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Customer Reactions to Service Separation

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Agenda

- 1 Introduction
- 2 Literature Review and Hypotheses
- 3 Study 1
- 4 Study 2
- 5 Study 3
- 6 Discussion

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Introduction

- IHIP Paradigm of Services Marketing (Zeithaml et al. 1985)
- Observations of Separated Services (e.g., Betancourt and Gautschi, 2001; Lovelock and Gummesson 2004)
 - > Freight transportation
 - > Dry cleaning
 - > Routine maintenance
- Limitations of Existing Literature
 - > Lacks empirical evidence on implications for customers
 - > A debate on its desirability

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Introduction (Continued)

- Research Questions
 - > What are the benefits and downsides of service separation to customers?
 - > How do customers' reactions to service separation affect their purchase decisions and post-experience evaluations?

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Literature Review

- Definition of Service Inseparability

“Whereas most goods are produced first, then sold and consumed, most services are sold first and then produced and consumed simultaneously ...

... the customer is present while the service is being produced and thus views and may even take part in the production process.

... customers will interact with each other during the service production process and thus may affect each others' experiences.”

Zeithaml and Bitner (2003, p. 21)

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Literature Review (Continued)

- Not All Services are unseparated

	People	Possession
Tangible Actions	Inherently unseparated <ul style="list-style-type: none"> • haircut • health care • beauty salon • exercise clinic 	Can be Separated <ul style="list-style-type: none"> • freight transportation • laundry • lawn care • car wash
Intangible Actions	Can be Separated <ul style="list-style-type: none"> • education • consulting • entertainment • broadcasting 	Can be Separated <ul style="list-style-type: none"> • banking • insurance • legal services • securities

(Lovelock and Gummesson 2004)

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Literature Review (Continued)

- Examples of Separable Services – Retail Banking



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Literature Review (Continued)

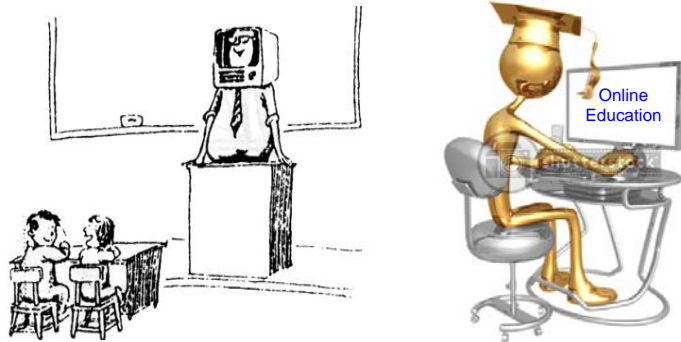
- Examples of Separable Services – Coffee Barrista



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Literature Review (Continued)

- Examples of Separable Services – Education



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A Qualitative Study

- Motives
 - To explore customer reactions to service separation
- Sampling: 3 rounds, 54 respondents
- Procedure
 - An informal conversation with the respondent to break the ice.
 - Ask the respondent to list some separated services based on the definition of separation provided.
 - Ask the respondent to recall a familiar separable service and give evaluations.

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A Qualitative Study (Continued)

- Data Analyses: Coding and Categorization
- Major Results

General Versus Specific	Advantages Versus Disadvantages	Respondents' Thoughts (Number of Statements)	Definitions
General	Advantages	Saving time or effort (52)	Customers can spend less time and effort to access the service provider and complete the service process.
		Flexibility (22)	Customers perceive it flexible to use the separated services whenever and wherever they need.
General	Disadvantages	High risk (47)	Customers are uncertain if the separated services can perform as promised, which means high possibility of service failure.
		Anxiety (29)	Customers feel worried and less confident when choosing and using separated services.

