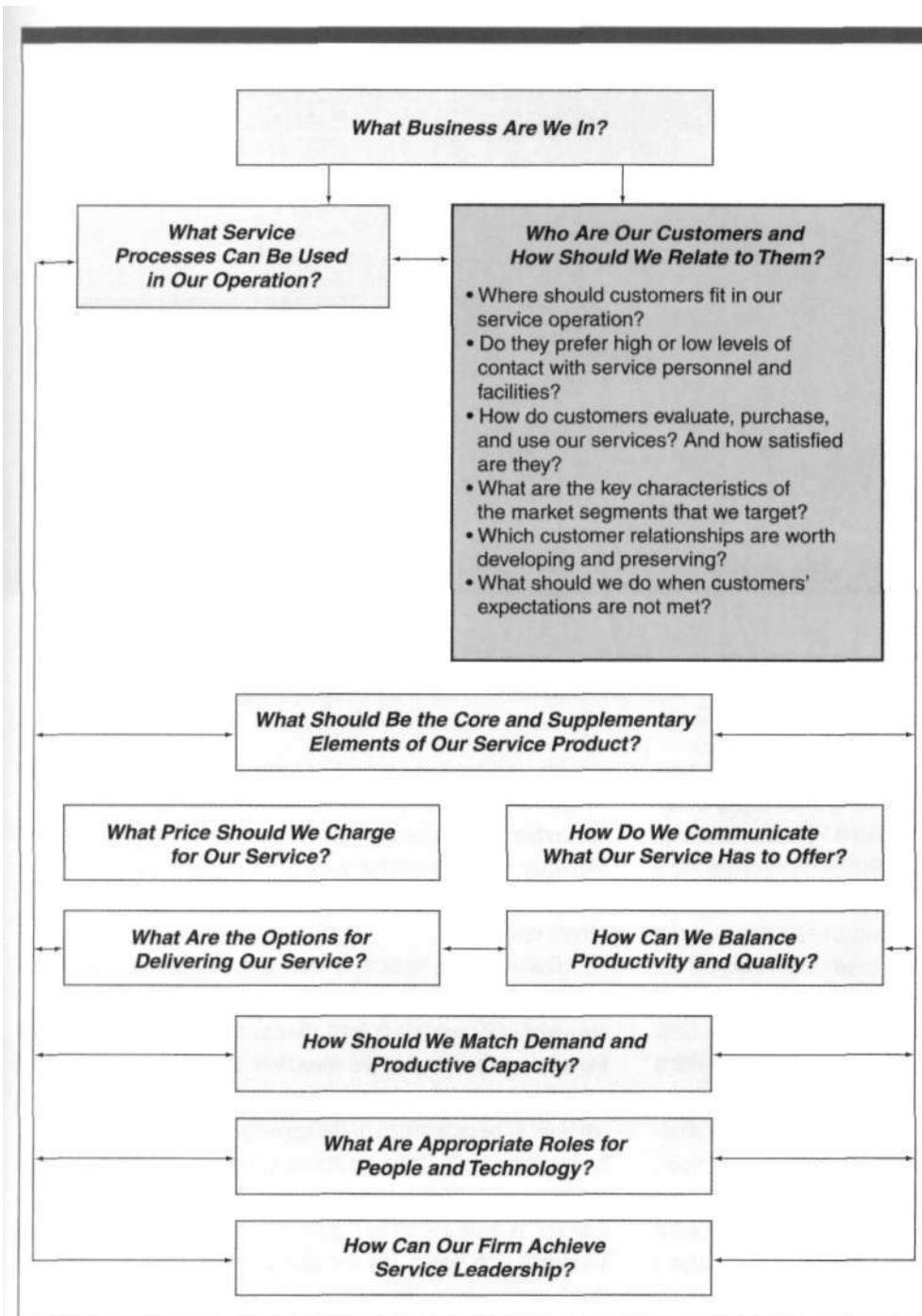
FIGURE II.1
Service Management
Decisions Involving
Customers

the concept of relationship marketing, and covers strategies for building customer loyalty.

Finally, managers need to recognize that service delivery does not always go perfectly from the customer's perspective. To develop an effective service recovery strategy—the topic of Chapter 6—they should be able to respond with specifics to the question: *What should we do when customers' expectations are not met?*
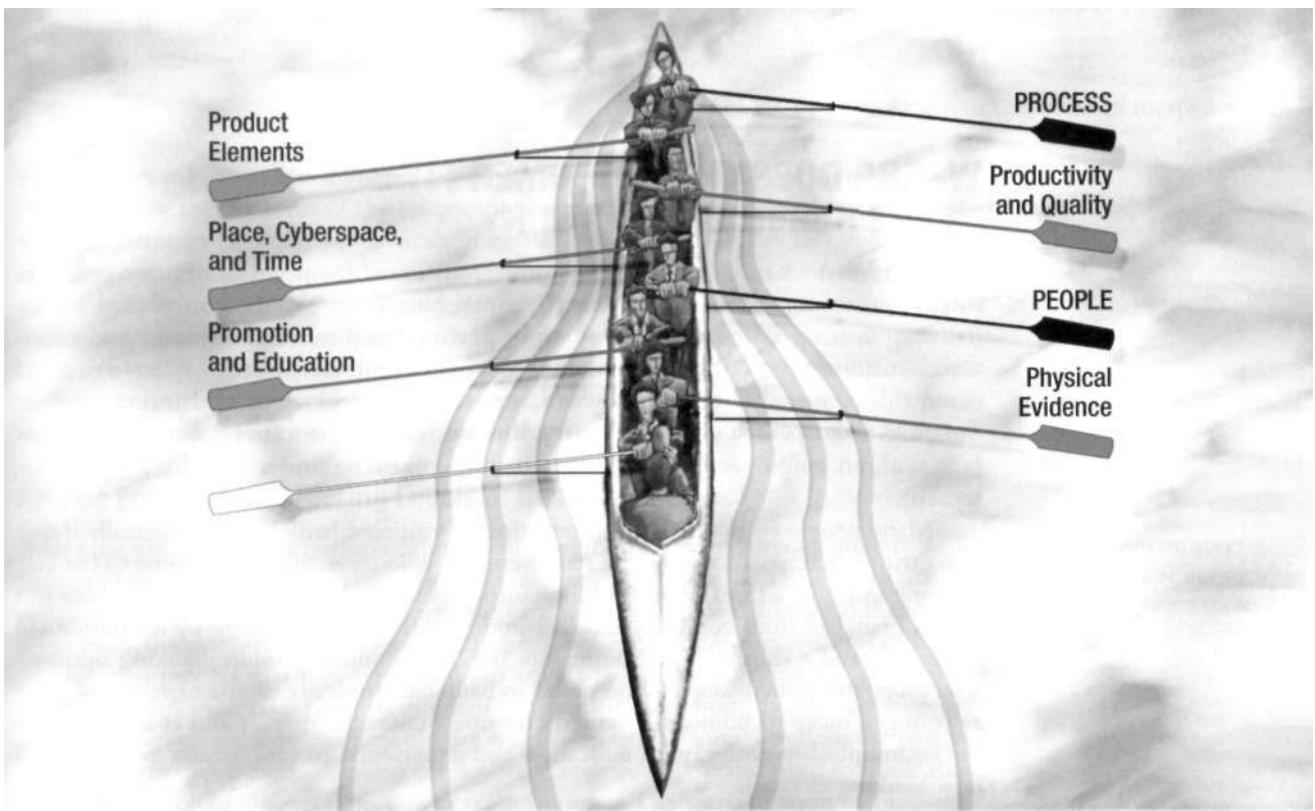
49

Managing Service Encounters

Banking Moves from High Touch to High Tech

Developments in technology often offer radically new ways for a business to create and deliver its services, particularly those core and supplementary services that are information-based.[1] But it's not always easy to insert a new, technology-based model of service delivery into a traditional operation with an established culture and customers who are used to doing things in a certain way. Sometimes it may be easier to create an entirely new operation that is largely independent of the parent company. In an effort to attract new business and take advantage of cost-saving advances in Internet technology, First USA Bank created a separate Internet subsidiary with an unusual sounding name. WingspanBank.com was launched in mid-1999 with the slogan "If your bank could start over, this is what it would be." A similar strategy was used ten years earlier by Britain's Midland Bank (now HSBC Bank) when it launched First Direct, the world's first all-telephone bank. First Direct attracted worldwide attention within the financial service industry as the first bank to operate 24 hours a day, 7 days a week.[2]

Customers who undertake home banking by computer or by phone have a different type of relationship with their bank than those who continue to visit a traditional retail bank branch. The former benefit from place and time convenience, dealing with bank personnel at arm's length, using a computer or telephone (supplied by the customers or their employers), rather than entering a service factory. The only physical banking encounters these customers experience are with ATMs (automated teller machines), which can be found in numerous convenient locations and do not necessarily belong to the bank with which the user has an account. If there is a problem, a customer's first option is to send an e-mail or to telephone a 24-hour customer service center.

