

CONSUMER INFORMATION NEEDS AND CONSUMER WELFARE :  
THE SPECIAL CASE OF SERVICES

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ABSTRACT

Commonly recognized attributes of services are discussed with respect to the manner in which they affect actual and potential relationships between consumer information needs and consumer welfare. Theoretical and operational aspects of the information-welfare connection are emphasized. Various ways in which service marketers can meet more of the information needs of consumers are illustrated. Responding to such needs is identified as one of the major challenges to service marketers in the Information Age.

INTRODUCTION

Attention to the unique aspects of marketing services in contrast with marketing goods is a relatively recent development in the field of marketing. Most of the literature has evolved since the mid-1970's. Several exceptions are recognized: Regan (1963); Judd (1964); Johnson (1969) and Wilson (1972). There is general agreement that there are substantive differences between the marketing of services and the marketing of goods. Several attributes of services are commonly recognized and are illustrated in a separate section of the paper. Actual and potential information needs which can be associated with each of the attributes are emphasized.

Consumer welfare as a special topic in the field is even less widely acknowledged and analyzed with respect to marketing performance. Yet as one form of the indicated outcomes of marketing action, consumer welfare is an integral part of marketing at both micro and macro levels. At the micro level it may be viewed in connection with the marketing concept and the satisfaction of consumer needs. In macro terms it may also be recognized with respect to various measures of consumer satisfaction/dissatisfaction and complaining behavior, or to consumer safety and protection along with other consumerism issues and outcomes in the marketplace. Generally, the concern is with marketing outcomes as they affect the well-being of consumers in the exchange process. In this discussion both theoretical and operational aspects of the information-welfare connection are emphasized.

Beyond the two major sections of the paper that deal with the attributes of services and their relationships with information needs and welfare, some examples are provided of desirable ways in which services marketers can meet more of the information needs of services consumers. The main objective of the paper is to highlight some of the key relationships and challenges facing

services marketers with respect to meeting consumer information needs in the Information Age.

COMMON ATTRIBUTES OF SERVICES

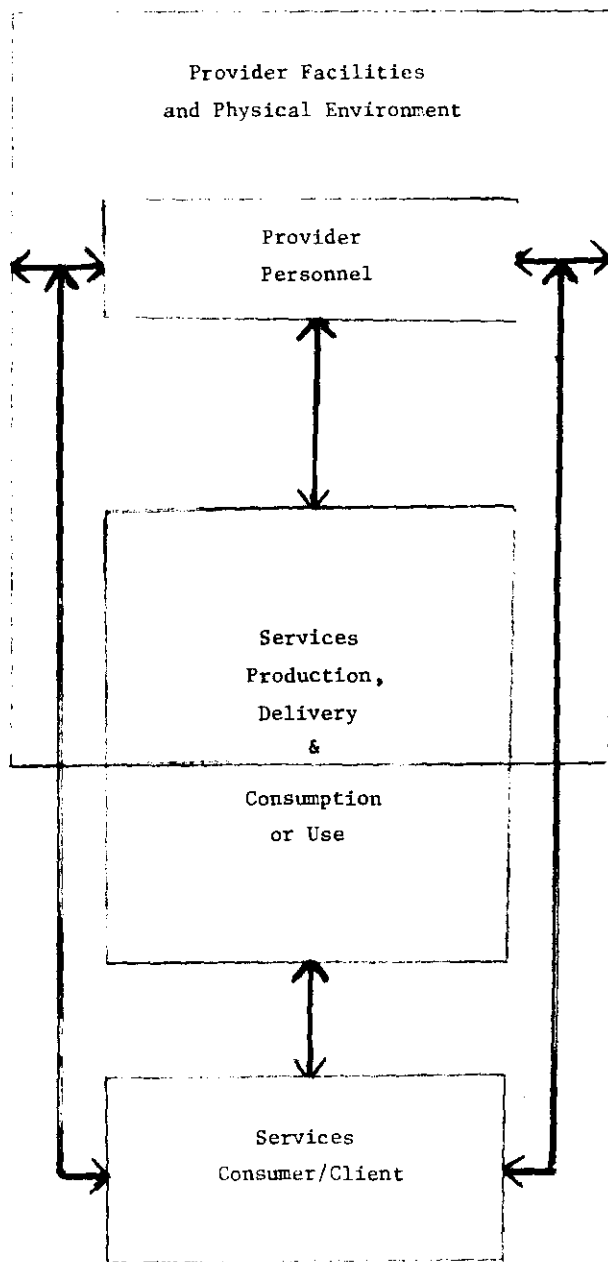
Services are defined as activities or tasks which are performed or effort which is expended as part of an exchange transaction. They are distinguished from goods with respect to at least four basic dimensions as outlined in Table 1. From an information-needs perspective, emphasis is on what Zeithaml identifies as difficulties encountered in evaluating services for purposes of making consumer decisions. Indeed there are many instances in which services must be purchased and consumed or used before assessment of quality and value becomes possible. In the case of certain types of health services even post-consumption evaluation may be indeterminate, if not impossible for the consumer to make. The clear implication is that the consumer is at greater risk in making decisions about services than in making most decisions about goods. Further, there is greater difficulty in experiencing consumer protection through increased information, since judgments are often more difficult to make; or when they can be made they rely on the expertise of the service provider.

