An increasing percentage of consumer spending is on consumer services, in contrast to actual goods or products. Examples of consumer services include a wide range of diverse activities, such as child care, elder care, medical-dental care, teaching, banking, insurance, credit, painting, writing, advising, planning, repairs, entertainment, and food service. Many new services are becoming available in the marketplace today. Methods of delivering services also are changing. For example, dental clinics are appearing in shopping malls and housecleaning services are becoming more prevalent.

A service is any activity or benefit that one party can offer to another. Service is essentially intangible and generally does not result in ownership. The primary difference between goods (or products) and services is that goods are actual physical objects, whereas services are actions, performances, or efforts. It is useful to consider goods and services on a continuum, with the majority of consumer purchases actually being a combination of a product and service. For example, when families eat out, part of the food dollar goes to pay for the food and part pays the people who prepare it, serve it, and clean up afterwards.

Many consumer services are closely tied to consumer goods, such as the parts used by an appliance repair person or the fertilizer used by a lawn care service. Other consumer services, such as child care, are less closely related to products.

The production and consumption of a service are inseparable. The service itself is the result of an interaction between the physical environment, the service provider, and the consumer. Buying consumer services is often more difficult than purchasing goods. There is no physical product to examine for signs of quality. Evaluation of the service generally occurs after it has been purchased. Some services are more difficult to purchase than others. For example, one recent survey found that credit and medical services were the two most difficult services to shop for. Problems and strategies for buying services differ somewhat from those for purchasing goods, although the general decision-making process is similar.

**Services and Goods — Degrees of Difference**

Differences between goods and services can be compared on five major points. From a consumer’s viewpoint, it is the degree of difference on these five points which complicates the purchasing of services. These are personal involvement; quality and performance information; perishability; price information and payment procedures; and the availability of consumer protection procedures.

- **Personal involvement.** Many human factors are important in the purchasing of services. The producer and the service provider are often the same person. Sometimes the producer/provider is present while the service is being received, used, or “consumed.” For example, the piano teacher teaches the music lesson at the same time that the student is learning or the hair
dresser provides the haircut at the same time that the customer receives it. With other services, the provider acts as a broker, sales representative, information provider, or repair person.

When a close relationship between the consumer and the service provider is anticipated as part of the service, social and psychological factors affect the purchase decision. Consumers may feel they have little or no control in a specific situation (such as automotive repair, appliance repair, or medical services). Some types of services are purchased primarily under emergency conditions—the person is injured or has a toothache, the appliance quits working, the suede coat gets a stain. In such cases, the consumer is looking for a service provider they can trust and work with.

Consumers tend to rely more on personal sources of information when selecting services than they do when selecting goods. They may be less able to communicate to others their need for or expectations about services. Since the provision and consumption of services involves a performance rather than a physical object, it is frequently difficult to communicate about that performance, other than in terms of the individual consumer’s own experiences. Purchasers of goods have seen many vacuum cleaners, cars, and other products. In discussing specific products, they can go beyond just describing their own brand or model. Consumers of services, however, tend to communicate by using only their own experience because they lack extensive experience and knowledge.

Communication can be a major challenge in obtaining high quality service. Consumers may attribute some of their dissatisfaction with services to their own inability to specify what they really want the service to accomplish. They may even complain less frequently about services due to a belief that they are partly responsible themselves for an unsatisfactory service because they were unable to communicate effectively about their expectations.

- Quality and performance information. Courtesy, accuracy, and speed are often the standard by which service providers are judged. The consumer usually wants services that are professional but also courteous and friendly. Sometimes prompt attention, without waiting, is a key factor in choosing a service. For other services, dependability and accuracy are the important criteria.

A lack of standardization is common to many service fields. Some areas, such as the medical and dental professions, have developed licensure and certification to partially address the problem of nonstandardization. Even with certification and licensure as potential criteria, however, consumers need to know who grants the certificate or license and what standards are used. Often only a minimum level of competency is needed to qualify for a license or certificate. No indication of high quality may be available. Service providers cannot totally standardize their behavior. Thus, the performance of a service provider may fluctuate for individual consumers. Even with a single consumer, the provider’s performance may vary over a period of time.

Information about independent product tests of some consumer goods is available through organizations such as Consumers Union. However, performance information on services is extremely limited. Many services are individualized, often available only locally or regionally. While it is possible to develop objective criteria for performance assessment of service providers, such development has not occurred for the majority of services and it is difficult to locate information.

