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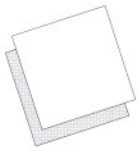

Consumer intentions to use a service category

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Abstract *Even though service marketers are interested in influencing customer choice at the service provider level (i.e. the service brand level), the decision to patronize a particular service firm seldom occurs until after the customer decides to use a service provider in the first place. Ultimately, this initial "make-or-buy" purchase decision – the decision to use a service category – restrains customer decisions at the service provider (brand) level. To enhance our understanding of customers' service category decisions, a double cross-validation approach was employed to investigate the applicability of a service category choice model which we adapted from Howard's work on consumer decision making. Our model, which was tested with two different service categories, was supported.*

Introduction

Service providers face a complex competitive environment. Not only must they compete with other service providers within the same service category (industry), they oftentimes compete (knowingly or unknowingly) with service providers in related service categories and/or merchandise categories. While service marketers devote considerable effort to differentiating their offerings within a single service category, such activity is not enough. Resources are often wasted because marketers fail to adequately comprehend what motivates consumer choice (Sheth *et al.*, 1991). For this reason, understanding customer choice behavior becomes a necessary prerequisite for firms that want to compete effectively, whether it is in the manufacturing sector or in the services marketplace (Bateson, 1989). Larson (1993) echoes this point by arguing that services providers who understand what leads people to change from do-it-yourselfers to service users can make smarter business decisions. Consequently, as the service sector continues to become an integral part of the USA's and other nations' economies (cf. Bitner *et al.*, 1990; Rathmell, 1966; Shostack, 1977; Zeithaml, 1981), researchers are devoting more attention to understanding the dynamics of customers' service choices.

Frameworks

Two distinct frameworks might be used to comprehend customer service choice behavior: the classic problem solving paradigm (Runyon and Stewart, 1987) and the progression of consumer choice from product class through brand choice (Howard, 1977; 1989; Sheth *et al.*, 1991). To date, most research on the choice behaviors of service customers deals with some aspect of the classic problem-solving paradigm, i.e. information search (Biehal, 1983; Freiden and Goldsmith, 1988; Murray, 1991), alternative evaluation

(Bateson and Langeard, 1982; Zeithaml, 1981), and post-purchase evaluation – particularly the assessment of service quality (e.g. Bitner, 1990; Bitner *et al.*, 1990; Bolton and Drew, 1991a, 1991b; Boulding *et al.*, 1993; Brown and Swartz, 1989; Parasuraman *et al.*, 1985; Singh, 1991; Solomon *et al.*, 1985; Swartz and Brown, 1989). These studies assume that customers have already decided to use a service category and, in many instances, that customers are capable of recalling their previous experiences with specific service providers. However, since first-time service customers or infrequent customers of services often lack the requisite experiences to make informed decisions, they are likely to progress through at least two interrelated choice levels in their effort to select a service provider: a service category choice and a service brand choice. A review of the marketing and services literatures reveals that scant research exists on customer choice at different levels within a hierarchical progression of decisions. Clearly, before organizations can attend to factors affecting customer choice of one service provider versus another, it behooves them to understand the circumstances driving customer decisions to use a service in the first place.

Customer choice

Progression of customer choice refers to a set of hierarchically arranged decision levels (i.e. product class decisions followed by brand choice decisions) which present different choice problems (Howard and Woodside, 1984) and collectively result in a decision to purchase a specific brand of product (Howard, 1977; 1989). Moreover, the interrelated choice levels (e.g. service category and service brand choice levels) generally do not operate simultaneously, but instead occur in an ordered sequence (Sheth *et al.*, 1991). The result is that a decision at one level constrains a customer's choice set at each subsequent level. For example, once a decision is made to pursue a particular task (e.g. to paint one's kitchen), the customer decides whether to perform the task himself/herself or to delegate it to another party (e.g. a service provider). If the decision is made to delegate the task to a service provider, the next decision is to choose a service category (e.g. professional painters, family members, friends). After a service category is selected (e.g. professional painters), a specific service provider (i.e. a particular painting company, also called a service brand) is selected. Alternatively, if the customer chooses not to delegate the performance of a task to a particular service category (i.e. he/she chooses to perform the task him/herself), an entirely different choice progression evolves. The upshot of all of this is that service organizations which are interested in influencing customer choices at the brand level must sometimes concern themselves first with customers' decisions to use a particular service category (Onkvisit and Shaw, 1989).

A double cross-validation

This article reports a study that examines customer choice at the service category level. Specifically, a double cross-validation approach was employed to investigate the applicability of a slightly modified version of Howard's (1977, 1989) first-level (i.e. product category) choice model across two different service types (i.e. financial services and simple maintenance services). Following are discussions of the importance of the service choice model, the methodology used in the study, the research results, and implications for services researchers and practitioners.