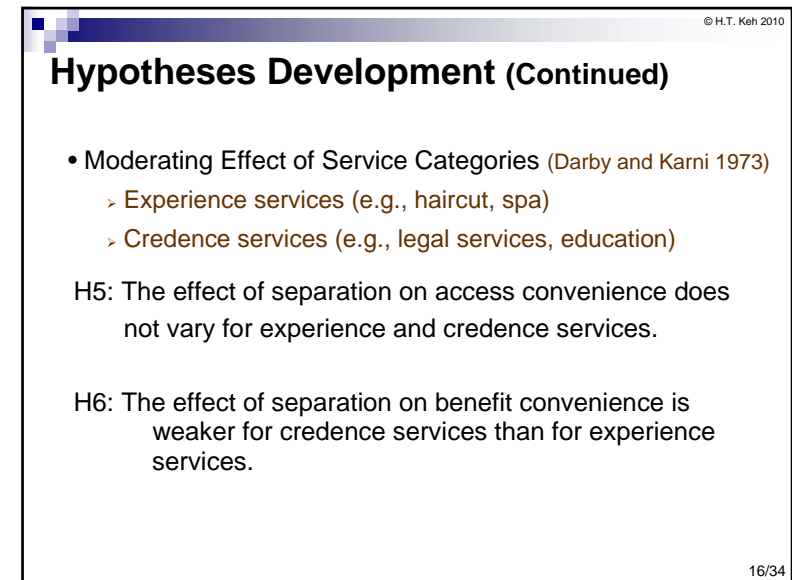
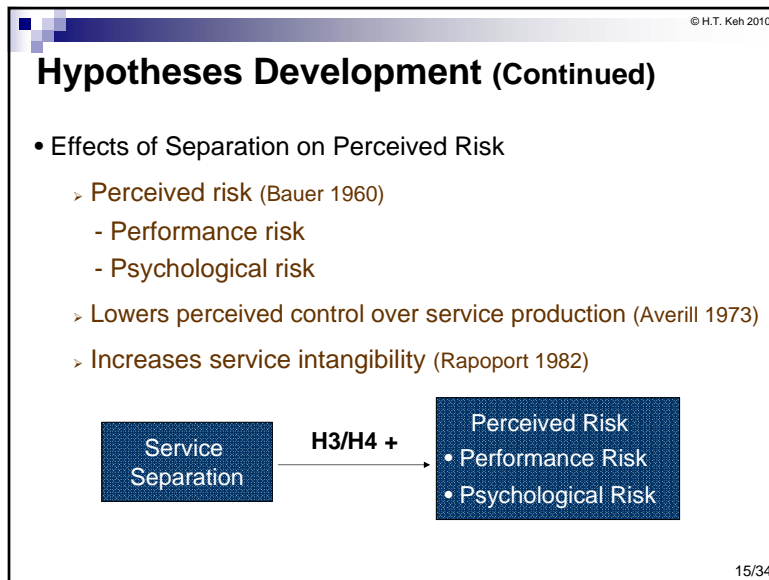
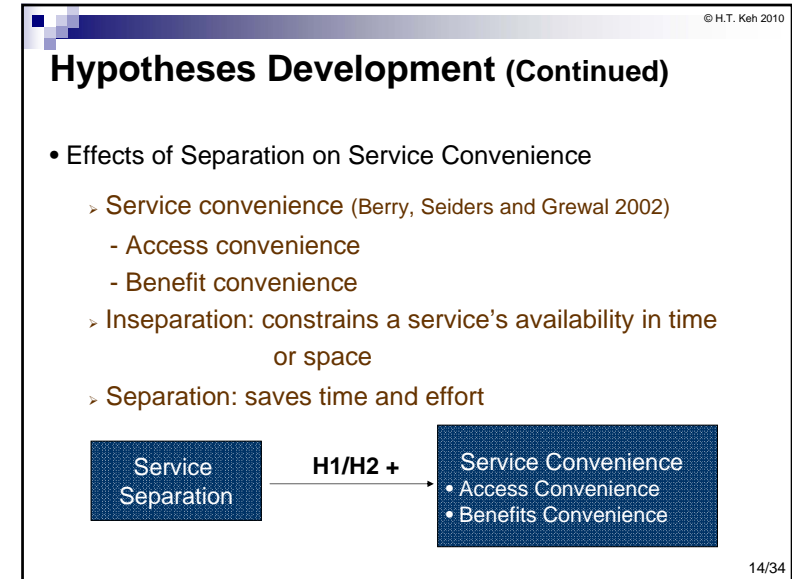
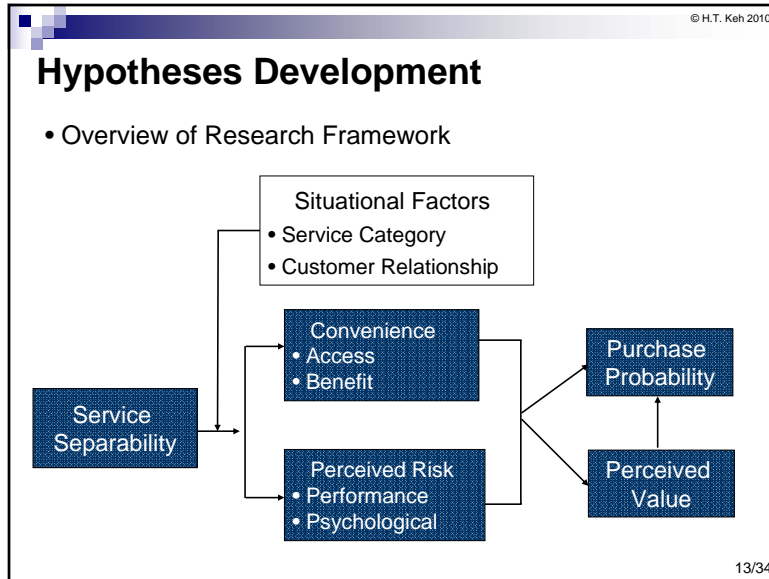
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A Qualitative Study (Continued)