Customers' impressions of First Direct, therefore, reflect how fast the phone is answered (standards require 75 percent of all calls to be answered in 20 seconds or less), the courtesy and professionalism of the employee's voice, and the speed with which desired transactions can be completed. By contrast, customers' impressions of Wingspan are likely to be determined by the appearance and ease of use of the bank's Web site. To obtain assistance, Wingspan customers can send e-mails, use 24/7 free telephone service to reach Customer Care Advisors, or send a letter by regular mail. Industry experts have given Wingspan high marks. The company's site received a "Best of the Web" ranking from *Forbes* and a "Five-Star Rating for the Best Financial Supermarket" from *Kiplinger's Personal Finance.* And according to *Money* magazine, "WingspanBank.com is the best banking embodiment yet of the 'clicks and mortar' strategy."[3] G6mez.com, an Internet quality measurement firm that evaluates a wide array of online services against a variety of criteria, gave WingspanBank.com high ratings among virtual banks.[4]

Product
Elements

Place, Cyberspace,
and Time

Promotion
and Education

PROCESS

Productivity
and Quality

PEOPLE

Physical
Evidence

© **Learning Objectives__**

After reading this chapter, you should be able to

=£> explain the different levels of customer contact and their impact on service design and delivery

=^> discuss critical incidents and their implications for customer satisfaction

=£> understand the elements of the total service system

=£> describe why service delivery can be viewed as a form of theater

=^> recognize the potential role of customers as coproducers of services

=4> appreciate how new technologies may offer alternative ways of creating and delivering services

WHERE DOES THE CUSTOMER FIT IN THE SERVICE OPERATION?

As we described in the opening vignette, different forms of banking operations involve customers in different ways. Compared to Web- or telephone-based service delivery, visiting a branch requires more personal and more time-consuming contacts. Customers can only visit a branch during certain hours and may have to travel some distance to get there. They are exposed to the exterior and interior of the building, may spend time waiting in a line with other customers, and deal face-to-face with an employee (who, in many banks, will be behind a security grill or glass screen).

Many people enjoy the social interaction of visiting a bank branch, especially if they don't trust machines and know the staff members who serve them. According to the U.S. banking industry, a third of all banking customers use only "high-contact" banking in a staffed branch, a third combine branch banking with remote banking by telephone and computer, and a third use predominantly the "low-contact" remote banking options.[5] The proportion of customers who prefer to bank electronically can be expected to grow as younger, more technology-oriented customers enter the market and at least some of the technophobes evolve, with education and experience, toward greater acceptance of new banking channels.

Contact with the Service Organization

An important theme in this chapter is that "high-contact" encounters between customers and service organizations differ sharply from "low-contact" ones. The four process-based service categories described in Chapter 2 prescribe the minimum level of customer contact needed to obtain service in each instance. However, many service organizations may provide far higher levels of contact than is necessary to deliver the service in question. Sometimes these high-contact levels reflect customer preferences for person-to-person service with **customer-contact personnel.** In many instances, though, they result from a management decision to continue relying on traditional approaches, instead of reengineering existing service processes to create innovative, lower-contact approaches.

customer-contact personnel: those service employees who interact directly with individual customers either in person or through mail and telecommunications.

Variability is a fact of life in situations where customers differ widely and service personnel interact with those customers on a one-on-one basis.[6] The longer and more actively that customers are involved in the process of service delivery, the greater the likelihood that each customer's experience will be somewhat different from that of other customers (and from previous experiences by the same customer). Not all variations are bad; in fact, many customers seek a tailored approach that recognizes them as individuals with distinctive needs. The challenge is for employees to be flexible, treating each person as an individual rather than as a clone.[7]

Many service problems revolve around unsatisfactory incidents between customers and service personnel. In an effort to simplify service delivery, improve productivity, and reduce some of the threats to service quality, a number of firms are using technology to minimize or even eliminate contact between customers and employees. Thus, face-to-face encounters are giving way to telephone and e-mail encounters. Meantime, personal service is being replaced by self-service, often through computers, kiosks, or easy-to-use machines.[8] Web sites are beginning to replace voice telephone contacts for some types of service transactions.[9]

This chapter builds on our earlier discussion of *processes* in Chapter 2 and introduces the concept of a spectrum of customer contact with the service organization that ranges from high to low. We'll show how the extent of customer contact affects the nature of the

service encounter as well as strategies for achieving *productivity* and *quality* improvements. As you review the contents of the chapter, including its examples, you should ask yourself how a strategy of reducing (or increasing) the level of customer contact might impact decisions relating to *product elements, place, cyberspace, and time, promotion and education, people,* and *physical evidence.* You should also recognize how the material in this chapter relates to the service decision framework (see Figure II.1 on page 49). By gaining a better understanding of where customers fit in different types of service operation and their preferences for high or low levels of contact with personnel and facilities, you'll begin to answer the broader question: ***Who are our customers and how should we relate to them?***

Service Encounters: Differing Levels of Customer Contact

A **service encounter** is a period of time during which customers interact directly with a service.[10] In some instances, the entire service experience can be reduced to a single encounter, involving ordering, payment, and execution of service delivery on the spot. In other cases, the customer's experience includes a sequence of encounters. This can mean an extended process that may be spread out over a period of time, involve a variety of employees, and even take place in different locations (think about flying on a passenger airline). Although some researchers use the term "encounter" simply to describe personal interactions between customers and employees,   realistically we also need to think about encounters involving interactions between customers and self-service equipment.

　　As the level of customer contact with the service operation increases, there are likely to be more and longer service encounters. So in Figure 3.1, we've grouped services into three **levels of customer contact,** representing the extent of interaction with service person-

service encounters a period of time during which customers interact directly with a service.

levels of customer contact: the extent to which customers interact directly with elements of the service organization.
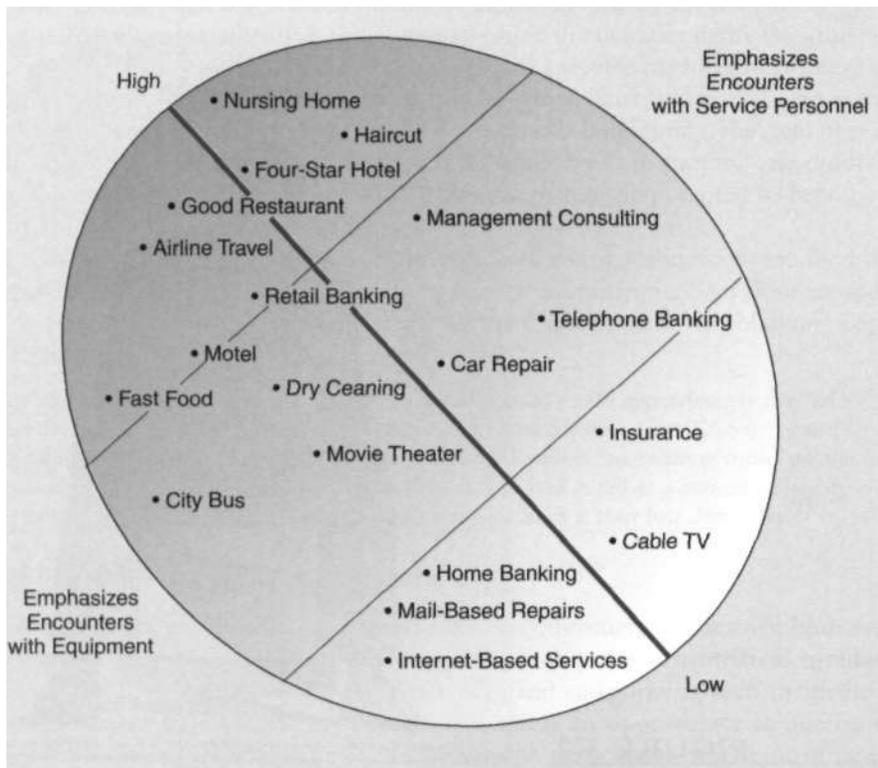
FIGURE 3.1

Levels of Customer Contact with Service Organizations

nel, physical service elements, or both. You'll notice that traditional retail banking, telephone banking, and home banking by Web site are all in different locations on the chart.

high-contact services:
services that involve significant interaction among customers, service personnel, and equipment and facilities.

