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# Customized versus Mass-Produced Services: The Innovation Behind the Growth of the Service Economy?

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# Custom vs. Mass Produced Goods

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- ✓ The development of mass produced goods took decades
- ✓ Mass production systems are human creations
  - involving a number of discrete processes, e.g., the assembly line;
  - and is still subject to innovation, e.g., just-in-time processes.
- ✓ Mass service delivery systems are also human creations

# Relationships (Customized services)

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- ✓ Repeat contact with particular provider
- ✓ Expect future interaction
- ✓ Develop history of shared interaction to use in future
- ✓ Analogous to custom-made goods
- ✓ Analogous to a repeated-play two-person game with indefinite number of future interactions

# Relationships

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Relationships are common among middle and upper class adults in the following areas:

- ✓ Physician 75%
- ✓ Dentist 80%
- ✓ Hairstylist 70%
- ✓ Travel agent 50%
- ✓ Auto mechanic 30%
- ✓ Tax specialist 32%
- ✓ Attorney 28%
- ✓ Stockbroker 27%
- ✓ Housekeeper 24%
- ✓ Gardner 14%
- ✓ Handyman 14%
- ✓ Therapist 11%

# Relationships

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Relationships are uncommon among middle and upper class adults in the following areas:

- ✓ Babysitter 5%
- ✓ Masseuse 7%
- ✓ Pet groomer 6%
- ✓ Architect 4%
- ✓ Personal banker 6%
- ✓ Fitness expert 8%
- ✓ Tutor 5%
- ✓ Tailor <5%
- ✓ Personal shopper <5%
- ✓ Interior decorator <5%
- ✓ Piano tuner <5%
- ✓ Nanny <5%
- ✓ Nurse <5%

# Encounters (Mass produced services)

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- ✓ Single episode for customer-provider pair
- ✓ Customer interacts with a different provider each time
- ✓ Providers are functionally equivalent, interchangeable
- ✓ Analogous to mass produced goods
- ✓ Analogous to single-play two-person game

# Encounters

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- ✓ Encounters are common in many areas including:
  - Many government services (e.g., auto license renewal), utilities (e.g., water, electricity, gas)
  - They are increasingly common for professional services (e.g., crisis therapy, HMO medical care)
- ✓ Firms are discovering ways of delivering “relationship” services in encounters
  - “The Great American Back Rub” & “The Massage Bar”
- ✓ If service can be standardized, it can be automated, i.e., customers can have encounters with machines (e.g., ATM, voice mail)