Service category choice model

A customer's decision to use a service provider may be portrayed as a hierarchical sequence of choices. However, not all customers begin the choice process at the same point. The customer's initial choice level is likely to depend on his/her familiarity with the product category and the various brands within it (Howard and Woodside, 1984). Research of customer

decisions to use services typically assumes that individuals are reasonably familiar with both the service category and one or more of the corresponding service brands (cf. Bateson and Langard, 1982). These studies often address decisions involving routine or limited problem solving situations in which an emphasis is placed on brand choice (i.e. which service provider to use) or use situations (i.e. the conditions under which the choice to use a particular service provider occurs) (Howard and Woodside, 1984). However, in a complex problem solving context, customers are often less familiar with the various alternatives and circumstances surrounding the service acquisition decision; hence they tend to progress through more choice levels before deciding on a specific service provider (Howard and Woodside, 1984). For instance, a customer may not recall relevant information regarding an infrequently used service category or his/her evaluations of the important qualities of highly intangible services (see Shostack, 1977; Zeithaml, 1981). In these circumstances, customers are likely to pass through at least two choice levels:

(1) the choice to delegate a task to a service category; and

(2) the choice of a particular service provider (i.e. a service brand) to perform the task.

Consequently, services marketers whose offerings are new or infrequently used may benefit from an understanding of how customers arrive at their service category decisions.

Two-level choce model

Customer choice of a new or infrequently used service can be understood by employing a slightly modified form of Howard's (1977, 1989) two-level choice model. In Howard's model, the progression of customer choice begins with the decision to use a particular product category (e.g. service) and concludes with a decision regarding a particular brand from the product class (e.g. a specific service provider). An important aspect of the product category choice model (i.e. a first-level choice) is its focus on the factors that shape customers' product category decisions, such as their terminal values or desired end states.

Service category

The model of service category choice that we propose and examine (see Figure 1) augments Howard's model by incorporating the effect of prior experience and customer financial status (income). While Howard (1977; Howard and Sheth, 1969) recognized the potential influence of these factors, his choice model did not incorporate them directly. Another distinction between our service category choice model and Howard's model pertains to the effect of terminal values on customers' attitudes. For Howard (1989),

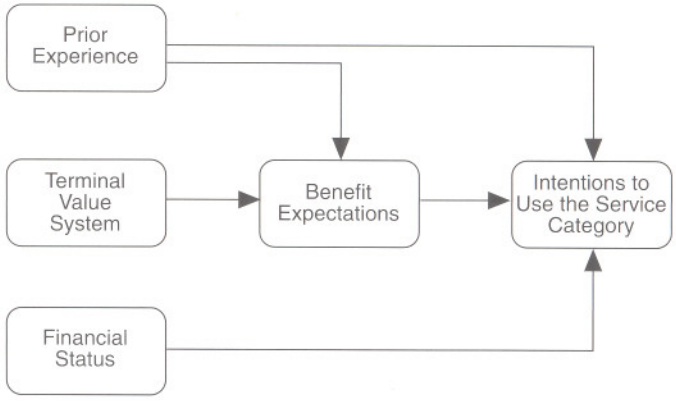

Figure 1. A model of customers' intentions to use a service category

terminal values (desired end states) are used to determine the particular benefits desired by a customer. The set of desired benefits serve as choice criteria that are essential to the formation of the customer's beliefs and, subsequently, to the formation of his/her attitudes and purchase behavior. For example, if saving time is important to a customer, the time-saving benefit becomes a choice criterion for the customer. Those service categories believed to possess a time-saving benefit for the customer are more likely to be favorably perceived and chosen for further consideration. Recognizing that the relationships among choice criteria, beliefs, and attitudes are manifested in a measure of cognitive attitude (cf. Bagozzi and Burnkrant, 1979; Petty and Cacioppo, 1981), we decided to use cognitive attitude measures in the testing of our proposed service category choice model.

Research

Although there is a paucity of research into customers' service category decisions, studies do exist which examine decisions regarding service providers. Next, we review some of the literature that is relevant for establishing the efficacy of extending Howard's product category choice model to services.

Customer intentions to use a service category

The effect of customer benefit expectations on intentions. Customer intentions to use a service category may be limited to the benefits they desire and/or expect from the service. Whether a service or a physical good, customer expectations concerning a product are beliefs about its performance (Olson and Dover, 1979) which act as working hypotheses regarding its nature (Hoch and Deighton, 1989). Hence, it is reasonable to use customer expectations as a basis for both formulating purchase intentions and establishing standards for judging service performance (cf. Zeithaml *et al.*, 1993). The benefits that customers desire (i.e. benefit expectations) are considered to be the fundamental reasons behind such anticipated buyer behavior and, of course, are a basis for segmenting the market. Benefit segmentation is perhaps most successful when derived from measures of what customers believe about product delivery, rather than their emotional responses toward the offering (Haley, 1984). Consequently, customer benefit expectations reflect the cognitive component of attitude and are sometimes labeled cognitive attitudes (cf. Bagozzi and Burnkrant, 1979; Petty and Cacioppo, 1981).

Abundance of research

While there is an abundance of research that examines the effect of attitude's affective component on behavior, investigations of the effect of cognitive attitude on behavior are scant. One of the few studies to examine cognitive attitudes found that they were positively related to customers' behavioral intentions regarding religious matters (Bagozzi and Burnkrant, 1979). Correspondingly, it is anticipated that the level of customer benefit expected from a service category will also positively affect his/her intentions to use that service category (e.g. the more benefit a customer expects to receive from the use of financial services should result in stronger intentions to use financial services).