High-contact services tend to be those in which customers visit the service facility in person. Customers are actively involved with the service organization and its personnel throughout service delivery (e.g., hairdressing or medical services). All people-processing services (other than those delivered at home) are high contact. Services from the other three process-based categories may also involve high levels of customer contact when, for reasons of tradition, preference, or lack of other alternatives, customers go to the service site and remain there until service delivery is completed. Examples of services that have traditionally been high contact but can be low contact today because of technology include retail banking, purchase of retail goods, and higher education.

medium-contact services:
services that involve only a limited amount of contact between customers and elements of the service organization.

Medium-contact services entail less interaction with service providers. They involve situations in which customers visit the service provider's facilities (or are visited at home or at a third-party location by the firm's employees) but either do not remain throughout service delivery or else have only modest contact with service personnel. The purpose of such contacts is often limited to: (1) establishing a relationship and defining a service need (e.g., management consulting, insurance, or personal financial advising, where clients make an initial visit to the firm's office but then have relatively limited interactions with the provider during service production), (2) dropping off and picking up a physical possession that is being serviced, or (3) trying to resolve a problem.

low-contact services:
services that require minimal or no direct contact between customers and the service organization.

Low-contact services involve very little, if any, physical contact between customers and service providers. Instead, contact takes place at arm's length through the medium of electronic or physical distribution channels—a fast-growing trend in today's convenience-oriented society. Both mental stimulus-processing (e.g., radio, television) and information-processing services (e.g., insurance) fall naturally into this category. Also included are possession-processing services in which the item requiring service can
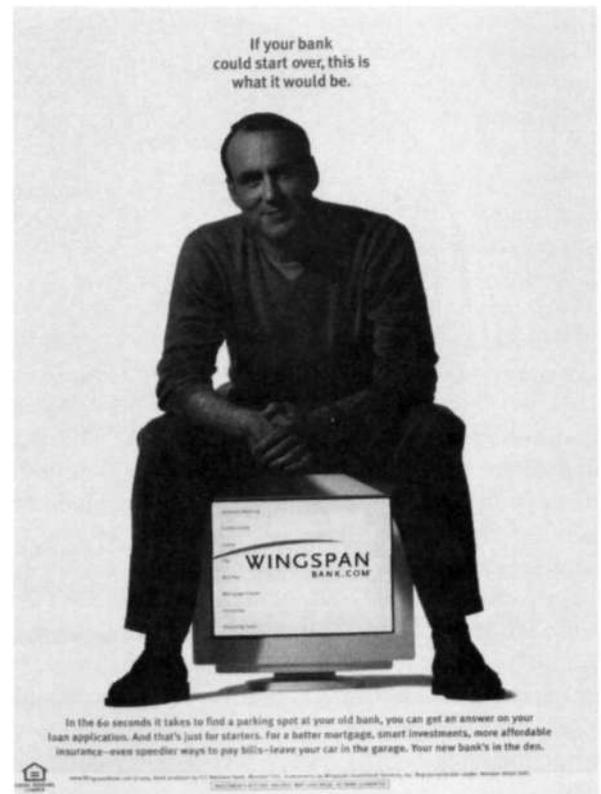

FIGURE 3.2
Unconventional Advertising for an
Unconventional Bank

be shipped to the service site or subjected to "remote fixes" delivered electronically to the customers' premises from a distant location (increasingly common for resolving software problems). Finally, many high-contact and medium-contact services are being transformed into low-contact services as customers engage in home shopping, conduct their insurance and banking transactions by telephone, or research and purchase products through the World Wide Web.[13]

Advertising for low-contact, Web-based services often promotes speed and convenience. For instance, WingspanBank.com contrasts the old and new approaches: "In the 60 seconds it takes to find a parking spot at your old bank, you can get an answer on your loan application. . . . leave your car in the garage. Your new bank's in the den" (see Figure 3.2).

MANAGING SERVICE ENCOUNTERS

Many services (especially those classified as high contact) involve numerous encounters between customers and service employees, either in person or remotely by phone or e-mail. Service encounters may also take place between customers and physical facilities or equipment. In low-contact services, customers are having more and more encounters with automated machines that are designed to replace human personnel.

To highlight the risks and opportunities associated with service encounters, Richard Normann, a Paris-based Swedish consultant, borrowed the metaphor **"moment of truth"** from bullfighting. Normann writes:

> \W\e could say that the perceived quality is realized at the moment of truth, when the service provider and the service customer confront one another in the arena. At that moment they are very much on their own. . . . It is the skill, the motivation, and the tools employed by the firm's representative and the expectations and behavior of the client which together will create the service delivery process.

In bullfighting, what is at stake is the life of either the bull or the matador (or possibly both). The moment of truth is the instant at which the matador deftly slays the bull with his sword—hardly a very comfortable analogy for a service organization s intent on building long-term relationships with its customers! Normann's point, of course, is that it's the life of the relationship that is at stake. Contrary to bullfighting, the goal of relationship marketing—which we will explore in Chapter 5—is to prevent one unfortunate (mis)encounter from destroying what is already, or has the potential to become, a mutually valued, long-term relationship.

Jan Carlzon, the former chief executive of Scandinavian Airlines System, used the "moment-of-truth" metaphor as a reference point for transforming SAS from an operations-driven business into a customer-driven airline. Carlzon made the following comments about his airline:

> Last year, each of our 10 million customers came into contact with approximately five SAS employees, and this contact lasted an average of 15 seconds each time. Thus, SAS is "created" 50 million times a year, 15 seconds at a time. These 50 million "moments of truth" are the moments that ultimately determine whether SAS will succeed or fail as a company. They are the moments when we must prove to our customers that SAS is their best alternative.

Critical Incidents in Service Encounters

Critical incidents are specific encounters between customers and service businesses that are especially satisfying or dissatisfying for one or both parties. The **critical incident technique (CIT)** is a methodology for collecting and categorizing such incidents in service encounters. Conducting such an analysis offers an opportunity to determine what incidents during service delivery are likely to be particularly significant in determining whether or not customers are satisfied. The types of encounters classified as critical incidents differ depending on whether the service is high or low contact in nature.

moment of truth: a point in service delivery where customers interact with service employees or self-service equipment and the outcome may affect perceptions of service quality.

critical incident: a specific encounter between customer and service provider in which the outcome has proved especially satisfying or dissatisfying for one or both parties.

critical incident technique (CIT): a methodology for collecting, categorizing, and analyzing critical incidents that have occurred between customers and service providers.

Critical Incidents in High-Contact Services

In a study of critical incidents in the airline, hotel, and restaurant businesses, customers were instructed to think of a time when they had a particularly *satisfying (dissatisfying)* interaction with a service employee. They then answered the following questions:

> When did the incident happen?

>• What specific circumstances led up to this situation?

5* Exactly what did the employee say or do?

>• What resulted that made you feel the interaction was *satisfying (dissatisfyingp*

A total of 699 incidents was recorded, split roughly equally between satisfying and unsatisfying incidents. They were then cat-egorized into three groups: (1) employee response to service fail-ures, (2) employee responses to requests for customized service, and (3) unprompted and unsolicited employee actions.

When employees responded to critical incidents involving a service failure, analysis showed that the outcomes were twice as likely to be dissatisfactory for customers as satisfactory. The reverse was true when customers asked employees to adapt the service in some way to meet a special need or request. In the third grouping, relating to unexpected events and employee behavior, satisfactory and unsatisfactory outcomes were equally matched. Figure 3.4 displays reports on specific incidents, as described in the customers' own words.

FIGURE 3.3

Customer Reports on Critical Incidents Involving Service Employees

GROUP 1 SAMPLE INCIDENTS: EMPLOYEE RESPONSE TO SERVICE DELIVERY FAILURES

Incident

Satisfactory	Dissatisfactory
A. Response to Unavailable Service	
They lost my room reservation but the manager gave me the V.I.P. suite for the same price.	We had made advance reservations at the hotel. When we arrived we found we had no room—no explanation, no apologies, and no assistance in finding another hotel.
B. Response to Unreasonably Slow Service	
Even though I didn't make any complaint about the hour and a half wait, the waitress kept apologizing and said that the bill was on the house.	The airline employees continually gave us erroneous information; a one-hour delay turned into a six-hour wait.
C. Response to Other Core Service Failures	
My shrimp cocktail was half frozen. The waitress apologized, and didn't charge me for any of my dinner.	One of my suitcases was all dented and looked as though it had been dropped from 30,000 feet. When I tried to make a claim for my damaged luggage, the employee insinuated that I was lying and trying to rip them off.

GROUP 2 SAMPLE INCIDENTS: EMPLOYEE RESPONSE TO CUSTOMER NEEDS AND REQUESTS

A. Response to "Special Needs" Customers	
The flight attendant helped me calm and care for my airsick child.	My young son, flying alone, was to be assisted by the stewardess from start to finish. At the Albany airport she left him alone in the airport with no one to escort him to his connecting flight.

