MANAGING CONSUMER EXPECTATIONS OF SERVICES

DAVID L. KURTZ, University of Arkansas
KENNETH E. CLOW, Pittsburg State University

Future patronage decisions of service firms are closely linked to the quality of service and the level of satisfaction experienced during past and current service encounters. This research indicated there is a direct relationship between the level of satisfaction/dissatisfaction with service firms and patronage behavior but an inverse relationship between satisfaction with a service and the level of expectations consumers had prior to patronage. As consumer expectation increased the likelihood of meeting those expectations decreased creating a marketing dilemma which marketing managers of service firms must learn to manage. Based on these findings, managerial implications of how to manage consumer expectations to achieve both increased patronage behavior and a high level of customer satisfaction are discussed.

INTRODUCTION

Satisfaction/dissatisfaction with a service is directly dependent upon a consumer's level of satisfaction with each service encounter, and consumers appear to be voicing greater frustration and dissatisfaction with these experiences (Parasuraman, Zeithaml, and Berry 1985; Shostack 1987; Solomon, Surprenant, Czepiel, and Gutman 1985; Surprenant and Solomon 1987). To prevent further erosion of customer satisfaction, service firms must initiate marketing programs and operational procedures that enhance the probability of customer satisfaction with every service encounter.

For this study, the service encounter is defined as the "period of time during which a consumer directly interacts with a service" (Shostack 1985). Customer satisfaction is based on a consumer's experience with individual service transactions (Bitner 1990). To be satisfied with a service experience, a service firm must meet or exceed consumer expectations. In determining whether or not expectations have been met, consumers compare their perceptions of the service they receive with their prior expectations.

Research by Bitner (1990) indicated that over-all perceptions of service quality are affected by the perceptions consumers have of individual service encounters. In addition, it was suggested that firms can manage and control individual service encounters and, to some degree, the level of satisfaction consumers experience. Even when expectations are not met, consumer dissatisfaction can be reduced by providing customers with an explanation and/or compensation for the inferior service performance. Bitner(1990) suggests service firms train, monitor, and motivate service employees and design the tangible environment on the basis of customer expectations.

The Journal of Marketing Management
Volume 2, Issue 2, pages 19 - 25

The nature and determinants of customer expectations of services was presented by Zeithaml, Berry, and Parasuraman (1991). A conceptual model of expected service, which consisted of a desired level of service, an adequate level of service, and a zone of tolerance, was introduced. The desired level of service was defined as the level of service customers hope to receive. It is based on what customers believe a firm should provide based on the firm's capabilities, past performance, and cost to the customer. Realizing that a desired level of service is not always provided due to the variable nature of service encounters, customers also accept an adequate level of service, which is defined as the minimum level of service customers will accept. Between these two levels is a zone of tolerance. To ensure consumers are satisfied with a specific service encounter, service firms must provide a level of service, at a minimum, that meets consumers' adequate level of service expectations. The closer the service performance matches the desired level of service, the greater will be the satisfaction with the service encounter. The greater the level of satisfaction with a service encounter, the greater the probability of repeat purchases in the future (Bitner 1990).

If service firms, through marketing programs or word-of-mouth communications, indicate service performance levels that cannot be consistently met during the service encounter, consumer satisfaction will be jeopardized. Service performance that is below the adequate level of expectations will certainly result in dissatisfaction. Service performance consistently at the adequate level of expectations will also create eventual eroding of satisfaction or encourage firm switching. It becomes imperative that service firms first measure the desired and adequate levels of service expectations of their clientele and then learn to manage these expectations to increase the percentage of satisfied customers. Several antecedents of consumer expectations have been hypothesized. These include enduring service intensifiers, personal needs of the consumers, explicit and implicit service promises made by the firm, word-of-mouth, past experience, transitory service intensifiers, perceived service alternatives, self-perceived service roles, situational factors, and image of the firm (Zeithaml, Berry, and Parasuraman 1991; Kurtz and Clow 1991).