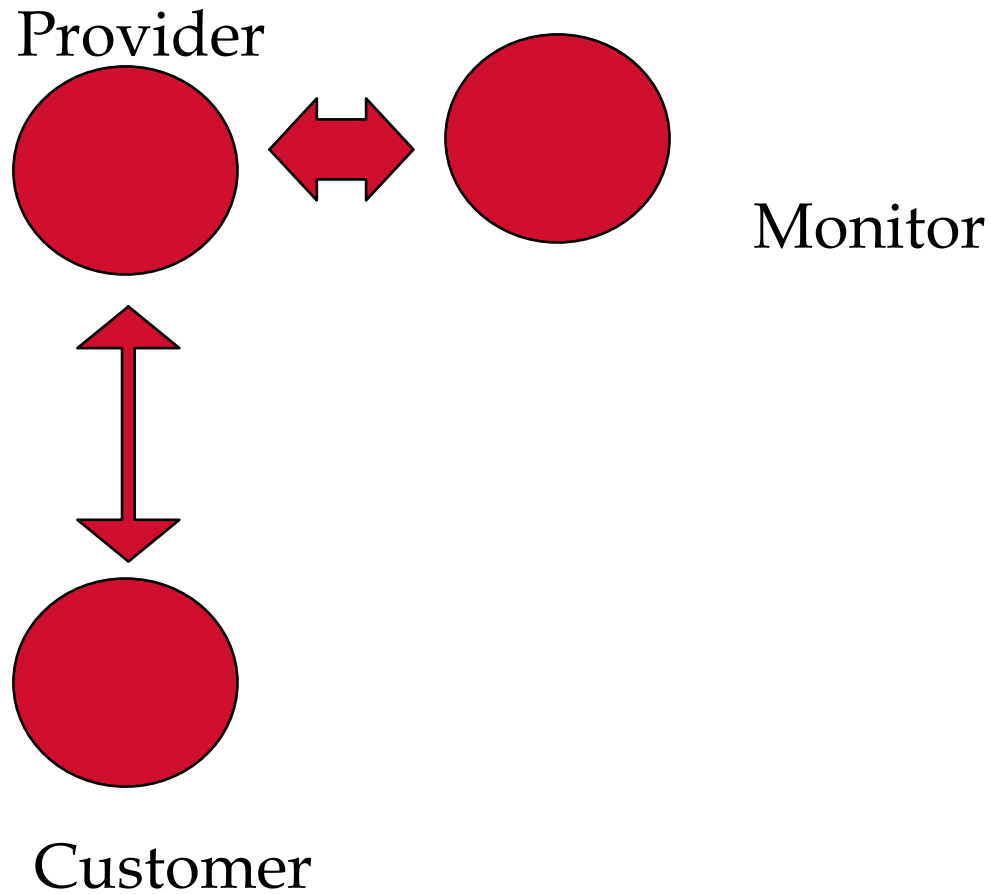
# Pseudo-Relationships

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- ✓ Repeat contact with a particular organization
- ✓ Expect to interact with same organization in the future
- ✓ Develop history of interaction with organization
  - ä Organization may have interaction history on record
  - ä Customer knows what to expect from organization
- ✓ Single episode for customer-provider pair
- ✓ Customer interacts with a different provider each time
- ✓ Providers are functionally equivalent, interchangeable

# Encounters and Pseudo-Relationships

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# Relationships vs. Encounters

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- ✓ Known to each other
- ✓ All providers not equivalent
- ✓ Based on trust
- ✓ Elitist: customers can be treated differently
- ✓ Customized service
- ✓ Difficult to start
- ✓ Difficult to end; loyalty
- ✓ Fosters knowledge of other
- ✓ Creates weak ties, networks
- ✓ No infrastructure needed
- ✓ Fosters emotional involvement
- ✓ Inherent feedback loop
- ✓ Strangers
- ✓ Providers interchangeable
- ✓ Based on rules
- ✓ Egalitarian: customers treated alike
- ✓ Standardized service
- ✓ Easy to enter
- ✓ No obligation to repeat
- ✓ Fosters stereotyping of other
- ✓ Does not foster networks
- ✓ Embedded in infrastructure
- ✓ Emotional labor
- ✓ Feedback thru management

# Goals

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- ✓ Develop measure of service relationship
- ✓ Determine if customers react differently (in terms of consumption and satisfaction) to receiving service in relationships versus encounters
- ✓ Identify empirically aspects of relationships, pseudo-relationships and encounters

# Service Areas Studied

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- √ Hairstylists
- √ Physicians
- √ Auto Mechanics
- √ Travel Agents
- √ Bankers
- √ Insurance Agents
- √ Academic Advisors

# Study Distinctions

## v Study 1

ä Undergrad and grad students

ä n = 93

## v Study 2

ä Jury duty subjects

ä n = 163

## v Study 3

ä Tucson residents

ä n = 193

## v Study 4

ä Undergrad students

ä n = 240

<b>Service Area</b>	<b>Study 1</b>	<b>Study 2</b>	<b>Study 3&amp;4</b>
Hairstylists	x	x	x
Physicians	x	x	x
Mechanics	x	x	x
Travel Agents	x	x	
Bankers	x	x	
Advisors	x		
Insur. Agents		x	

# Independent Variables

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To measure interaction type (relationship, encounter):

- √ Study 1 & 2 - One question
  - ä “Is there a physician whom you would call ‘my doctor’? (i.e., not my clinic/hospital, but my doctor!)”
  
- √ Study 3 & 4 - Two summary statements (T/F)
  - ä “I have a regular physician I normally see for medical care.”
  - ä “I have a regular clinic/HMO/office/hospital where I go for medical care.”
  - ä Relationship = T-T or T-F
  - ä Pseudo-Relationship = F-T
  - ä Encounter = F-F

# Dependent Variables

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- v Usage - Number of Interactions
  - ä “During the past 12 months, how many times have you seen a primary-care physician?”
  
- v Satisfaction
  - ä “Which of the following best describes your experience with physicians during the last 12 months?”
  - ä 5 point scale

# Characteristics of Relationships and Encounters

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## v Relate Scale

- ä I know this physician well
- ä I think this physician knows me well
  - Coefficient alpha Study 3 & 4: hairstylists = .98 & .97, mechanics = .94 & .93, physicians = .96 & .96

## v Trust Scale

- ä I believe this physician does a good job
- ä I have confidence that this physician has excellent qualifications
- ä I really trust this physician
  - Coefficient alpha Study 3: hairstylists = .92 & .93; mechanics = .88 & .88; physicians = .93 & .93

# Characteristics of Relationships and Encounters

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## v Dissatisfaction

- ä If I were dissatisfied with my car care, I would most likely have spoken to the person who serviced/repaired my car about the problem
- ä If I were dissatisfied with my car care, I would most likely have spoken to the manager about the problem.