Incident

Satisfactory	Dissatisfactory

B. Response to Customer Preferences

| The front desk clerk called around and found me tickets to the Mariners' opening game. | The waitress refused to move me from a window table on a hot day, because there was nothing left in her section. |
| It was snowing outside—car broke down. I checked 10 hotels and there were no rooms. Finally, one understood my situation and offered to rent me a bed and set it up in one of their small banquet rooms. | The airline wouldn't let me bring my scuba gear on board coming back from Hawaii even though I brought it over as carry-on luggage. |

C. Response to Admitted Customer Error

| I lost my glasses on the plane; the stewardess found them and they were delivered to my hotel free of charge. | We missed our flight because of car trouble. The service clerk wouldn't help us find a flight on an alternative airline. |

D. Response to Potentially Disruptive Others

| The manager kept his eye on an obnoxious guy at the bar, to make sure that he didn't bother us. | The hotel staff wouldn't deal with the noisy people partying in the hall at 3 A.M. |

GROUP 3 SAMPLE INCIDENTS: UNPROMPTED AND UNSOLICITED EMPLOYEE ACTIONS

A. Attention Paid to Customer

| The waiter treated me like royalty. He really showed he cared about me. | The lady at the front desk acted as if we were bothering her. She was watching TV and paying more attention to the TV than the hotel guests. |

B. Truly Out-of-the-Ordinary Employee Behavior

| We always travel with our teddy bears. When we got back to our room at the hotel we saw that the maid had arranged our bears very comfortably in a chair. The bears were holding hands. | I needed a few more minutes to decide on a dinner. The waitress said, "If you would read the menu and not the road map, you would know what you want to order." |

C. Employee Behaviors in the Context of Cultural Norms

| The busboy ran after us to return a $50 bill my boyfriend had dropped under the table. | The waiter at this expensive restaurant treated us like dirt because we were only high school kids on a prom date. |

D. Gestalt Evaluation

| The whole experience was so pleasant … everything went smoothly and perfectly. | The flight was a nightmare. A one-hour layover went to three-and-one-half hours. The air conditioning didn't work. The pilots and stewardesses were fighting because of an impending flight attendant strike. The landing was extremely rough. To top it all off, when the plane stopped, the pilots and stewardesses were the first ones off. |

E. Performance Under Adverse Circumstances

| The counter agent was obviously under stress, but kept his cool and acted very professionally. | |

CIT in High-Contact Environments   Most CIT research has focused on interpersonal interactions between customers and employees in high-contact service environments. In these situations, critical incidents tend to center around customer perceptions of employee attitudes and actions. For example, a lengthy wait for dinner in a restaurant would be classified as a critical incident because it represents a service delivery failure. But if an employee attempts to improve the situation by providing information about the cause of the wait and offering free drinks as compensation, customers may feel that the outcome was satisfactory even though the service delivery was problematic.

The findings reported in the boxed example come from a study of critical incidents described by customers who had particularly satisfying or dissatisfying experiences when using high-contact airline, hotel, or restaurant services. Note the 12 different

Critical Incidents in Low-Contact Services

A recent study used an online survey to examine critical incidents related to encounters with self-service technologies including ATMs, Internet shopping services, pay-at-the pump terminals, automated telephone services, package tracking, automated car rental pick-up and return, and online brokerage services. Study participants were instructed to think of a time when they had a particularly *satisfying (dissatisfying)* interaction with an SST. They then answered the following questions:

➤ Which self-service technology are you focusing on?

➤ Was this a satisfying or dissatisfying experience?

➤ Please describe what happened during the incident. What specific details do you recall that made this experience memorable to you?

A total of 823 incidents was recorded, with 56 percent classified as satisfactory encounters and 44 percent classified as dissatisfactory encounters. There were three categories of satisfying encounters: (1) solved an intensified need, (2) better than the alternative, and (3) did its job. Four types of dissatisfying encounters were identified: (1) technology failure, (2) process failure, (3) poor design, and (4) customer-driven failure. Figure 3.4 displays reports on specific incidents related to encounters with SSTs, as described in the customers' own words.

FIGURE 3.4

Satisfying and Dissatisfying Encounters with Self-Service Technologies

	SATISFYING INCIDENTS	
Group Number and Name	**Illustrative Quotes**	**Percentage of Total**
1. Solved intensified need	"My ride to work didn't show up, and I had no money in my pocket. I had 20 minutes to get to work. I went to the cash machine and got some cash for the cab ride.... I made it to work 10 minutes late instead of not at all."	11%
2. Better than the alternative		66%
2A. Easy to use	"The page's forms were clear and easy to use. I had no difficulty deciding on my purchase and going ahead with the order." (regarding purchasing roses through the 1-800-FLOWERS Internet page)	16%
2B. Avoid service personnel	"I like shopping on the Internet because there is no salesperson to bribe you."	3%
2C. Saved time	"I was on my way to a friend's house and was low on gas. I was in a huge hurry, so using the pay at the pump saved me a lot of time."	30%

types of incidents and examples of the language used by customers to describe both positive and negative interactions with service employees.

While customers' reactions are important, managers must also understand the employee's view of the situation. Thoughtless or poorly behaved customers can often cause needless problems for service personnel who are trying hard to serve them well. Dissatisfaction with a succession of negative incidents can even drive good employees to quit their jobs. A CIT study that examined hundreds of critical incidents from an employee perspective[16] showed that more than 20 percent of all incidents that employees found unsatisfactory could be attributed to problem customers, whose bad behavior included drunkenness, verbal and physical abuse, breaking laws or company policies, and failing to cooperate with service personnel. As you know if you've ever been

SATISFYING INCIDENTS

Group Number and Name	Illustrative Quotes	Percentage of Total
2D. When I want	"[I] was having a videotape of a house I was interested in putting an offer [on] and was very anxious to get the tape so I could make my decision. [It was] convenient to be able to check on [the] parcel's whereabouts any time of day or night."	8%
2E. Where I want	"I can check out [library] books by phone without having to drive all the way down to the library to renew them."	5%
2F. Saved money	"I called around to several car agencies and was unable to get a price that was within my range. I decided to try Alamo online. I entered the information and came up with a price that was $20 less per week than when I had called them."	6%
3. Did its job	"I needed gas…[, which involved] inserting the card, selecting credit, pumping the gas, and then asking for a receipt. I received the gas I needed and wanted, and got a receipt."	21%

DISSATISFYING INCIDENTS

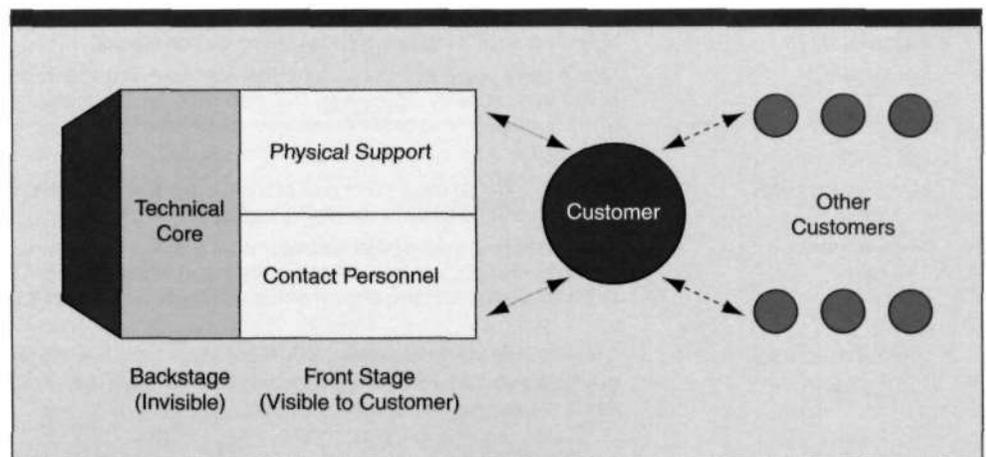| Group Number and Name	Illustrative Quotes	Percentage of Total
4. Technology failure	"ATM broke down. It kept my card. I had to have the card reissued."	43%
5. Process failure	"After a month passed from placing my original order, I e-mailed the customer service center at Disney with my order confirmation number. They had lost my order. I reordered, only to be sent the incorrect merchandise twice."	17%
6. Poor design		36%
6A. Technology design problem	"I was trying to order books from a book club online. The system was confusing, and I ordered two of the same title without knowing it."	17%
6B. Service design problem	"I did not realize that some (ATM) machines put limits on how much you can get out. The machine did not tell me I went over my limit for the day. It just spit my card back out so I kept trying different amounts until I was able to get some cash out."	19%
7. Customer-driven failure	"I was attempting to get money from an ATM and couldn't remember my [personal identification] number. I was leaving in one hour before the bank opened for mainland Japan, and the machine took my card."	4%

a front-line employee in a service business, it's simply not true that "the customer is always right."