Enduring service intensifiers have been identified as factors that lead customers to expect more from a service firm (Zeithaml, Berry, and Parasuraman 1991). This expectation may be caused by consumers' own personal philosophies of service or it may be derived from other parties, such as household members who have requested the purchase of a particular service. Personal needs of consumers are the physical, social, or psychological conditions that affect consumers' expectations of a service (Zeithaml, Berry, and Parasuraman 1991). Personal needs of the consumer will change according to situational circumstances. For example, in choosing a restaurant, a consumer may choose a fast food restaurant if time or price are the most critical factors. On the other hand, if a consumer wants to impress a significant other, he or she will be likely to choose a high service dining facility because quality of service and food are the most important factors. Random situational factors that may affect consumer expectations of a service encounter are the weather, the mood or feeling of the consumer at the time of the service, or a temporary shortage of service personnel. In addition, transitory service intensifiers, such as emergencies and problems with the service equipment, will affect expectations of the impending service encounter.

Explicit and implicit service promises do affect consumer expectations (Zeithaml, Berry, and Parasuraman 1991). Explicit service promises are such things as the firm's advertisements, verbal communications made by sales or service personnel, written or verbal contracts, and promotions. Implicit service promises are such things as the price of the service, the tangible cues, and the physical environment (Zeithaml, Berry, and Parasuraman 1991; Bitner 1990). Empirical evidence has indicated that word-of-mouth communications from others, especially customers of a particular firm, have an impact on consumer expectations of a service encounter (Clow, Kurtz, and Ozment 1991). A closely related variable is perceived service alternatives. Consumers who have patronized other service firms or who have heard about alternatives through word-of-mouth communications or advertising and promotional material will modify their expectations accordingly. If they perceive there are alternate firms available who will perform the service at a higher level than what they have received from a particular firm in the past, their expectations of a future service encounter will tend to rise.

The role of the consumer in the performance of the service varies from one industry to another and from one customer to another. How well consumers feel they performed their role during the service encounter will affect how much they expect from the service provider. For example, a patron of a beauty salon that gives very specific detailed instructions on how she wants her hair to look will have very high expectations of the beautician. A study by Clow, Kurtz, and Ozment (1991) of restaurants indicated that consumers base their expectations of a future service encounter with a specific firm primarily on the image they have developed of that firm. Although this study utilized firms that the consumer had never patronized, the impact of firm image on consumer expectations would appear to be even stronger for firms the consumer had patronized.

Perhaps the most important antecedent of consumer expectations is the past experience of a customer with a particular firm or even with other firms that are considered to be similar. Consumers who were satisfied with their last service experience will be inclined to patronize the same firm in the future. Consumers who are dissatisfied with a service experience will tend to switch firms. With the cost of attracting new customers being much higher than retaining current customers, it is imperative for service firms to design marketing programs and operational procedures that ensure customer satisfaction with each service encounter.

Two major issues are addressed by this research with ensuing recommendations for marketing managers of service firms. First is the effect that consumer expectations of a firm have upon patronage behavior. It would appear that if consumer expectations of a firm are too low, it is unlikely that consumers will choose the firm often enough to make it a viable competitor. High expectations of a service firm should result in high patronage behavior, but this raises the second issue. If consumer expectations are too high, it would become very difficult for a service firm to consistently meet customer expectations. Failure to meet customer expectations would result in dissatisfied consumers and increased firm switching. Here in lies the dilemma faced by all service firms. High expectations must be promoted to encourage patronage by potential consumers, but expectations that are too high will result in problems with service performance in meeting these expectations. To operate a successful, viable service business, firms must not only develop marketing programs and operational procedures that are consistent with each other but also successfully manage the expectations of consumers to ensure expectations are consistently met or exceeded.

RESEARCH HYPOTHESES

Consumers evaluate the level of service they receive during a service encounter by comparing what they expected with what they received (Parasuraman, Zeithaml, and Berry 1985; 1988). As the level of expectations increases, consumers look closer and more critically at the service performance. Consumers who go into a service encounter with very high expectations should find that the service firm will meet their expectations less than consumers who go into a service encounter with lower expectations. If consumers do not expect much from a service firm, it seems logical that the probability of meeting those low expectations would be much greater. There would appear to be an inverse relation between what consumers expect during a service encounter and how consumers will evaluate that service experience. Thus, our first hypothesis addresses this phenomenon:

H1: *Consumer expectations of a service encounter have an inverse impact upon the evaluation of service quality across the constructs of tangibles, service outcome, firm image, staff attributes, time, and price.*