The effect of prior experience on intentions. Another issue to consider is the influence of prior experience on customers' intentions to use a service category. Kruglanski and Klar (1985) argue that individuals commit to memory established cognitive links between particular behaviors (e.g. service usage) and the accomplishment of desired personal goals. In essence, each time a particular goal is achieved by a specific behavior, the cognitive link between that behavior and goal becomes stronger. In short, a strong

cognitive goal-behavior link tends to result in an automatic response behavior (i.e. habit).

The strength of a goal-behavior link can be examined empirically by investigating the relationship between prior direct experience and behavioral intentions. For example, Triandis (1977, 1980) demonstrated that learning by experience affects the likelihood that the same behavior will be performed in the future. In addition, there is support for the direct effect of prior behavior on behavioral intentions concerning drug and alcohol use (Bentler, and Speckart, 1979) and customer decisions to use services (Biehal 1983; Murray 1991). Consistent with these findings, an individual's prior experience with a service category should directly influence one's intentions to use that particular service category in the future. Specifically, if one has delegated a task to a service category in the past it should result in a stronger intention to delegate the task to the service category in the future.

Intangibility

The role of intangibility in the prior experience-intention relationship. Some marketers argue that the degree of intangibility associated with a service is directly related to the level of difficulty that one experiences when evaluating that service prior to purchase (Berry, 1980; Shostack, 1977; Parasuraman *et al.*, 1985) and, in many instances, even after consumption (Zeithaml, 1981). Services are often portrayed as a combination of discrete elements which can be partly tangible and partly intangible (Shostack, 1977). Thus, it is possible for services and service categories to be classified in terms of the tangibility of their actions (Lovelock, 1983). For example, more tangible services have been characterized as actions directed toward one's physical possessions (e.g. equipment repair/maintenance, lawn care, and janitorial services) or one's body (e.g. hair-styling, physical therapy), while more intangible ones have been depicted as actions directed toward such phenomena as one's assets (e.g. accounting, insurance, and securities) (Lovelock, 1983; Parasuraman, *et al.*, 1985; Zeithaml *et al.*, 1993) or mind (e.g. entertainment, education and religion) (Lovelock, 1983).

Influence the strength

Ostensibly, the difficulty that customers have in evaluating intangible actions should influence the strength of prior experience's direct effect on behavioral intentions (i.e. a cognitive goal-behavior link). Therefore, it is anticipated that the degree of service tangibility will moderate the prior experience-customer intentions relationship. Specifically, the greater the intangibility of a service process or its outcome, the more difficult it should be to evaluate the quality of the service. In addition, the more difficult it may be for customers to establish and strengthen a cognitive link between the service action and the accomplishment of particular goals. Accordingly, a stronger cognitive goal-behavior link should exist for more tangible service categories (e.g. repair/maintenance services) relative to more intangible service categories (e.g. financial services).

The effect of financial status on intentions. Most customer purchases require some monetary tradeoff considerations (Howard and Sheth, 1969; Sheth *et al.*, 1991). In many instances when the customer has discretion regarding a service purchase (i.e. he/she can choose to defer the service decision or perform the service him/herself), the monetary tradeoff is particularly salient. As such, the formation of a buying intention is likely to include the buyer's consideration of factors that inhibit the purchase decision (Howard and Sheth, 1969). A customer's financial status may be one inhibiting factor that prompts buyers to behave contrary to their attitudes (Howard and Sheth, 1969). Previous studies provide support for financial status' influence on customers' purchase decisions. For example, income has been related to

individuals use of time saving strategies (Bellante and Foster, 1984, Nickols and Fox, 1983), and legal services (Darden *et al.*, 1981). In addition, Larson (1993) compared American households and found that households with incomes of $65,000 or more were more likely to hire carpenters, financial planners, home decorators and self-improvement services than households with incomes below $15,000. Consistent with these findings, it is anticipated that customers with higher financial status are more likely to demonstrate greater intentions of using a service category than customers with lower financial status.

Formation of customer benefit expectations

Various considerations operate regarding customers' formation of the benefits they expect from engaging in certain behaviors. In our extension of Howard's model, we examine the effect of prior experience and customer values on the formation of customer benefit expectations.

Service provider

Prior experience and the formation of customer benefit expectations. One's familiarity with a service provider or service category can be derived through generalizations drawn from similar buying experiences in the past (e.g. purchases of the same service) or generalizations from buying experiences of physically dissimilar services that have a common meaning to the buyer (e.g. customers may perceive similar benefits from several different service categories – including self service) (Howard and Sheth, 1969). In addition, a customer's ability to remember product information is believed to be related to the number of his or her product-related experiences (Alba and Hutchinson, 1987). In particular, customers with more product-related experiences tend to develop cognitive structures that enhance recall and enable finer distinctions to be made with greater reliability (Alba and Hutchinson, 1987). Accordingly, the breadth of a customer's experience with a particular type of behavior – which can include experiences with a single service, several services in one or more service categories, or self-performance of a task – may result in a reasonable "overall" performance expectation (Woodruff *et al.*, 1983). Similarly, the number of service-related experiences that the customer has amassed should influence the level of customer benefit expectations associated with a service category. Specifically, customers possessing more experience with a service category should anticipate receiving a greater level of benefit from the service category than customers with less experience with the category.