CIT in Low-Contact Environments   In low-contact services, encounters between customers and service businesses may not directly involve employees. Technology has provided new opportunities for self-service, where delivery takes place electronically through interactions with equipment rather than people. Examples of these self-service technologies (SSTs) include bank ATMs, automated package tracking, pay-at-the-pump terminals at gas stations, automated kiosks for airline tickets, and Internet investment transactions. In these types of encounters, employees are not present to compensate for problems or customize the service experience. A study of critical incidents in low-contact service environments highlights the necessity of educating customers about effective use of SSTs and training them to "self-recover" when a service failure has occurred. The boxed example on pages 58—59 describes service encounters that were identified as especially satisfying/dissatisfying incidents in low-contact, self-service environments.

SERVICE AS A SYSTEM

The types of relationships a service business has with its customers (and the kinds of misbehaviors that will be encountered during service delivery) depend to a great extent on the level of contact customers have with the firm. Whether a service is high, medium, or low contact becomes a major factor in defining the total service system, which includes the **service operations system** (where inputs are processed and the elements of the service product are created), the **service delivery system** (where final "assembly" of these elements takes place and the product is delivered to the customer), and the **service marketing system** (which embraces all points of contact with customers, including advertising, billing, and market research) (see Figure 3.5).

Parts of this system are visible (or otherwise apparent) to customers; other parts are hidden in what is sometimes referred to as the technical core, and the customer may not even know of their existence.[18] Some writers use the terms "front office" and "back office" in referring to the visible and invisible parts of the operation. Others talk about **"front stage"** and **"backstage,"** using the analogy of theater to dramatize the notion that service is a performance.[19] We like this analogy—sometimes referred to as "dra-

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service operations system: that part of the total service system where inputs are processed and the elements of the service product are created.

service delivery system: that part of the total service system where final "assembly" of the elements takes place and the product is delivered to the customer; it includes the visible elements of the service operation.

service marketing system: that part of the total service system where the firm has any form of contact with its customers, from advertising to billing; it includes contacts made at the point of delivery.

front stage: those aspects of service operations and delivery that are visible or otherwise apparent to customers.

backstage (or technical core): those aspects of service operations that are hidden from customers.

FIGURE 3.5
The Service Business as a System

Source: Adapted from Langeard et al.[17]

TABLE 3.1

Theatrical Considerations for Different Types of Services

Service Process Category	Level of Contact	Drama Implications
People processing	High contact	Because the actors and audience are in close contact, the setting and front stage performances affect customers' perceptions of service quality. Important theater aspects include design and ambience of the setting, appearance and behavior of the actors, props, costumes, and scripts. Other audience members (customers) can influence one another's service experience and the perceived quality of the service performance.
Mental stimulus processing	High contact	If actors and audience are in close physical proximity, then many of the drama implications for people-processing services may apply.
	Low contact	If the performance is conducted at arm's length, audience members do not typically interact with each other. The physical appearances of the actors and setting are less important. Scripts may still be useful in ensuring that actors and audience members play their parts correctly.
Possession processing	Medium contact	The performance can either take place at the service firm or at the audience members' home or business. Contact between actors and audience may be limited to the start and end of the service. (At these contact points, the drama elements described for people-processing services do apply but on a less substantial level.)
	Low contact	In some circumstances—for instance, lawn mowing and office janitorial services—the service performance may occur without the audience present. The outcomes of such services are usually tangible and may be used as a proxy for judging the quality of the service performance.
Information processing	Low contact	There is minimal contact between actors and audience members. Both the act and the recipient (intangible assets) are intangible, and the performance usually occurs in the absence of the customer. Because of these factors, only the outcomes can be assessed, not the process; however, even the outcome may be difficult for customers to evaluate.

Source: Adapted from Stephen J. Grove, Raymond P. Fisk, and Joby John, "Services as Theater: Guidelines and Implications," in Teresa A. Schwartz and Dawn Iacobucci. *Handbook of Sen/ice Marketing and Management* (Thousand Oaks, CA: Sage Publications, 2000), p. 31.

maturgy"—and will be using it throughout the book. The extent to which theatrical elements exist depends largely on the nature of the service process. Table 3.1 summarizes the drama implications for the four categories of service processes identified in Chapter 2.

Service Operations System

Like a play in a theater, the visible components of service operations can be divided into those relating to the actors (or service personnel) and those relating to the stage set (or physical facilities, equipment, and other tangibles). What goes on backstage is of little interest to customers. Like any audience, they evaluate the production on those elements they actually experience during service delivery and on the perceived service outcome. Naturally, if the backstage personnel and systems (e.g., billing, ordering, account keeping) fail to perform their support tasks properly in ways that affect the quality of front stage activities, customers will notice. For instance, restaurant patrons will be disappointed if they order fish from the menu but are told it is unavailable or find that their food is overcooked. Other examples of backstage failures include receiving an incorrect hotel bill due to a keying error, not receiving course grades because of a computer failure in the college registrar's office, or being delayed on a flight because the aircraft has been taken out of service for engine repairs.

The proportion of the overall service operation that is visible to customers varies according to the level of customer contact. Since high-contact services directly involve the physical person of the customer, customers must enter the service "factory" (although there may still be many backstage activities that they don't see) or service workers and their tools must leave the backstage and come to the customers' chosen location. Examples include roadside car repair by automobile clubs and physical fitness trainers who work with clients at their homes or offices. Medium-contact services, by contrast, require customers to be less substantially involved in service delivery. Consequently, the visible component of the service operations system is smaller.

Low-contact services usually strive to minimize customer contact with the service provider, so most of the service operations system is confined to a remotely located backstage (sometimes referred to as a technical core); front stage elements are normally limited to mail and telecommunications contacts. Think for a moment about the telephone company that you use. Do you have any idea where its exchange is located? If you have a credit card, it's likely that your transactions are processed far from where you live.

Service Delivery System

Service delivery is concerned with where, "when, and how the service product is delivered to the customer. As shown earlier in Figure 3.5, this subsystem embraces not only the visible elements of the service operating system—buildings, equipment, and personnel—but may also involve exposure to other customers.

Service providers traditionally had direct interactions with their customers. But to achieve goals ranging from cost reduction and productivity improvement to greater customer convenience, many services that don't need the customers to be physically present in the factory now seek to reduce direct contact. Midland Bank's creation of First Direct is a prime example of this trend. As a result, the visible component of the service operations system is shrinking in many industries as electronic technology or redesigned physical flows are used to drive service delivery from higher to lower levels of contact.

Self-service delivery often offers customers greater convenience than face-to-face contact. Machines such as automated petrol pumps, ATMs, or coin-operated food and drink dispensers can be installed in numerous locations and made accessible 24 hours a day, 7 days a week. Electronic food retailing sites like wine.com and tabasco.com provide extensive product information and a greater selection of specialty items than most bricks and mortar outlets can offer.[20] Cafeteria service allows customers to see menu items before making their selection. Self-guided museum tours allow visitors to enjoy an exhibition at their own pace. Online college courses allow students to complete work at their own pace in an off-campus location.

But there are potential disadvantages to self-service delivery, too. The shift from personal service (sometimes referred to as "high touch") to self-service ("high tech") sometimes disturbs customers. So a strategy of replacing employees by machines or other self-service procedures may require an information campaign to educate customers and promote the benefits of the new approach. It also helps to design user-friendly equipment, including free telephone or e-mail access to an employee who can answer questions and solve problems. Of course, not all self-service is installed in remote locations. Cafeterias and self-guided museum tours are examples of customers taking on tasks that would otherwise have to be assigned to service personnel. Later in this chapter, we'll discuss the role of the customer as a coproducer of service in collaboration with the service provider.

Using the theatrical analogy, the distinction between high-contact and low-contact services can be likened to the differences between live theater on a stage and a drama created for television. That's because customers of low-contact services normally never see the "factory" where the work is performed; at most, they will talk with a service provider (or problem solver) by telephone. Without buildings and furnishings or even the appearance of employees to provide tangible clues, customers must make judgments about service quality based on ease of telephone access, followed by the voice and responsiveness of a telephone-based customer service representative.