If hypothesis one is correct, then when looking at a consumer's overall or global level of expectation of a service firm, one would expect to see a similar relationship. The percentage of individual expectations met should decrease as the overall expectation of a service firm increases. This relationship should hold true for individual indicants as well as across latent constructs. Hypotheses two and three test the validity of these assumptions:

H2: *Consumers' overall expectations of a service encounter are inversely correlated with the percentage of individual measures of expectations met by the service provider.*

H3: *Consumers' overall expectations of a service encounter are inversely correlated with the percentage of expectations met by the service provider across measures of latent constructs.*

Consumer patronage decisions would appear to be affected by a consumer's overall expectation of a service firm. The higher the expectations, the more likely it is that consumers would patronize a firm. Hypothesis four addresses the relationship between consumers' overall expectations of a service firm and their patronage behavior.

H4: *The percentage of respondents who patronize a service firm increases with the respondents' over-all expectations of the firm.*

METHODOLOGY

Survey data were collected from 378 students and faculty at a moderate-size university in two phases approximately three months apart. Information concerning the respondents' expectations and their evaluations of their patronage experiences at a restaurant was gathered. The average mean expenditure of the survey respondents was \$80.44 per month, or almost \$1,000 per year which indicates that the respondents are active patrons of restaurants and valid participants in this research.

Participants were provided with a list of local restaurants and were asked to select one restaurant they had never patronized. Respondents were at that time asked to indicate on a 7-point semantic differential scale their expectations of the restaurant from very high to very low across nineteen items. Participants were then encouraged to visit the restaurant they had indicated and told that there would be a follow-up survey in approximately three months to evaluate their experience.

Approximately three months later the second survey instrument was administered. Of the 378 respondents, 212 had patronized the restaurant they had chosen during the first phase of the study. In this second survey, respondents were asked to evaluate their experience using 7-point semantic differential scales. In addition to the evaluations of the experience, respondents were asked to indicate their expectations prior to the patronage experience. Consistent with the gap theory methodology of measuring service quality, consumers' scores indicating expectations were subtracted from their respective scores evaluating the level of performance of the restaurant.

Hypothesis one was tested using the simultaneous equation procedures of LISREL 7.0 (Joreskog and Sorbom 1983, 1989). Confirmatory factor analysis was performed prior to evaluating the structural model to ensure an adequate measurement model of the six latent constructs used in the study. Figure 1 illustrates the structural model tested. Service performance evaluations were calculated by subtracting each respondent's expectations measured during the second phase of the study from their evaluation of their experience. The endogenous variables are the consumers' expectations that they indicated at time one prior to their patronage experience.

Hypotheses two through four were tested by means of summary statistics. Percentages of consumers whose expectations were met or exceeded were calculated for hypotheses two and three while percentages of respondents who patronized the restaurant they had indicated in the first phase of the study were calculated to evaluate hypothesis four.

RESULTS

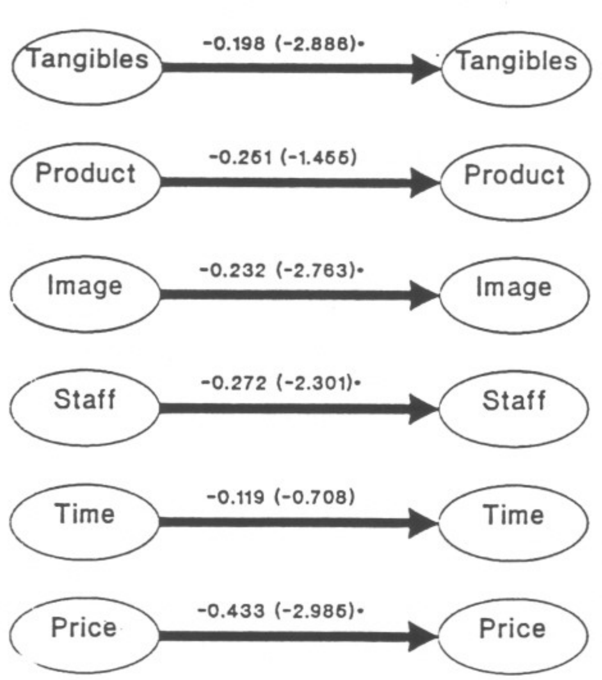
A total of 484 respondents were surveyed at time one of the study, but for various reasons, only 378 responses were usable for this study. Of the 378 responses used, 212 participants patronized the restaurant they had selected during the first phase of the study while 166 did not. Hypothesis one was tested using LISREL 7.0 (Joreskog and Sorbom 1989). The results are given in Table 1 and illustrated in Figure 1. Of the six gamma paths tested, four were significant at $p < .01$ level. Tangibles, the image of the restaurant, the staff variables, and price were significant. Product and time were not significant. Hypothesis one was partially supported. For the latent constructs indicated, consumer expectations do have an inverse impact upon consumer evaluations of the service experience.