- Major Results

General Versus Specific	Advantages	Disadvantages
Specific	Lower price (8)	Customers can get some discounts and pay less for the separated services.
	Higher quality (4)	Customers can enjoy higher quality of the separated services because they can obtain certain beneficial features that cannot be had from unseparated services.
	Reduced interactions (9)	Customers have few interactions with the service employee and other customers.
	Delayed recovery (8)	Following service failures, customers cannot obtain service recovery immediately and may have to wait for recovery or compensation long after service completion.
Specific	Fewer services (6)	Customers cannot get certain services that are not suited for separated delivery.

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Hypotheses Development (Continued)

H7: The effect of separation on performance risk is stronger for credence services than for experience services.

H8: The effect of separation on psychological risk is stronger for credence services than for experience services.

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Study 1

- Research Design
 - 2 (Separation) × 2 (Service Category) mixed design
 - Separation: separated vs. unseparated
 - Service category: Chinese-style fast food vs. training program
 - Sample: 100 students
 - Procedure
 - Experimental instructions
 - Scenario and self-report on convenience and risk
 - Manipulation check and demographic information
 - Measures

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Study 1 (continued)

- Results

FIGURE 1
Interaction of Service Separation and Service Category on Service Convenience
(Study 1, N = 100)

A: Interactive Effect on Access Convenience

Service Category	Unseparated	Separated
Fast-food restaurant	~4.5	~5.5
Training program	~3.2	~4.8

B: Interactive Effect on Benefit Convenience

Service Category	Unseparated	Separated
Fast-food restaurant	~4.0	~5.2
Training program	~4.0	~4.5

◆ Fast-food restaurant
■ Training program

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Study 1 (continued)

- Results

FIGURE 2
Interaction of Service Separation and Service Category on Perceived Risk
(Study 1, N = 100)

A: Interactive Effect on Performance Risk

Service Category	Unseparated	Separated
Fast-food restaurant	~3.0	~3.8
Training program	~2.8	~4.8

B: Interactive Effect on Psychological Risk

Service Category	Unseparated	Separated
Fast-food restaurant	~3.2	~3.5
Training program	~2.5	~4.5

◆ Fast-food restaurant
■ Training program

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Study 2

- Unaddressed Issues in Study 1
 - What can service firms do to reduce customers' risk perceptions caused by service separation?
 - How will customer reactions to service separation influence their purchase decisions?