When service is delivered through impersonal electronic channels, such as self-service machines, automated telephone calls to a central computer, or via the customer's own computer, there is very little traditional "theater" left to the performance. Some firms compensate for this by giving their machines names, playing recorded music, or installing moving color graphics on video screens, adding sounds, and creating computer-based interactive capabilities to give the experience a more human feeling. Another option is to design a retail Web site to resemble a display in a store window. Some virtual companies now offer real-time, interactive e-mail communications between shoppers and customer service personnel. Consider <u>Flooz.com</u>, a provider of electronic gift certificates that can be spent online at more than 60 stores (see page 44). If a customer logs onto the <u>Flooz.com</u> site and accesses the "Live Help" link at the top of the home page, there is an immediate response similar to the one quoted below:

> A <u>Flooz.com</u> Customer Care Representative will be with you momentarily!
> Please feel free to continue browsing below.
> JasonMa has arrived to help you!
> JasonMa says, "Thank you for accessing Live Chat. My name is fason.
> May I please have your e-mail address so I can better assist you?"

Responsibility for designing and managing service delivery systems has traditionally fallen to operations managers. But marketing needs to be involved, too, because

What Options Do You Use for Delivery of Bank Services?

Not everyone is comfortable with the trend toward low-contact services, which is why some firms give their customers a choice. For instance, many retail banks now offer an array of service delivery options. Consider this spectrum of alternatives. Which options do you currently use at your bank? Which would you like to use in the future? And which are currently available?

1. Visit the bank in person and conduct transactions with a bank clerk.

2. Use postal service to send deposits or request new checkbooks.

3. Use an ATM.

4. Conduct transactions by telephone with a customer service representative.

5. Use the keys on a telephone to interact with the bank in response to voice commands (or a telephone screen display).

6. Conduct home banking through your own computer, using a modem and special software.

7. Conduct transactions by computer through the World Wide Web.

8. Complete banking transactions by mobile phone or PDA (personal digital assistant).

In each instance, what factors explain your preference? Do they relate to the type of transactions you need to conduct or a situational element like the weather or time of day? Are you influenced by your feelings of liking (or disliking) human contact in a banking context? Or is there some other explanation? What advice would you give to your bank for how to serve you better?

understanding customer needs and concerns is important to ensure that the delivery system works well.
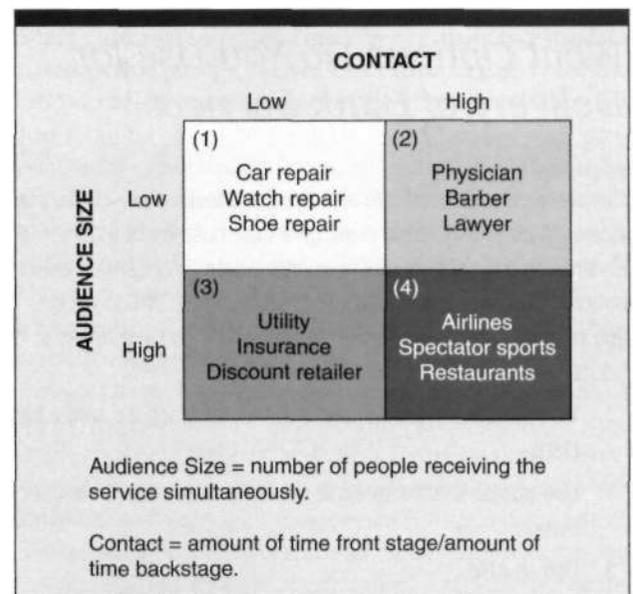
The Dramaturgy of Service Delivery

As we've pointed out earlier, the theater is a good metaphor for services because service delivery consists of a series of events that customers experience as a *performance.*[22] It's a particularly useful approach for high-contact service providers (e.g., physicians, educators, restaurants, and hotels) and for businesses that serve many people simultaneously rather than providing individualized service (e.g., professional sports, hospitals, and entertainment). Figure 3.6 shows the relative importance of theatrical dimensions for different types of service businesses. As you can see, watch repair services have very few front stage theatrical components compared to services like airlines and spectator sports.

Service facilities contain the stage on which the drama unfolds. Sometimes the setting changes from one act to another (e.g., when airline passengers move from the entrance to the terminal to the check-in stations and then on to the boarding lounge and finally step inside the aircraft). The stage may have minimal "props," as in a typical post office, or elaborate scenery, as in some modern resort hotels. Many service dramas are tightly scripted (as in the way that service is delivered in a formal restaurant setting), while others are improvisational in nature (like teaching a university class).

Some services are more ritualized than others. In highly structured environments like dental services, "blocking" may define how the actors (in this case, receptionists, dental hygienists, technicians, and dentists) should move relative to the stage (the dentist's office), items of scenery (furniture and equipment), and other actors.

Not all service providers require customers to attend performances at the company's "theater." In many instances, the customer's own facilities provide the stage where the service employees perform with their props. For example, outside accountants are often hired to provide specialized services at a client's site. (While this may be convenient for customers, it isn't always very appealing for the "visiting accountants," who

FIGURE 3.6

Relative Importance of
Theatrical Dimensions

Source: Stephen J. Grove and Raymond P. Fisk, "The Dramaturgy of Service Exchange: An Analytical Framework for Services Marketing," in *Emerging Perspectives of Services Marketing,* L. L. Berry, I. L. Shostack, and G. D. Upah, eds. (Chicago: American Marketing Association, 1983), 45-49. Reprinted with Permission.

sometimes find themselves housed in rat-infested basements or inventorying frozen food for hours in a cold storage locker![23]) Telecommunication linkages offer an alternative performance environment, allowing customers to be involved in the drama from a remote location—a delivery option long awaited by those traveling accountants, who would probably much prefer to work for their clients from the comfort of their own offices via modems and computers.

Front stage personnel are members of a cast, playing roles as *actors* in a drama, and supported by a backstage production team. In some instances, they are expected to wear special costumes when on stage (like the protective clothing—traditionally white—worn by dental professionals, the fanciful uniforms often worn by hotel doormen, or the more basic brown ones worn by UPS drivers).When service employees wear distinctive apparel, they stand out from personnel at other firms. In this respect, uniform designs can be seen as a form of packaging that provides physical evidence of brand identity. In many service companies, the choice of uniform design and colors is carefully integrated with other corporate design elements. Many front stage employees must conform to both a dress code and grooming standards (e.g., Disney's rule that employees can't wear beards).

Depending on the nature of their work, employees may be required to learn and repeat specific lines ranging from announcements in several languages to a singsong sales spiel (just think of the last telemarketer who called you!) to a parting salutation of "Have a nice day!"Just like the theater, companies often use scripting to define actors' behavior as well as their lines. Eye contact, smiles, and handshakes may be required in addition to a spoken greeting. McDonald's has an extensive handbook that prescribes employee behavior worldwide—even down to the width of the smile, according to some who've worked in the shadow of the golden arches. Other rules of conduct may include bans on smoking, eating and drinking, or gum chewing while on duty.

Role and Script Theories

Role and script theories offer some interesting insights for service providers. If we view service delivery as a theatrical experience, then both employees and customers act out their parts in the performance according to predetermined roles.

Roles   Grove and Fisk 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."[25] Roles have also been defined as combinations of social cues, or expectations of society, that guide behavior in a specific setting or context.[26] In service encounters, employees and customers each have roles to play. The satisfaction of both parties depends on **role congruence,** or the extent to which each person acts out his or her prescribed role during a service encounter. Employees must perform their roles to customer expectations or risk dissatisfying or losing customers all together. And customers, too, must "play by the rules," or they risk causing problems for the firm, its employees, and even other customers.

Scripts are sequences of behavior that both employees and customers are expected to learn and follow during service delivery. Scripts are learned through experience, education, and communication with others.[27] Much like a movie script, a service script provides detailed actions that customers and employees are expected to perform. The more experience a customer has with a service company, the more familiar the script becomes. Any deviations from this known script may frustrate both customers and employees and can lead to high levels of dissatisfaction. If a company decides to change a service script (e.g., by using technology to turn a high-contact service into a low-contact one), service personnel and customers should be educated about the new script and the benefits it provides.

Some scripts are highly structured and allow service employees to move through their duties quickly and efficiently (e.g., flight attendants' scripts for economy class).This

role: a combination of social cues that guides behavior in a specific setting or context.

role congruence: the extent to which both customers and employees act out their prescribed roles during a service encounter.

scripts: learned sequences of behaviors obtained through personal experience or communications with others.

approach helps to overcome two of the inherent challenges facing service firms—how to reduce variability and ensure uniform quality. The risk is that frequent repetition may lead to mindless service delivery that ignores customers' needs.

Not all services involve tightly scripted performances. For providers of highly customized services—like doctors, educators, hair stylists, or consultants—the service script is flexible and may vary by situation and by customer. When customers are new to a service, they may not know what to expect and may be fearful of behaving incorrectly. Organizations should be ready to educate new customers about their roles in service delivery, since inappropriate behaviors can disrupt service delivery and make customers feel embarrassed and uncomfortable.