As the overall expectation of the restaurant increased, the percentage of individual measurements of expectations met or exceeded tended to decrease. Hypothesis two was supported. The results are given in Table 2. Table 3 reports the results for the testing of hypothesis three. Again, as the overall expectation of the restaurant increased, the percentage of expectations across the latent constructs tended to decrease. Hypothesis three was supported. Critical to the entire study was the patronage behavior pattern of the respondents. Table 4 reports the results. As expected, the percentage of respondents who patronized the restaurant they had selected at phase one of the study increased as their overall expectation of the restaurant increased. Of the respondents who had high expectations, i.e. scores from 5 to 7, 75.4% patronized the firm while only 36.3% patronized the restaurant if they had indicated low or neutral expectations, i.e. scores from one to four. Hypothesis four was supported.

In comparing the effect of the overall expectation of a consumer upon patronage behavior and evaluation of the service, results from Table 2 and Table 4 were combined into one graph. As Figure 2 illustrates, the percentage of consumers whose expectations are met or exceeded decrease as their overall expectation level increased while the percentage of respondents who patronized the restaurant increased as their overall expectation level increased. The dilemma highlighted in the introduction section of this paper is thus confirmed. Service firms must learn to manage consumer expectations of their customers to maximize both customer satisfaction and patronage behavior. Figure 2 would seem to indicate that overall expectations between five and six would be optimal. Expectations lower than five appear to result in low patronage while expectations higher than six appear to create a high percentage of dissatisfied customers.

FIGURE 1

Expectations Phase One **Experience Phase Two**



* Significant at $p < .01$

FIGURE 2
PATRONAGE BEHAVIOR & EXPECTATIONS MET

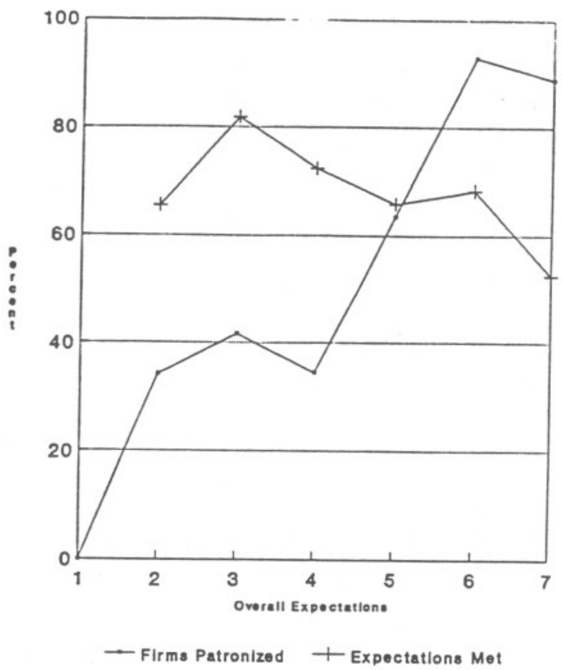


TABLE 1
LISREL ANALYSIS RESULTS

Path	ML Coef	T-Value	Path	ML Coef	T-Value
λ_{y11}	1.000	0.000	λ_{x11}	1.000	0.000
λ_{y21}	1.965	0.995	λ_{x21}	1.195	9.429
λ_{y31}	2.345	3.011	λ_{x31}	1.137	10.287
λ_{y42}	1.000	0.000	λ_{x42}	1.000	0.000
λ_{y52}	0.772	5.907	λ_{x52}	1.141	6.111
λ_{y62}	0.856	5.973	λ_{x62}	1.240	6.247
λ_{y73}	1.000	0.000	λ_{x73}	1.000	0.000
λ_{y83}	1.170	3.307	λ_{x83}	0.766	7.704
λ_{y93}	1.240	3.436	λ_{x93}	1.000	8.808
λ_{y104}	1.000	0.000	λ_{x104}	1.000	0.000
λ_{y114}	0.939	5.267	λ_{x114}	0.735	6.811
λ_{y124}	1.193	5.369	λ_{x124}	0.416	3.580
λ_{y134}	0.598	3.699	λ_{x135}	1.000	0.000
λ_{y145}	1.000	0.000	λ_{x145}	1.068	8.176
λ_{y155}	3.081	0.693	λ_{x155}	0.863	7.495
λ_{y166}	1.000	0.000	λ_{x166}	1.000	0.000
λ_{y176}	0.133	0.443	λ_{x176}	0.240	1.867
γ_{11}	-0.198	-2.886	γ_{22}	-0.251	-1.455
γ_{33}	-0.232	-2.763	γ_{44}	-0.272	-2.301
γ_{55}	-0.119	-0.708	γ_{66}	-0.433	-2.985