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Study 2 (continued)

- Customer Relationship (Crosby and Stephens 1987)
 - Customer confidence in the service provider's future performance
 - Satisfaction with its services
- Customer relationship is determined by service providers' ability to reduce perceived uncertainty (Zeithaml 1981)
 - H9: An established customer–service provider relationship mitigates the positive effect of service separation on performance risk.
 - H10: An established customer–service provider relationship mitigates the positive effect of service separation on psychological risk.

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Study 2 (continued)

- Purchase Decision Making
 - Benefit/Cost decision rule (Peter and Tarpey 1975)
 - Determinant effect of perceived value (Zeithaml 1988)
- H11: Customers are more likely to purchase the separated mode of experience services than the separated mode of credence services.
- H12: Customers in an established relationship with the service provider are more likely to purchase the separated mode of both experience and credence services than new customers.

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Study 2 (continued)

- Research Design
 - 2 (service separation) × 2 (service category) × 2 (customer relationship)
 - Service Separation: separated vs. unseparated
 - Service Category: ticket agency vs. student counseling
 - Customer Relationship: 5-year vs. new
- Sample: 68 students
- Measures
 - Purchase probability: allocate the purchase probability of 100% to the separated and unseparated services.

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Study 2 (continued)

- Results

- Participants who have a long-term relationship with the service provider report fewer differences in performance risk ($p = .01$) and psychological risk ($p = .008$) between the separated and unseparated modes of services.
- Customer–service provider relationship magnifies the effect of separation on benefit convenience ($p = .027$), but not on access convenience ($p = .164$).

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Study 2 (continued)

- Results

- Participants are more likely to purchase the separated mode for the ticket agency service than for student counseling ($p < .001$).
- Participants who have an established relationship with the service provider are more likely to purchase the separated mode than the participants who are new customers ($p = .002$).

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Study 3




- Research Motives

- Whether service separation is essentially an issue of machine- versus person-delivered services?
- The external validity of our findings requires substantiation.
- The trade-offs between service convenience and perceived risk in influencing perceived value have not been tested directly.

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Study 3 (continued)

- Sample of Services

- Counter banking vs. telephone banking  中国工商银行
- In-store shopping vs. online shopping  国美电器
- In-class education vs. online education  新东方

- Sample of Respondents: 133 EMBA and EDP students

- Procedure

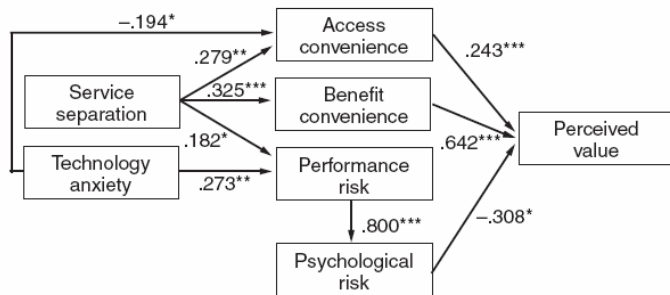
- A filter question
- Recall and describe details of the service
- Evaluate service convenience, perceived risk, and perceived value

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Study 3 (continued)

- Results

FIGURE 3
The Structural Model and Estimation Results (Study 3, N = 133)



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Discussion

- Conclusions

- Services can be separated, and is a double-edged sword.
- Service separation can increase service convenience at the cost of higher perceived risk, and its consequences vary across different service categories.
- Customers' purchase probability of separated services is based on perceived value, which is a trade-off between convenience and perceived risk caused by service separation.

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Discussion (continued)

- Contributions

- Challenge the services marketing myth of inseparability.
- Empirically examine the consequences of service separation and identify the situational factors that moderate these effects.
- Explore the mechanisms underlying customers' purchase probability of separated services.

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Discussion (continued)

- Managerial Implications

- Designing and delivering separated services can benefit the service firm (especially for experience services) because it increases customers' perceived value and purchase probability.
- Service firms should target different customer segments when designing and promoting separated services.
- Service firms should try to reduce perceived risk for customers who are using separated services.

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Discussion (continued)

- Limitations and Extensions

- Temporal service separation
- Other consequences besides service convenience and perceived risk (e.g., SERVQUAL).
- Separation for hedonic services.
- Cross-cultural differences in time and risk perceptions.

Thank you.

Q&A