Enduring beliefs

Customer values and the formation of customer benefit expectations. Customer values are usually conceived as enduring beliefs which become a basis for the development and maintenance of attitudes toward relevant objects and situations (Gutman, 1982; Howard, 1977; Rokeach, 1968; Vinson *et al.*, 1977). Furthermore, an individual's value-attitude system is thought to be internally consistent and a determinant of his or her behaviors (Rokeach, 1968; 1973). For instance, values have been correlated with purchase behavior of automobiles (Henry, 1976) and normative expectations from product attributes were found to be related to clothing and televisions (Prakash, 1984).

Drawing from Rokeach's (1968) theoretical portrayal of personal values, Howard (1977, 1989) extended the influence of personal values to customers' product category decisions. He proposed that terminal values, i.e. values that reflect desired end states, are fundamental for generating criteria for choosing among product classes. Several studies have demonstrated the importance of terminal values in the formation of choice criteria at the

product category choice level. For example, they have been related to differences in choice criteria for appliances (Boote, 1975), restaurants (Boote, 1981), and customer preferences for automobiles and underarm deodorants (Pitts and Woodside, 1984). In short, it is reasonable to expect that the customer's terminal value system will also affect the level of benefit he or she anticipates from a service category.

Methodology

Data pertaining to two service categories, simple maintenance services and financial services, were examined in this study. Although these categories are not exhaustive of all service categories, they do represent a cross-section of service industries that differ with respect to tangibility (Lovelock, 1983). Financial services represent actions directed toward intangible assets and, thus, depict a more intangible (pure) service category, while simple maintenance services are commonly directed toward one's possessions and represent a more tangible service category (Lovelock, 1983). Overall, the two broad service types enabled us to test whether service categories with differing levels of tangibility may influence the direct effect of prior experience on customer behavioral intentions, and to examine the generalizability of the tested model beyond its applicability to a single service category.

A rigorous test

To provide a rigorous test of the anticipated relationships, the following analyses were conducted. First, the stability of the overall model was assessed with a double cross-validation procedure. Second, the relationships for each service category were simultaneously tested with a recursive path model and a goodness-of-fit measure for the theoretical model was computed for each service category. The goodness-of-fit measure provides a basis from which to determine whether the proposed model fits as well as a fully saturated recursive model (Pedhazur, 1982). Third, the effect of service category tangibility on the prior experience-intention relationship was examined by comparing the corresponding unstandardized regression coefficients for the two service category models.

Sample

The sample for our study comprised respondents who indicated a need to perform tasks related to a set of listed financial and simple maintenance activities. Cross-sectional data were collected from members of the Arkansas Household Research Panel (AHRP). Of the 750 questionnaires that were mailed to panel members, 537 of the questionnaires were completed and returned, resulting in a 71.6 percent response rate.

Service category

Customers' service category decisions emerge from a perceived need to perform a particular task. Consequently, our sample was limited to those respondents who reported the need for the financial and simple maintenance activities examined in the study. A respondent was qualified for inclusion in the study when he or she indicated a need to perform all of the financial and simple maintenance activities posed in the research. A total of 223 respondents qualified for inclusion in the study.

The resultant sample was composed primarily of married respondents (81.5 percent) that consisted of dual income families (49 percent), single income families (34 percent), and retired families (17 percent). Respondents who reported being single (18.5 percent) were dispersed among categories of employed (65 percent), retired (28 percent), or unemployed (7 percent). The average ages of the male and female household heads were about 50 and 48

years respectively. In addition, male and female household heads each reported that they completed approximately 14 years of formalized education. The average annual household income was slightly more than $32,000.

Data

Respondents were asked to respond to two sets of variables. One set of variables measured customer prior service experiences, benefit expectations, and behavioral intentions to use each of eight services – i.e. four financial services and four simple maintenance services. Consistent with Ajzen and Fishbein's (1980) recommendations for investigating the relationship between attitude and behavior or behavioral intentions, all of the variables were measured at the same level of abstractness (i.e. questions related to prior experience, benefit expectations, and behavioral intentions all related to the same set of activities). The second set of variables tapped each customer's personal value system – via 18 terminal values – and financial status.

Past service experience

A relative measure of past service experience (prior experience) was used to ascertain the general nature of the respondents' experience (e.g. whether the experience was based solely on past service usage or self-performance). This measure is consistent with the notion that customers develop a set of realistic, experience-based norms that result from a variety of relevant past occurrences (Woodruff *et al.*, 1983). The relative measure of prior service experience was obtained by asking respondents to consider the number of times that they performed each listed activity and to rate the extent to which they used outside-the-home services to perform each. To avoid unsure accurate recall of data associated with activities that may be performed infrequently (e.g. the number of times that something was performed), responses were rated on a five-point scale ranging from "never" (coded 1) to "always" (coded 5).

Intentions to use services were measured by prompting respondents to indicate the extent to which they were likely to use each of the listed services in the future. Responses were recorded on four-point scales ranging from "do not intend to use" (coded 1) to "fully intend to use" (coded 4). If a respondent failed to perceive a need for the activity performed by a service organization, he or she could report that the service was "not required"; those respondents were subsequently disqualified from the study and excluded from further analysis.