Chi-Square = 1502.02 with 506 d.f.
GFI = 0.733
AGFI = 0.668

TABLE 2
AGGREGATE PERCENTAGE OF EXPECTATIONS MET

	Expectations			Percentage of Expectations	
Expectation	Met	Not Met	Total	Met	Not Met
7	80	72	152	52.6%	47.4%
6	829	387	1216	68.2%	31.8%
5	875	456	1331	65.7%	34.3%
4	412	157	569	72.4%	27.6%
3	404	89	493	81.9%	18.1%
2	175	92	267	65.5%	34.5%
1	0	0	0	0	0

MANAGING CONSUMER EXPECTATIONS

The effectiveness of a service encounter is subjectively interpreted, and the measurement of customer satisfaction in services is made difficult by the fact that many customers will simply withdraw patronage rather than complain about service quality (Braus 1990). The most contemporary definitions of quality revolve around the idea of "delighting the customer." Consistently meeting and preferably exceeding consumer expectations is at the heart of the delightthe-customer mantra. Marketers communicate what consumers should expect. Advertising may be used to raise expectations and increase initial patronage. Companies must be extremely careful not to over promise; high expectations result in customer dissatisfaction if employees and operations are unable to deliver the expected level of service. Customers also form expectations through the environment in which a product is sold, or "atmospherics" (Lele 1988).

AT&T Universal Card Services has opened over eight million accounts since the Universal Card's launch in 1990, and the card ranked fourth in a nationwide customer satisfaction survey including 160 products (Keleghan 1992). The company works continuously to exceed its customers' expectations. Applications are taken over the phone, and new cards are delivered and lost cards are replaced more quickly than the competitions. Qualified applicants were not refused because of inaccurate credit reports. Essential to AT&T's success is the monitoring of customer expectations. Attribute studies are performed to determine what is important to consumers, with 2,500 customers surveyed every month. Senior managers spend at least two hours every month monitoring customer calls. A suggestion program garners between 400 and 600 suggestions from 2,000 employees every month, and all employees earn a bonus for quality. "How we're doing" customer satisfaction information appears constantly on monitors throughout the company. Finally, when the infrequent breakdown in service does occur, AT&T Universal Card Services makes up for it, sending gift certificates, writing letters, and working overtime to get problems solved. After a four-hour-long breakdown during which the transactions of 35,000 customers were denied, the company received a "flood" of thank you letters for the way it handled the situation (Keleghan 1992). AT&T Universal Card Services has provided its customers with a high level of expectations, and it is accomplishing the more difficult task of living up to these expectations. Other companies are equally successful. Virgin Atlantic Airways, for example, is competing in the increasingly difficult airline industry by providing free limousine rides to and from airports, free car rentals, and on-board masseuses and manicurists. Virgin unabashedly advertises this level of pampering, and it delivers (Weisendanger 1992).