As broad categories of market exchange activities by kind of business and industry categories, consumer services are further described in Table 2. Of course some of the categories have elements of "goods" associated with them. Architectural services, art galleries, hospitality and lodging services and some business services are examples. Nevertheless, the common attributes presented in Table 1 provide a basis for generalizing about information needs with respect to decisionmaking for consumer services.

Several relationships regarding services are further illustrated in Figure 1. Dimensions of the service delivery system are highlighted along with other aspects of channel structure and arrangements for either taking the service to the consumer or having the consumer come to the provider. In either case the channel tends to be short, direct and local.

The arrows show that there are interactions between provider personnel and consumers; and between both and conditions or elements in the physical environment. Exchange transactions are effected in the virtually simultaneous

Figure 1  
Basic Dimensions of the Service Delivery System  
and Services Exchange Transactions



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production, delivery and consumption or use of consumer services. Important information connections follow. Information can be more personal and direct. Reinforcement of past information, experience and other sources of knowledge about services can be more readily enhanced by the service provider.

Table 1  
Common Attributes of Services:  
Consumer Information Needs,  
Characteristics and Relationships

Services Attribute	Information Characteristics and Relationships	Information Needs
<u>Intangibility</u>	Inability to inspect before purchase or to directly touch, handle and compare from an inventory	Adequate knowledge or means of assessment to make choices and reduce risks
<u>Inseparability</u>	Difficulty of making judgments about service quality per se, given that it is produced and consumed simultaneously	Assurances of provider reputation and reliability; basis of confidence in provider
<u>Variability</u>	Fluctuations in quality due to personal performance and difficulties in quality control	Substitute basis for standardization and inconsistency
<u>Perishability</u>	Lack of or limited capacity to store and adjust to fluctuations in demand and supply	Minimize costs or other tradeoffs as providers manage demand and supply

Source: Adapted from Kotler (1980); Lovelock (1984); and Zeithaml (1991).

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Table 2  
Illustrative Types of Consumer Services  
in Private, Public Sector and  
Nonprofit Services Industries

- Amusement and Leisure Services
- Architectural and Engineering Services
- Business Services
- Churches and Other Religious Organizations
- Educational Services
- Entertainment Services
- Health Services
- Hospitality and Lodging Services
- Legal Services
- Membership Organizations
- Museums, Art Galleries and Cultural Services
- Personal Services
- Repair and Maintenance Services
- Social Services
- Transportation and Travel Services

CONSUMER INFORMATION AND  
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Table 3

Consumer Information and  
Consumer Welfare Relationships  
in the Marketing of Services

Several aspects of consumer welfare in relation to consumer information and evaluation of purchase decisions for services are summarized in Table 3. Basically, the focus is on the various ways in which consumers are likely to incur risks and losses in their decisionmaking process. The relationships described are probable or tentative rather than being fully documented observations. Actually they draw extensively on the work of Zeithaml (1981) who enumerates 11 hypotheses on the consumer evaluation process for services. It should also be noted that the contention is not that the relationships apply uniformly to all services. Rather it is emphasized that the relationships are sufficiently representative to provide the basis for challenging and rethinking the nature of services and how special information needs arise to create potential or actual difficulties for consumers. Once identified they can be described, explained and eventually researched so that theory, analysis and understanding can proceed accordingly.