A well-planned script should provide a full description of the service encounter and can help identify potential or existing problems in a specific service process. Figure

FIGURE 3.7

Script for Teeth Cleaning and Simple Dental Exam

Patient	Receptionist	Dental Hygienist
1. Phone for appointment	2. Confirm needs and set date	
3. Arrive at dental office	4. Greet patient; verify purpose; direct to waiting room; notify hygienist of arrival	5. Review notes on patient
		7. Greet patient and lead way to treatment room
6. Sit in waiting room		9. Verify medical and dental history; ask about any issues since previous visit
8. Enter room; sit in dental chair		10. Place protective covers over patient's clothes
		11. Lower dental chair; put on own protective face mask, gloves, and glasses
		12. Inspect patient's teeth (option to ask questions)
		13. Place suction device in patient's mouth
		14. Use high-speed equipment and hand tools to clean teeth in sequence
		15. Remove suction device; complete cleaning process
		16. Raise chair to sitting position; ask patient to rinse
17. Rinse mouth		18. Remove and dispose of mask and gloves; remove glasses
		19. Complete notes on treatment; return patient to receptionist
		20. Remove covers from patient
		21. Give patient free toothbrush; offer advice on personal dental care for future
22. Rise from chair		23. Thank patient and say good-bye
24. Leave treatment room	25. Greet patient; confirm treatment received; present bill	
26. Pay bill	27. Give receipt; agree on date for next appointment; document agreed-on date	
28. Take appointment card	29. Thank patient and say good-bye	
30. Leave dental office		

3.7 shows a script for teeth cleaning and a simple dental examination, involving three players—the patient, the receptionist, and the dental hygienist. Each has a specific role to play. In this instance, the script is driven primarily by the need to execute a technical task both proficiently and safely (note the mask and gloves). The core service of examining and cleaning teeth can only be accomplished satisfactorily if the patient cooperates in an experience that is at best neutral and at worst uncomfortable or even painful.

Several script elements refer to information flows. Confirming appointments avoids delays for customers and ensures effective use of dental professionals' time. Obtaining patient histories and documenting analysis and treatment are vital for maintaining complete dental records and also for accurate billing. Payment on receipt of treatment improves cash flow and avoids the problem of bad debts. Adding greetings, statements of thanks, and good-byes displays friendly good manners and helps to humanize what most people see as a slightly unpleasant experience.

By examining existing scripts, service managers may discover ways to modify the nature of customer and employee roles to improve service delivery, increase productivity, and enhance the nature of the customer's experience. As service delivery procedures evolve in response to new technology or other factors, revised scripts may need to be developed.

Service Marketing System

In addition to the service delivery system described above, other elements also contribute to the customer's overall view of a service business. These include communication efforts by the advertising and sales departments, telephone calls and letters from service personnel, billings from the accounting department, random exposures to service personnel and facilities, news stories and editorials in the mass media, word-of-mouth comments from current or former customers, and even participation in market research studies.

Collectively, the components just cited—plus those in the service delivery system—add up to what we call the service marketing system. This represents all the different ways the customer may encounter or learn about the organization in question. Because services are experiential, each of these elements offers clues about the nature and quality of the service product. Inconsistency between different elements may weaken the organization's credibility in the customers' eyes. Figure 3.8 depicts the
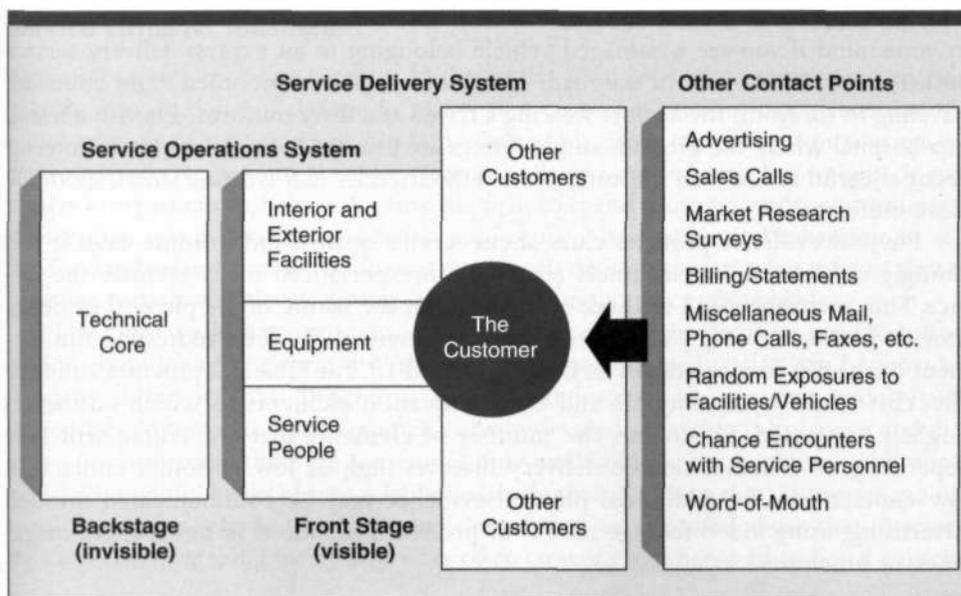
FIGURE 3.8

The Service Marketing System for a High-Contact Service
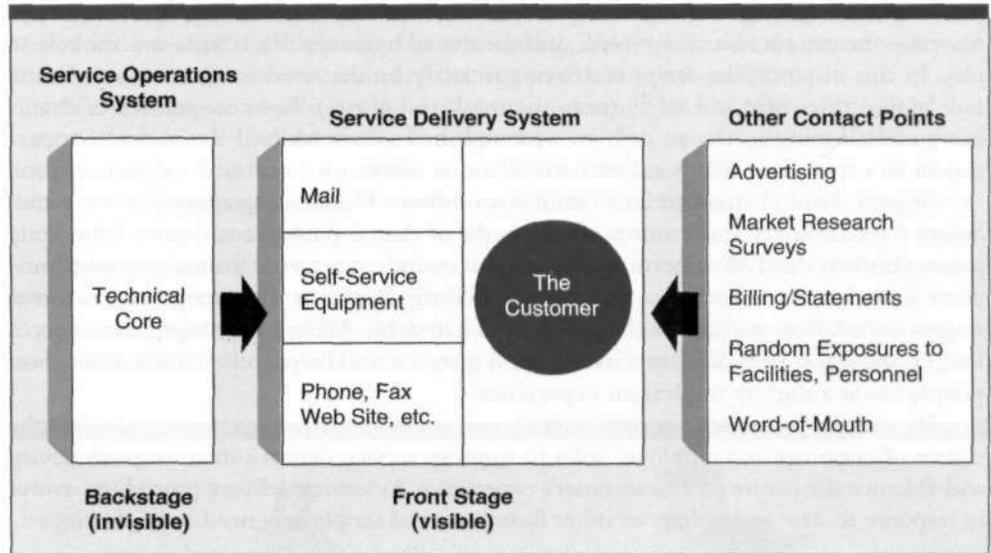
service marketing system for a high-contact service like a hotel, dental office, or full-service restaurant.

As you know from your own experience, the scope and structure of the service marketing system often vary sharply from one type of organization to another. Figure 3.9 shows how things change when we are dealing with a low-contact service, such as a credit card account. The significance of this approach to conceptualizing service creation and delivery is that it represents the customer's view, looking at the service business from the outside, as opposed to an internally focused operations perspective.

Physical Evidence

Many service performances are hard to evaluate. As a result, customers often look for tangible clues about the nature of the service. For instance, what impression is created in your mind if you see a damaged vehicle belonging to an express delivery service broken down by the side of the road? Or observe a poorly groomed flight attendant traveling to (or from) the airport wearing a frayed and dirty uniform? Or visit a friend in a hospital where the grounds and buildings are beautifully maintained, the interior decor cheerful rather than institutional, and the friendly staff wearing smart, spotlessly clean uniforms?

Physical evidence provides clues about service quality, and in some cases it will strongly influence how customers (especially inexperienced ones) evaluate the service. Thus managers need to think carefully about the nature of the physical evidence provided to customers by the service marketing system. We'll be addressing this element of the 8Ps in more depth in Chapters 8 and 10, but Table 3.2 provides an initial checklist of the main tangible and communication elements to which customers might be exposed. Of course, the number of elements that are visible will vary depending on whether service delivery involves high or low customer contact. In low-contact services, additional physical evidence may be communicated through advertising, using video footage on TV or printed illustrations in newspapers, magazines, or brochures.