- Perishability. Services are perishable in the sense that it is not possible to keep or store a service. Consumers cannot purchase a service prior to need and inventory or store it directly. This type of perishability can be a problem when the need for the service occurs at a time when the consumer’s financial and/or other resources are inadequate to handle the purchase, for example, when a major appliance requires repair or a family needs to obtain a loan for a large purchase. Preneed sale of funeral services, the extensive development of credit, service contracts, and various forms of insurance can all be viewed as means of dealing with the problem of perishability.

- Price information and payment procedures. Obtaining specific price information for goods is generally possible prior to purchase. Products are usually labeled with the selling price. Some bargaining is possible on items such as automobiles, but even then the buyer knows the bottom line before signing the purchase contract. Obtaining price information for potential
services. However, is often more complex and difficult. In some cases, service providers can at best provide an estimate—such as for moving household goods or remodeling a room. Sometimes estimates are binding, perhaps within a certain range, but at other times they are simply estimates. Using price as an guide for selecting some services has limited usefulness because the lowest estimate may not ultimately be the lowest price.

Social customs tend to make consumers think that discussion of prices and payment procedures is inappropriate for personal services. The use of third party payors further complicates discussion and understanding of prices. For example, one cannot always tell in advance how much of the cost of a service will be covered by insurance.

The hair dresser, piano teacher, bookkeeper, financial planner, attorney, and others who principally have only their time and knowledge to sell must emphasize that time in determining the cost of the service. Consumers may have difficulty in realizing that this time and knowledge must be paid for. Payment procedures for services typically include a standard fee for a specific service, an hourly rate, or sometimes a contingent fee or retainer.

Consumer Problems in Selecting Services

One frequently occurring problem in consumer services is communication between a consumer and the professional person. The “jargon” of the profession may not be understood or the customer may be hesitant or unable to describe problems or symptoms clearly.

Misrepresentation or fraud may be a problem in dealing with some service providers. It is possible to encounter recommendations for work that urgently needs to be done, when in fact the reverse is true; or to get bills for work that was supposedly done, when it was not.

Other consumer problems are unique to specific services. For example, the emotional state of the consumer increases the potential for poor purchasing decisions when dealing with funeral service providers or mental health professionals.

Pre-purchase Guidelines

Much of the information available about guidelines for purchasing services has a focus on the specific questions to be asked of the service providers. Two limitations of this approach, however, are the failure to determine how to select the service providers to be questioned and the failure to organize such questions in a helpful or meaningful manner. The wise consumer will consider both the basic consumer decision-making process and some specific strategies for locating and using information about services.

Some guidelines to consider before buying a service are to:

1. Explore the nature of the service and the variety of alternatives available within your community. Identify the methods of delivery. Can the service be obtained nationwide or just within a local area? For example, if you are interested in child care services you may find various day care and preschool facilities, both public and private; small group care in a home, by either a registered, licensed, or other provider; or you may find a sitter who will come to your home.

2. Locate consumer resources available from the industry’s trade and professional associations and any governmental units involved with the service. Find out about the registration, certification, and/or licensing of the service. Can everyone who pays a fee obtain a license or are there education and competency requirements which must be passed? Is continued education or training...
3. Identify problems common to the purchasing of all services as well as identify those problems unique to the particular service you are considering. This will help you plan your selection strategy and know what types of questions to ask.

4. Identify the sources and procedures for complaint resolution. What records and receipts should you keep? Verbal agreements often seem simple and easy...until there is a disagreement. If your lawn care service agrees to provide the fifth application of fertilizer free, get it in writing. And be sure to keep your receipts for the first four payments. Who would you contact for help if you had a problem? Some professional and trade associations have a redress procedure in case the consumer is dissatisfied. Sometimes, legal action may be your only recourse if you cannot negotiate a resolution of your complaint.

5. Develop your own purchasing guidelines which include the selection of possible providers and specific questions you should ask. It may be helpful to review this process for making good consumer decisions as well as to incorporate some special strategies for obtaining information about local services.

The Decision-Making Process

The general consumer decision making process requires you to:

- **Identify the problem** to be solved or the goal to be accomplished by the purchase. Be as specific as possible. When you analyze some situations, you find there are really two or three separate problems which require two or three separate decisions. You may need to consider more than one type of service.

- **Determine your objectives.** What do you want done? How much are you willing to spend? What is your time line? Taking time to do this will help you communicate with the service provider you select.

- **Think of several possible alternatives**—different types of services you might choose. Seek information about other choices that might be available. Try to consider more than just “shall I do something or not?” or “shall I buy this service or not?” See if there is more than one way to solve your problem or accomplish your goal. Going through this process helps you avoid being pressured by a salesperson or advertisement.