MEETING THE CHALLENGES OF  
CONSUMER INFORMATION NEEDS  
IN SERVICES MARKETING

The consumer problems associated with the relationships in Table 3 represent major challenges facing services marketers. They are receiving greater exposure and concern at a time when competition in services markets is becoming more intense; if for no other reason than more service providers are attempting to use marketing concepts, methods and strategies. This, of course, is especially true for health care and legal services where professional, ethical and legal restrictions have severely limited the use of marketing.

One approach to meeting the challenges of consumer information needs in services marketing focuses on communications strategies and the development of criteria for ensuring that consumers are provided with an adequate basis for evaluating services and making purchase decisions. Although a total marketing strategy would clearly focus on each of the elements of the marketing mix, the examples provided are illustrative of several basic ideas and relationships.

Two aspects of an emphasis on marketing communications are illustrated in Figure 2. Each focuses on either an attribute of services or on the information needs of consumers. Other immediate examples would include a focus on the provider, on service delivery or some other element of the marketing mix. For the marketer the results should be a clearer delineation of the message, the medium through which it can be delivered, and allowances for follow-through with supporting marketing effort. For the consumer the results should be an improved basis for evaluating services and making purchasing decisions. Actual or

<u>Probable Characteristics of Consumer Evaluation and Decisionmaking</u>	<u>Potential Effects on Consumer Welfare</u>
Greater reliance on information from personal than from nonperson sources	Greater costs and risks of information search
Greater importance of post-purchase evaluation than pre-purchase evaluation	Greater exposure to potential welfare loss in the purchase decision
More limited cues or means of judging the quality of services	More reliance on the service provider for price-quality cues
More limited basis for comparison shopping in the purchase decision	More limited range of choices as purchase decisions
More hidden qualities and greater complexity in the characteristics of services (than is typically the case for goods)	More uncertainty and likely unknown consumer welfare losses (than occurs typically with goods)
Greater perceived risks (than typically occurs in the purchase of goods)	Greater costs are likely for risk reduction and absorption
Greater positive attributions and stronger attachments are likely to be made with respect to the service provider (than with the goods provider)	Extensions of risks and losses may occur out of inertia and ignorance or inability to make objective judgments and thereby improve purchase decisionmaking
More likely to demand and get less consumer satisfaction in the decisionmaking and purchasing process	More likely to accept welfare loss as being related to or inherent in the service per se or in the choice process available to the consumer

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potential welfare losses should be reduced; alternatively, consumer well-being should be enhanced over time. The entire marketing effort and desired mutual satisfaction by providers and consumers should be improved.

Figure 2

Meeting Consumer Information Needs Through Marketing Communications Strategies

Strategy	Examples
Focus on Attributes of Services	Tangibility
	Personalize through provider personnel
	Associate with aspects of facilities that contribute to service quality
Focus on Information Needs of Consumers	Provide tangible "clues" based on training and expertise of personnel
	Establish and reinforce access to personal sources of information--enhance "word-of-mouth" communications through effective service delivery
	Improve the basis for evaluating the services offered
	Give attention to periodic feedback in the exchange or transactions process

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CONCLUSIONS

Increased uses of marketing in services industries gives rise to more questions and attention to marketing outcomes and performance. Various types of consumer information needs represent a major challenge that warrants further analysis. This paper has highlighted common characteristics and relationships regarding the connections between consumer information needs and consumer welfare in the marketing of services. Meeting those needs can serve the interests of both the providers and consumers of services.

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