1. **Service personnel.** Contacts with customers may be face-to-face, by telecommunications (telephone, fax, telegram, telex, electronic mail), or by mail and express delivery services.
   These personnel may include
   - Sales representatives
   - Customer service staff
   - Accounting/billing staff
   - Operations staff who do not normally provide direct service to customers (e.g., engineers, janitors)
   - Designated intermediaries whom customers perceive as directly representing the service firm
2. **Service facilities and equipment**
   - Building exteriors, parking areas, landscaping
   - Building interiors and furnishings
   - Vehicles
   - Self-service equipment operated by customers
   - Other equipment
3. **Nonpersonal communications**
   - Form letters
   - Brochures/catalogs/instruction manuals/Web sites
   - Advertising
   - Signage
   - News stories/editorials in the mass media
4. **Other people**
   - Fellow customers encountered during service delivery
   - Word-of-mouth comments from friends, acquaintances, or even strangers

TABLE 3.2

Tangible Elements and Communication Components in the Service Marketing System

THE CUSTOMER AS COPRODUCER

In some service environments, customers play a relatively passive role, waiting to be served. So long as they can state their needs clearly and pay promptly when billed, they play a minimal role in the *process* of service delivery (think about leaving clothes at a laundry). But sometimes customers are expected to actively participate in the production process—one of the distinctive features of service management that we noted in Chapter 1. Customer participation refers to the actions and resources supplied by customers during service production and/or delivery; it includes customers' mental, physical, and emotional inputs.[28] Table 3.3 illustrates the differing levels of participation required of customers across an array of service businesses.

Service Firms as Teachers

Although service providers attempt to design the ideal level of customer participation into the service delivery system, in reality it is customers' actions that determine the actual amount of participation. Underparticipation causes customers to experience a decrease in service benefits (a student learning less or a dieter losing less weight). If customers overparticipate, they may cause the firm to spend more resources customizing a service than was originally intended (a request for customization of a hamburger at a fast-food restaurant). Service businesses must teach their customers what roles to play to optimize participation levels during service production and consumption.

The more work that customers are expected to do, the greater their need for information about how to perform for best results. The necessary education can be provided in many different ways. Brochures and posted instructions are two widely used approaches. Automated machines often contain detailed operating instructions and diagrams (unfortunately, these are sometimes only intelligible to the engineers who wrote them). Thoughtful banks place a telephone beside their ATMs so that customers can call a real person for help and advice at any time if they are confused about the on-screen instructions. Advertising for new services often contains significant educational content.

TABLE 3.3

Levels of Customer
Participation Across
Different Services

Low (Customer Presence Required During Service Delivery)	Moderate (Customer Inputs Required for Service Creation)	High (Customer Coproduces the Service Product)
Products are standardized	Client inputs customize a standard service	Active client participation guides the customized service
Service is provided regardless of any individual purchase	Provision of service requires customer purchase	Service cannot be created apart from the customer's purchase and active participation
Payment may be the only required customer input	Customer inputs (information, materials) are necessary for an adequate outcome, but the service firm provides the service	Customer inputs are mandatory and coproduce the outcome
Examples:		
Consumer services		
Bus travel	Hair cut	Marriage counseling
Motel stay	Annual physical exam	Personal training
Movie theater	Full-service restaurant	Weight-reduction program
Business-to-business services		
Uniform cleaning service	Agency-created advertising campaign	Management consulting
Pest control	Payroll service	Executive management seminar
Interior greenery maintenance	Independent freight transportation	Install wide area network (WAN)

Source: Adapted from Mary Jo Bitner, William T. Faranda, Amy R. Hubbert, and valarie A. Zeithaml, "Customer Contributions and Roles in Service Delivery," *International Journal of Service Industry Management 8,* no. 3 (1997): 193-205.

In many businesses, customers look to employees for advice and assistance and are frustrated if they can't obtain it. Service providers, ranging from sales assistants and customer service representatives to flight attendants and nurses, must be trained to help them improve their teaching skills. As a last resort, people may turn to other customers for help.

Schneider and Bowen suggest giving customers a realistic **service preview** in advance of service delivery to provide them with a clear picture of the role they will play in service coproduction. For example, a company might show a video presentation to help customers understand their role in the service encounter. This technique is used by some dentists to help patients understand the surgical processes they are about to experience and indicate how they should cooperate to help make things go as smoothly as possible.

service preview: a demonstration of how a service works to educate customers about the roles they are expected to perform in service delivery.

Customers as Partial Employees

Some researchers argue that firms should view customers as "partial employees," who can influence the productivity and quality of service processes and outputs.[30] This perspective requires a change in management mindset, as Schneider and Bowen make clear:

> *If you think of customers as partial employees, you begin to think very differently about what you hope customers will bring to the service encounter. Now they must bring not only expectations and needs but also relevant service production competencies that will enable them to fill the role of partial employees. The service management challenge deepens accordingly.*

Schneider and Bowen suggest that customers who are offered an opportunity to participate at an active level are more likely to be satisfied—regardless of whether or not they actually choose the more active role—because they like to be offered a choice.

Managing customers as partial employees requires using the same human resource strategy as managing a firm's paid employees and should follow these four steps:

1. Conduct a "job analysis" of customers' present roles in the business and compare it against the roles that the firm would like them to play.

2. Determine if customers are aware of how they are expected to perform and have the skills needed to perform as required.

3. Motivate customers by ensuring that they will be rewarded for performing well (e.g., satisfaction from better quality and more customized output, enjoyment of participating in the actual *process,* a belief that their own productivity speeds the *process* and keeps costs down).

4. Regularly appraise customers' performance. If it is unsatisfactory, seek to change their roles and the procedures in which they are involved. Alternatively, consider "terminating" these customers (nicely, of course!) and look for new ones.

Effective human resource management starts with recruitment and selection. The same approach should hold true for "partial employees." So if coproduction requires specific skills, firms should target their marketing efforts to recruit new customers who have the competency to perform the necessary tasks.[32] After all, many colleges do just this in their student selection process!

Conclusion

Service encounters cover a spectrum from high contact to low contact. Their position on this spectrum is often determined by the nature of the operational processes used in service creation and delivery. With the growing trend to deliver information-based services through electronic channels, many service encounters are shifting to a lower-contact mode, with important implications for the nature of the customer experience.

In all types of services, understanding and managing service encounters between customers and service personnel are central to creating satisfied customers who are willing to enter into long-term relationships with the service provider. Critical incidents occur when some aspect of the service encounter is particularly satisfactory or unsatisfactory.

Service businesses can be divided into three overlapping systems. The operations system consists of the personnel, facilities, and equipment required to run the service operation and create the service product. Only part of this system, called "front stage," is visible to the customer. The delivery system incorporates the visible operations elements and the customers, who sometimes take an active role in helping to create the service product as opposed to being passively waited on. The higher the level of contact, the more we can apply theatrical analogies to the process of "staging" service delivery in which employees and customers play roles, often following well-defined scripts. In high-contact services, customers are exposed to many more tangible clues and experiences than they are in medium-contact and low-contact situations. Finally, the marketing system includes not only the delivery system, which is essentially composed of the product and distribution elements of the traditional marketing mix, but also additional components such as billing and payment systems, exposure to advertising and sales people, and word-of-mouth comments from other people.

In some instances, customers act as service coproducers, or "partial employees," whose performance will affect the productivity and quality of output. Under these circumstances, service managers must be sure to educate and train customers so that they have the skills needed to perform well during all types of service encounters.

Study Questions and Exercises

1. What actions could a senior bank executive take to encourage more customers to bank by phone, mail, Internet, or through ATMs rather than visiting a branch?

2. What are the backstage elements of (a) an insurance company, (b) a car repair facility, (c) a hotel, (d) an airline, (e) a university, (f) a funeral home, (g) a consulting firm, (h) a television station? Under what circumstances would it be appropriate to allow customers to see some of these backstage elements and how would you do it?

3. What roles are played by front stage service personnel in low-contact organizations? Are these roles more or less important to customer satisfaction than in high-contact services?

4. Use Figures 3.8 and 3.9, plus Table 3.2, to develop a profile of the service marketing system for a variety of services—hospital, airline, consulting engineer or legal service, college, hotel, dry cleaner, credit union, automobile service center, or post office. (You can base your profiles on your own experience or interview other customers.)

5. What is the difference between a moment of truth, a service encounter, and a critical incident?

6. Describe a critical incident that you have experienced with a self-service technology during service delivery. If your incident was dissatisfying, what could the service provider have done to improve the situation?

7. Review Figure 3.3. As a manager, how would you try to prevent future recurrence of the 12 unsatisfactory incidents? (Hint: Consider the underlying cause of the problem for each incident and possible reasons for the inappropriate response that upset the customer.)

8. Develop two different customer scripts, one for a standardized service and one for a customized service. What are the key differences between the two?

9. Define the term "partial employee" and describe three recent situations in which you were engaged in such a role.

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