Multiple criteria

Even though customers often consider multiple criteria when evaluating products, they typically combine separate evaluations into a single overall assessment (cf. Dyer and Forman, 1991; Johnson and Russo, 1984). Moreover, since customer comparisons of increasingly dissimilar products and product classes may often require abstractions of the product comparisons (Johnson, 1984), it seemed prudent to obtain an overall assessment measure for each particular service. Accordingly, benefit expectations were measured by prompting respondents to report the level of benefits which they believed are received when others are paid to perform each of the set of listed activities, using four-point scales ranging from "no benefits" (coded 1) to "substantial benefits" (coded 4).

Customers' personal values were measured by asking respondents to assess the relative importance that each of 18 terminal values (Rokeach, 1973) have for them. Responses were recorded by means of five-point scales ranging from "not important" (coded 1) to "most important" (coded 5). Finally,

financial status was operationalized as the respondent's annual household income.

Measurement scales. Multi-item indices measuring "prior experience", "benefit expectations", and "intentions to use" were constructed for each service category by averaging the responses across each scale's items. Factor analyses of the past usage, benefit expectations, and intentions variables were conducted to affirm each measure's unidimensionality.

Terminal values were factor analyzed to determine their underlying structure. Four factors were extracted, using the eigenvalue-one rule and varimax rotation (see Appendix, Table AI). The four underlying factors reflect external accomplishments, internal accomplishments, safety (or protection), and salvation (save or rescue). Indices for these four factors were obtained by summating the items that loaded cleanly on each factor. Variables with loadings of 0.4 or higher on two or more factors were considered to have complex structures and, thus, were not used to create indices representing the four factors.

The factor analyses

The factor analyses and reliability estimates for the ten scales are based on the complete sample (i.e. 223 respondents). Table I contains the factor loadings of scale items, and measures of internal consistency for the experience and benefit expectations scales across each service category and the four terminal values scales. The alpha coefficients (Cronbach, 1951) for the set of multi-item scales ranged from 0.73 to 0.79, suggesting that the scales possess acceptable levels of internal consistency (Nunnally, 1978).

Results

Testing the overall model

Double cross-validation of the model. The extent to which the data for each service category fit the specified recursive path model was examined using ordinary least squares regression (Duncan, 1975). In addition, double cross-validation was used to validate the results from regression analysis. The double cross-validation procedure, which is considered to be the most rigorous approach for validating regression results (Pedhazur, 1982) produces four coefficients of multiple correlation which are compared for their consistency. Two R^2s are calculated from regression equations estimated from the two samples while the other two R^2s are computed from fitting the regression equations to the alternate samples. When the same regression equation is applied to two samples (i.e. the calibration and screening samples), the difference in R^2s is called "shrinkage". Shrinkage results from a tendency for the derived regression equation to overestimate the true relationship between the predicted and observed values of the dependent measure (Pedhazur, 1982). High shrinkage indicates that the true relationship between the expected values of the hypothesized model and the observed dependent variable is greatly overestimated and the results are not stable from sample to sample. In contrast, low shrinkage suggests that the true relationship between the hypothesized model and the observed dependent variable is correctly estimated and that the results are stable across samples. Accordingly, when low shrinkage exists and the coefficients of two derived regression equations are similar, the samples can be combined and a single regression equation calculated (Mosier, 1951).

The overall sample

In our study, the overall sample (n = 223) was randomly divided into a screening sample (n = 111) and a calibration sample (n = 112). The results of the regression analyses for the screening and calibration samples (see Appendix, Table AII) were used to assess the double cross-validation of each

Construct name and statements	Factor loading	Number of items	Alpha reliability
Prior experience with simple maintenance services		4	0.77
Lawn maintenance	0.74		
In-home cleaning	0.71		
Home maintenance	0.87		
Simple auto maintenance	0.76		
Benefit expectations of simple maintenance services		4	0.75
Lawn maintenance	0.71		
In-home cleaning	0.74		
Home maintenance	0.82		
Simple auto maintenance	0.75		
Intentions to use simple maintenance services		4	0.76
Lawn maintenance	0.72		
In-home cleaning	0.74		
Home maintenance	0.85		
Simple auto maintenance	0.76		
Prior experience with financial services		4	0.79
Family investment planning	0.78		
Estate planning	0.79		
Tax preparation	0.69		
Tax planning	0.88		
Benefit expectations of financial services		4	0.79
Family investment planning	0.80		
Estate planning	0.82		
Tax preparation	0.68		
Tax planning	0.85		
Intentions to use financial services		4	0.78
Family investment planning	0.84		
Estate planning	0.84		
Tax preparation	0.61		
Tax planning	0.84		
External accomplishments		5	0.78
A comfortable life	0.74		
A sense of accomplishment	0.58		
Pleasure	0.69		
Social recognition	0.63		
An exciting life	0.73		
Internal accomplishments		3	0.79
Self-respect	0.76		
Inner harmony	0.73		
Freedom	0.72		
Safety		2	0.73
National security	0.74		
World at peace	0.63		
Salvation		1	–[a]
Salvation	0.84		

Note: [a]Alpha cannot be computed for a one-item scale.

Table I. Reliability estimates

service category. The small shrinkage associated with each service category – the shrinkage ranged from 0.003 to 0.032 (see Table II) – suggests that the findings for each service category are stable. Moreover, within each service category, the unstandardized regression weights for each pair of corresponding regression equations were similar. Accordingly, the two samples were combined and path models for each service category were subsequently estimated from the pooled sample. The correlation matrix of the pooled sample for each service category is shown in Table III.