TABLE 3
PERCENTAGE OF EXPECTATIONS MET

	(Over-all Expectation Score)					
Construct	2	3	4	5	6	7
Tangibles	85.7	94.9	84.8	83.8	85.4	66.7
Food	66.7	82.1	68.9	63.8	62.5	58.3
Image	52.4	84.6	62.2	60.0	60.4	41.7
Staff	60.7	82.7	76.7	64.3	69.5	43.8
Time	61.9	74.4	64.4	66.7	72.9	50.0
Price	71.4	61.5	73.3	52.9	53.1	62.5
Overall	57.1	92.3	80.0	62.9	68.8	50.0

TABLE 4
PATRONAGE BEHAVIOR

Overall Expectations	Number who Patronized Firm	Number who did not Patronize Firm	n	% who Patronized Firm
1	0	2	2	00.0 %
2	13	25	38	34.2 %
3	25	35	60	41.7 %
4	30	57	87	34.5 %
5	71	41	112	63.4 %
6	65	5	70	92.9 %
7	8	1	9	88.9 %
1-4	68	119	187	36.3 %
5-7	144	47	191	75.4 %
Total	212	166	378	56.1 %

Service firms are becoming more and more creative and diligent in satisfying the consumer. The trick, it seems, is to monitor continually what is important to customers, to inform customers that you intend to deliver what is important, and then develop operating procedures and train employees that are equipped to make this delivery. In today's global and competitive marketplace, however, businesses must promise quality service in order to attract customers. It is in the delivery of what was promised that customer expectations are met.

REFERENCES

Bitner, Mary J. (1990), "Evaluating Service Encounters: The Effects of Physical Surroundings and Employee Responses," *Journal of Marketing*, 54 (April), 69-82.

Braus, Patricia (1990), "What Is Good Service?" *American Demographics*, (July), 36-39.

Clow, Kenneth E., David L. Kurtz and John Ozment (1991), "How Consumers Form Expectations of Service Quality Prior to a First Time Purchase," in *Symposium on Patronage Behavior and Retail Strategy: Cutting Edge II*, W. Darden, R. Lusch, and B. Mason, eds., Baton Rouge, LA: American Marketing Association and Louisiana State University, 99-110.

Joreskog, Karl G. and Dag Sorbom (1983), *Lisrel VI, An Analysis of Linear Structural Relations by the Method of Maximum Likelihood, Version VI*, Chicago: National Education Resources.

_____ (1988), *LISREL 7: A Guide to the Program and Application*, Chicago: SPSS, Inc.

Keleghan, Kevin T. (1992), "Quality of Service: Dancing to the Customer's Tune," *Retail Control*, (March), 3-8.

Kurtz, David L. and Kenneth E. Clow (1991), "A Model for Evaluating Service Quality," *Journal of Marketing Management*, 1 (Fall), 51-60.

Lele, Milind M. (1988), "Manage Customers' Expectations to Build Satisfaction," *Business Marketing*, (Dec) 64.

Parasuraman, A., Valarie A. Zeithaml and Leonard L. Berry (1985), "A Conceptual Model of Service Quality and Its Implications for Future Research," *Journal of Marketing*, 48 (Fall), 41-50.

_____, _____ and _____ (1988), "SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality," *Journal of Retailing*, 64 (Sprg), 12-40.

Shostack, G. Lynn (1985), "Planning the Service Encounter," in *The Service Encounter*, J. Czepiel, M. Solomon, and C. Surprenant, eds., New York: Lexington Books, 243-254.

_____ (1987), "Service Positioning Through Structural Change," *Journal of Marketing*, 52 (Jan), 93-107.

Solomon, Michael R., Carol Surprenant, John A. Czepiel, and Evelyn G. Guttman (1985), "A Role Theory Perspective on Dyadic Interactions: The Service Encounter," *Journal of Marketing*, 49 (Winter), 99-111.

Surprenant, Carol F. and Michael R. Solomon (1987), "Predictability and Personalization in the Service Encounter," *Journal of Marketing*, 51 (April), 73-80.

Weisendanger, Betsey (1992), "Virgin Atlantic Airways," *Sales & Marketing Management*, (August), 45.

Zeithaml, Valarie A., Leonard L. Berry, and A. Parasuraman (1991), "The Nature and Determinants of Customer Expectations of Services," *Marketing Science Institute Working Papers*, No. 91-113 (May).

ABOUT THE AUTHORS

David L. Kurtz, R.A. and Vivian Young Chair of Business Administration Chairman, Department of Marketing and Transportation, University of Arkansas. He has authored a number of articles and textbooks. He is the outgoing editor of *The Journal of Marketing Management*.

Kenneth E. Clow, (Ph.D. University of Arkansas) is an Assistant Professor of Marketing, Gladys S. Kelce School of Business, Pittsburg State University (Pittsburg, Kansas). His research interests center on services marketing. An earlier article appeared in the first edition of *The Journal of Marketing Management*.