- **Think about the consequences** of each possible choice. Look back on experiences you, your friends, family or other people have had and what you have learned by reading. Try the “two-stage sift” (described on page 5), especially for important decisions. What will each choice cost in time and money? What risks are involved? What might be the outcome of each choice?

- **Make your decision.** Choose the best alternative for your situation, based on the information you have and what you think is important. Sometimes a consumer is willing to spend a large amount of money in order to get the fastest service possible. For example, you might be willing to pay more for overnight delivery of a package of books compared to sending them at the library rate, which might take a week or more.

- **Carry out your decision.** This step may involve interviewing and negotiating payments, work to be done, contracts, schedules or appointments, etc. For major jobs, get a written estimate that describes the work to be done, the cost, the acceptable variation in cost and completion time, and what can be done if the work is not done as promised. Read the fine print in your contracts. And don’t hesitate to ask questions or get advice if you don’t understand something.

- **Accept responsibility for the outcome—it is your decision.**

- **Evaluate your decision.** Are you pleased? Let the service provider know. Would you make the same choice again? If it was a poor decision, what would you do differently next time? Express your complaint or dissatisfaction if you thought the work was inadequate.

Locating a Service Provider

The infrequency of purchasing certain services also contributes to the consumer’s difficulties. Sometimes even finding a service is difficult. Where do you find a clown for a children’s party? How do you locate a tree surgeon? Some service providers are located in stores, restaurants, or offices and are easily identified. For other,
more unique or localized services, a consumer may need to consult the “yellow pages,” local bulletin boards, or rely on “word of mouth.”

To initially locate possible service providers, a consumer should talk with persons who work in a particular area or one related to it and have dealt with a service provider. For example, in choosing an attorney, talk with persons who have, through their employment, been in contact with a number of attorneys. The same principle applies when you ask a hospital nurse about physicians, or question a personnel director about private employment agencies. Sometimes, of course, people are reluctant to make recommendations or comment about people they know, but they may be willing to give you general information.

Investigate before you need the services. It is difficult to be objective and deliberate in investigating a service provider when you are having an emergency or near emergency. “Networking” is a useful technique. Friends frequently can provide information about the quality and reputation of service providers in your area. When they mention an exceptional service, jot down the firm’s name and keep it in your file where you can find it. In a similar way, keep track of any comments about poor service.

- Look for written information. Read any objective information you can find. Publications of two non-profit consumer organizations, Consumers’ Research Magazine and Consumer Reports, some professional and specialty magazines, and Cooperative Extension Service fact sheets provide some helpful background information about evaluating and selecting specific services. Check lists or suggested questions to ask about specific services are available from some trade and professional associations.

Better Business Bureaus and some Chambers of Commerce keep records of service complaints against firms. They cannot guarantee high quality work, but they can often give you information to help identify firms with a poor reputation.

After consulting publications or other written sources of information, what additional procedures and information are available to the consumer interested in obtaining services rather than physical products?

- Conduct a “two-stage sift.” To some extent, search procedures and information sources must be tailored to the service in question. The “two-stage sift” is an information-seeking process which has wide applicability. Individuals who know both the consumer and the service provider can often evaluate how well the two are likely to interact, as well as evaluate the quality of a service.

This two-stage sift consists of a “nomination” process (to list potential service providers) and an “elimination stage” (to identify the providers who might serve you best).

The steps are to:
- choose someone you know who is competent to judge the quality of the service;
- ask this person or persons to nominate several persons or firms that are well qualified to provide the service; and
- ask a second person or persons to select the “best” two or three service providers from the first list.

The two-stage principle is that you ask one (or more) knowledgeable persons to make nominations and a different person or persons to indicate who they recommend from the first list. Ideally this process will yield the names of two or three service providers who will meet your needs. Asking different people for recommendations helps remove bias in their selections.

For example, suppose you want to select a carpenter. You might ask the owner of a lumber or hardware store to suggest several carpenters who have good reputations... this is your nomination list. The second step is to call those carpenters and ask for names of former customers who might recommend them. Anyone unwilling to supply names would be eliminated. Your next step would be to contact these former customers and ask for evaluations of the carpenters’ work. Then you would discuss your needs with two or three carpenters who were well recommended, negotiating price and other details in order to make your final selection.

The cost of the search for information and of negotiating the costs of services should be considered. Consumers usually find it worthwhile to search more when there is personal contact or an ongoing relationship, when the consequences or results are of crucial importance (child care, medical care, some legal situations), and whenever a large amount of money is involved.
References