Service category/equation	R^2 for the derived regression equation	R^2 for the applied regression equation	Shrinkage
I. Financial services			
A. Benefit expectations equation			
Screening sample	0.629	0.604	0.025
Calibration sample	0.578	0.546	0.032
B. Intentions to use equation			
Screening sample	0.678	0.675	0.003
Calibration sample	0.681	0.677	0.004
II. Simple maintenance services			
A. Benefit expectations equation			
Screening sample	0.570	0.562	0.008
Calibration sample	0.541	0.533	0.008
B. Intentions to use equation			
Screening sample	0.811	0.800	0.011
Calibration sample	0.814	0.806	0.008

Table II. Double cross-validation results

Regression

Detection of severe multicollinearity. Since ordinary least squares regression was used to estimate the path coefficients, it is possible that severe multicollinearity may make the estimated path coefficients unstable (Neter *et al.*, 1985). One formal method for detecting the presence of significant multicollinearity is to estimate variance inflation factors (VIFs) for the independent variables in each regression model. When the VIF for an independent variable is equal to 1.0, the variable is not linearly related to other independent variables. Alternatively, VIFs greater than 1.0 indicate the existence of multicollinearity. The severity of multicollinearity within a regression model can be detected by examining the largest VIF among all the independent variables and/or the average of all the VIFs. Significant multicollinearity is detected when the maximum VIF is in excess of 10.0 and/or the average VIF is considerably larger than 1.0 (Neter *et al.*, 1985).

Method of analysis

In our study, the method of analysis consisted of applying a path model to two different service categories (i.e. financial services and simple maintenance services). For each service category, two path models (i.e. a fully recursive and hypothesized path model) were estimated and each path model consisted of two estimated regression equations (i.e. intentions to use, and benefit expectations). Accordingly, eight sets of variance inflation factors were estimated to detect significant multicollinearity within any of the regression equations. The maximum and average variance inflation factors for the eight ordinary least squares regression models ranged from 1.53 to 2.52 and 1.29 to 1.89 respectively (See Table IV). All of the variance inflation factors are found in Table V. All of the eight sets of maximum and average variance inflation factors are well below the standards signifying severe multicollinearity. These results indicate that significant multicollinearity was not detected and, thus, does not appear to be a serious concern in this study.

Simultaneous examination

Anticipated vs fully recursive model. A path analytic approach enables a simultaneous examination of the anticipated relationships while controlling for other nonhypothesized influences among the measured variables (Pedhazur, 1982). The results of the hypothesized and fully recursive path models examined in this study for each service category are found in Table V. An overall goodness-of-fit index (Q) for a hypothesized recursive path model was computed for each path model using a method suggested by Pedhazur (1982). The value of Q, which can range from 0 (a poor fit) to 1 (a perfect

	Prior experience[a]	External[b]	Internal[c]	Safety[d]	Salvation[e]	Financial status[f]	Benefit expectations[g]	Intentions to use[h]
Prior experience		0.268[j]	0.138	0.147	0.031	0.244	0.749	0.786
External	0.162[k]		0.471	0.424	0.144	0.043	0.310	0.292
Internal	0.132	0.471		0.492	0.212	-0.078	0.172	0.155
Safety	0.201	0.424	0.492		0.347	0.035	0.122	0.188
Salvation	0.087	0.144	0.212	0.347		-0.047	0.163	0.034
Financial status	0.148	0.043	-0.078	0.035	-0.047		0.241	0.262
Benefit expectations	0.734	0.224	0.153	0.181	0.170	0.123		0.742
Intentions to use	0.878	0.197	0.138	0.239	0.121	0.203	0.775	

Notes:
[a] Prior experience with the service category
[b] Terminal values reflecting external accomplishments
[c] Terminal values reflecting internal accomplishments
[d] Terminal values reflecting safety
[e] Terminal value reflecting salvation
[f] Financial status of the household
[g] Benefit expectations of a service category
[h] Intentions to use the service category
[i] Sample size is 223 (the pooled sample)
[j] The upper triangular portion of the table contains the intercorrelations for the financial services category
[k] The lower triangular portion of the table contains the intercorrelations for the simple maintenance services category

Table III. Correlation matrix for service categories[i]

Regression model[a]	Financial services		Simple maintenance services	
	Hypothesized model	Fully recursive model	Hypothesized model	Fully recursive model
Intentions to use				
Maximum variance inflation factor	2.30	2.52	2.18	2.28
Average variance inflation factor	1.89	1.68	1.79	1.60
Benefit expectations				
Maximum variance inflation factor	1.53	1.54	1.55	1.56
Average variance inflation factor	1.34	1.31	1.32	1.29

Notes: [a]Each regression model is identified by the dependent variable

Table IV. Detection of severe multicollinearity

fit), represents a ratio of the explained variability in the hypothesized recursive model to that of a fully saturated recursive model. In our study, the goodness-of-fit estimates were 0.98 ($\chi^2 = 3.526$, df = 5, $p < 0.10$) for the simple maintenance (i.e. more tangible) service category and 0.96 ($\chi^2 = 9.373$, df = 5, $p < 0.05$) for the financial (i.e. more intangible) service category. The goodness-of-fit estimates indicate that the hypothesized model provides a high degree of fit to the data for both service categories.