## v Personalized vs. Standardized Service

- ä Service is generally standardized for all patients
- ä The medical service I received was personalized just for me.

## v Location vs. reputation

- ä The location of the hairstylist or barber is one of the most important factors in getting my hair done
- ä It is important that any hairstylist or barber who does my hair has a very good reputation.

## v Wait time

# Respondents Having Provider Type

Type of Provider	Study 1 Relationship	Study 2 Relationship	Study 3 Relationship	Study 3 Pseudo Encounter
Hairstylist	50%	56%	66%	16% 18%
Physician	48%	73%	69%	13% 18%
Mechanic	31%	40%	37%	32% 31%
Travel Agent	20%	23%		
Bank Employee	5%	19%		
Academic Advisor	44%			
Insurance Agent		62%		

\* =  $p \leq 0.05$   
 \*\* =  $p \leq 0.01$

# Key Findings

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- v Customers having a service relationship with a specific provider had more service interactions than those who didn't.
  - ä More frequent use may lead some customers to seek relationships in some domains.
  - ä The areas with most frequent use (e.g., banks) tend to be associated with encounters

# Key Findings

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- v Customers having a service relationship were more satisfied with the service received than those who didn't.
  - ä This result does not seem to be due to “relationship” people obtaining more service
  - ä Although dissatisfied customers may leave their relationship, it is not clear whether they would opt for encounters or seek out another relationship. Relationships may be hard to leave (loyalty, sunk costs, effort at finding a new relationship)

# Key Findings

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- v Relationships and encounters have different characteristics
  - ä Relationships are characterized by trust in the provider, mutual knowledge, the expectation of future interaction, and feedback (complaints are made to the provider)
  - ä Relationships are based on the reputation of the provider whereas location may be more important in encounters
  - ä Relationships are personalized but both relationships and encounters seem to be standardized
  - ä Customers probably do not wait longer for a relationship provider than they do if they have encounters or pseudo-relationships

# Key Findings

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- v A relationship with a person is not the same as a relationship with a firm.
  - ä In a pseudo-relationship, knowledge of customer is available to all providers; customer's knowledge is based on familiarity with rules and procedures.
  - ä In a relationship, knowledge is limited to the customer-provider dyad; knowledge is based on personal experience with the other

# Practical Implications: Relationships

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- ✓ Relationships can work: they are associated with relatively high use and satisfaction. They embed customers and providers in social networks.
- ✓ Relationships alone are not practical (nor desirable). Choice and the opportunity to supplement relationships with encounters would probably maximize customer satisfaction.
- ✓ How efficient could relationships be if we really worked to make them more efficient?
- ✓ Could we have an efficient and effective service economy based primarily on relationships?

# Practical Implications: Encounters

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- ✓ Use and satisfaction rates are impressive given that they involve strangers who do not anticipate future interaction
- ✓ Can mass produced services compare with mass produced goods? Can mass produced services achieve the high quality of mass produced goods (or the high quality of the best personalized service)?
- ✓ Are companies making a mistake by trying to personalize encounters?
- ✓ Companies can create an “enhanced encounter” by building on the strengths of encounters: speed, information, 24/7.

# Quality of Life

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- ✓ For the first time in history -- perhaps -- we are designing a society in which many people will be interacting with strangers in order to get and receive services
- ✓ How has an increase in the number and kind of services available for pay affecting people and our society?
- ✓ How is the development of service encounters to replace service relationships (e.g., in medical care and mental health care) affecting people in our society?

# Future Directions

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- ✓ Additional surveys (including cross-cultural studies) aimed at describing relationships, pseudo-relationships and encounters
- ✓ Modeling of relationships and pseudo-relationships in the lab to see if it is theoretically possible to overcome inherent weaknesses of encounters, e.g., lack of feedback, the cost of a monitor
- ✓ A study of how retirees (the fastest growing segment of the population) is adjusting to the introduction of service encounters and the replacement of service relationships with encounters in areas such as health care and financial services (stockbrokers).

# Quality of Life

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- ✓ Mass production of goods has led to the demise of many kinds of skilled craft jobs and the proliferation of cheap, high quality goods.
- ✓ Will mass production of services lead to the demise of many kinds of skilled service provider jobs and the proliferation of cheap, high quality services?

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