Testing the individual model paths

Since the overall service category choice model was supported in both service categories, the analysis proceeded to tests of the individual linkages. The unstandardized (b) and standardized (β) partial regression (path) coefficients are reported in Table V.

Positive path coefficients

Intentions to use a service category. Positive path coefficients for the benefit expectations-intentions relationship were found to be statistically significant for both service categories. The findings indicate that, as expected, higher levels of expected benefits lead to stronger intentions to use a service category for both financial services ($\beta = 0.34$, $p < 0.01$) and simple maintenance services ($\beta = 0.28$, $p < 0.01$). Positive path coefficients were also obtained for the prior experience-intention relationship for both service categories. The results demonstrate that as customer experience with the financial services category ($\beta = 0.52$, $p < 0.01$) and simple maintenance services category ($\beta = 0.66$, $p < 0.01$) increases, so do customer intentions to use these service categories in the future.

The relative strength

The relative strength of prior service experience's direct effect on customer intentions to use a service category was examined utilizing a procedure described by Cohen and Cohen (1983, p. 111). Specifically, a z-test was conducted to compare the unstandardized path coefficient for the more intangible service category, i.e. financial services (b(f) = 0.3938, SEb(f) = 0.04475), with the corresponding coefficient for the more tangible service category, i.e. simple maintenance services (b(m) = 0.4945, SEb(m) = 0.03229). The probability of obtaining a more extreme z-value than 1.82 (i.e. the calculated or observed value) is estimated to be 0.0344. When the probability of making a Type I error is set at $\alpha = 0.05$, it can be concluded that the direct effect of prior service experience on customer intentions to use a service category was weaker for the more intangible service category than for the more tangible service category. This finding supports our anticipation of the moderating influence of service tangibility on the effect of prior experience on customer intentions to use a service category.

	Financial service category						Simple maintenance service category					
	Hypothesized model			Fully recursive model			Hypothesized model			Fully recursive model		
Dependent/independent variables	Path coefficients[a]	VIF[b]	R^2	Path coefficients	VIF	R^2	Path coefficients	VIF	R^2	Path coefficients	VIF	R^2
Intentions use			0.674[1]			0.683[1]			0.813[1]			0.816[1]
Prior experience	0.39[2] (0.52)	2.30		0.37[2] (0.49)	2.39		0.49[2] (0.66)	2.18		0.49[2] (0.65)	2.23	
Financial status	0.00 (0.05)	1.07		0.00 (0.05)	1.10		0.00[3] (0.07)	1.02		0.00[3] (0.07)	1.04	
Benefit expectations	0.40[2] (0.34)	2.30		0.42[2] (0.36)	2.52		0.34[2] (0.28)	2.17		0.33[2] (0.28)	2.28	
External				0.03 (0.02)	1.48					0.01 (0.01)	1.41	
Internal				-0.02 (-0.01)	1.52					-0.03 (-0.02)	1.51	
Safety				0.10[6] (0.09)	1.57					0.06[6] (0.06)	1.56	
Salvation				-0.05 (-0.07)	1.21					0.00 (0.00)	1.17	
Benefit expectations			0.597[1]			0.603[1]			0.561[1]			0.561[1]
Prior experience	0.47[2] (0.72)	1.08		0.46[2] (0.70)	1.15		0.45[2] (0.72)	1.05		0.44[2] (0.71)	1.07	
External	0.15[5] (0.12)	1.44		0.15[5] (0.12)	1.44		0.12[5] (0.11)	1.38		0.12[5] (0.11)	1.39	
Internal	0.04 (0.03)	1.49		0.05 (0.05)	1.51		0.01 (0.01)	1.49		0.01 (0.01)	1.51	
Safety	-0.10[5] (-0.11)	1.53		-0.11[5] (-0.11)	1.54		-0.05 (-0.05)	1.55		-0.05 (-0.05)	1.56	
Salvation	0.10[4] (0.15)	1.14		0.10[4] (0.16)	1.14		0.06[5] (0.11)	1.14		0.07[5] (0.11)	1.14	
Financial status				0.00[6] (0.08)	1.09					0.00 (0.02)	1.04	

Notes:

[a]Standardized regressions coefficients (βs) are contained in the parentheses

[b]Variance inflation factor

[1] $p < 0.0001$ for an F-test.

[2] $p < 0.01$ for a one-tailed t-test

[3] $p < 0.05$ for a one-tailed t-test

[4] $p < 0.01$ for a two-tailed t-test

[5] $p < 0.05$ for a two-tailed t-test

[6] $p < 0.10$ for a two-tailed t-test

Table V. Parameter estimates for hypothesized model and fully recursive model

No significant relationship was discovered between financial status and intentions to use the financial services category. However, financial status was found to positively affect customer intentions to use simple maintenance services ($\beta = 0.07$, $p < 0.05$); i.e. as financial status increases, customer intentions to use the simple maintenance services category also increases. Together these findings suggest that type of service category may moderate the influence of customers' financial status on intentions to use a service category.

Two unexpected results regarding customer intentions to use a service category were uncovered when the fully recursive models for both service categories were examined. A positive relationship was uncovered between financial status and customer benefit expectations of the financial services category ($\beta = 0.08$, $p < 0.10$). This relationship suggests that customers may explicitly refer to their financial status when formulating benefit expectations for some types of service categories. In addition, the terminal value reflecting safety was found to be positively related to intentions to use a service category for both financial ($\beta = 0.09$; $p < 0.10$) and simple maintenance ($\beta = 0.06$; $p < 0.10$) service categories. This relationship reveals that the importance of safety to a customer may directly and/or indirectly affect his/her intentions to use a service category. Clearly, additional research on this issue is warranted.

Prior experience

Formation of benefit expectations. The effects of prior experience and personal values on benefit expectations were tested by examining their corresponding path coefficients. A positive relationship between "prior experience" and "benefit expectations" was statistically significant for both financial services and simple maintenance services. Specifically, as anticipated, greater customer prior experience with a service category resulted in greater benefit expectations of both financial services ($\beta = 0.72$, $p < 0.01$) and simple maintenance services ($\beta = 0.72$, $p < 0.01$).

An individual's terminal values were found to affect his or her benefit expectations of a service category. Moreover, the type of service category appears to moderate the effects of individual terminal values on benefit expectations. In particular, three of the four terminal values were found to be significantly related to the benefit expectations associated with the use of the financial services category. Specifically, customers who placed greater importance on external accomplishments ($\beta = 0.12$, $p < 0.05$) and salvation ($\beta = 0.15$, $p < 0.01$) also reported greater benefit expectations of the financial service category. In addition, customers who placed less importance on safety ($\beta = -0.11$, $p < 0.05$), reported greater benefit expectations of financial services. In contrast, only two of the four terminal values were related to level of benefit expectations associated with the use of the simple maintenance services category. The study results revealed that customers who placed greater importance on external accomplishments ($\beta = 0.11$, $p < 0.05$) and salvation ($\beta = 0.11$, $p < 0.05$) also reported greater benefit expectations of simple maintenance services. Finally, regardless of service category, the internal accomplishments value was not significantly related to level of benefit expectation.

Discussion and managerial implications

Service category

When faced with a decision to use a service category, customers may choose between performing the task themselves or delegating the task to a service category and, ultimately, to a specific service provider. The interrelated set of decisions revolving about this circumstance is called a hierarchical choice

progression. However, service marketers often ignore customer decisions early in the choice progression (i.e. service category decisions) and focus their attention primarily on influencing decisions at later stages in the choice process (i.e. service brand/provider decisions). Just as it is important to understand the dynamics behind customers' selection of a specific service provider, marketers must also understand the decision to delegate a particular task to a service in the first place. Knowledge of customers' service category decisions can help service marketers create appropriate strategies for managing the development of their service markets. The purpose of this study was to examine the effect of several customer characteristics on service category decisions.

Individuals

The study was conducted with a sample of individuals who perceived a need to perform simple maintenance and financial activities. These activities provided two distinct contexts for exploring the generalizability of a slightly modified version of Howard's (1977, 1989) first-level choice process to service categories. Overall, the results support the applicability of Howard's model to customer service category decisions. Specifically, customer service category decisions were influenced by the amount of benefit expected from the service category in question, the relative level of prior experience with that service category, and customer's financial status. In addition, the formation of customer benefit expectations was influenced by the relative level of their prior experience and the values that reflect their desired end-states. Furthermore, the type of service category in question moderated the strength of some individual linkages. For instance, the direct effect of prior experience on customer intentions was stronger for a more tangible service category than for a more intangible service category. Type of service category also appeared to moderate the impact of terminal values on benefit expectations associated with a service category and the role of customer's financial status on their service category decisions.

Managerial implications

This research provides several implications for the practicing services marketer. We have organized our discussion of these implications in terms of the particular relationships that are contained within the overall model.

Results

Intentions to use a service category. Our results revealed that customers' benefit expectations and prior experience influenced their intentions to use a service category. The direct effect of customer benefit expectations on intentions to use a service category indicates that the greater the anticipated benefit associated with a service provider – any provider – the more likely that the customer will rely on a service category. This finding is significant to service marketers whose customers approach service decisions from a complex problem-solving perspective. The decision to use a service category often represents a complex problem-solving situation, particularly when the customer is unfamiliar with both the service category and the corresponding service brand/provider. In these situations, the customer has not yet formulated strong cognitive links between his/her experiences and the service category. To influence customer choice in these circumstances, service marketers face the dual tasks of educating the customer about the benefits derived from delegating the task to a service category, and a service organization in particular. Such a task may indicate a need for a two-pronged promotional campaign. The first part of the campaign would emphasize the benefits of a service category. Such an approach is appropriate for service providers who want their prospective customers to become knowledgeable about the service category. For example, service marketers within a

particular category (e.g. financial planning services) could work together through the use cooperative advertising to communicate the benefits to be realized when allocating a task to service providers (e.g. the advantage of working with a financial planner). The second part of the promotions campaign would require individual service providers to emphasize the benefits of their particular service offerings. Such an approach would provide service providers with opportunities to position themselves in ways that gain them a differential advantage over competitors within the same service category.

Customer experience

Our research findings also indicate that customer experience with a service category tends to automatically constrain, and thereby simplify, customer choice. The strong direct effect of prior experience on customer intentions demonstrated that as consumers gained more experience with a service category, their category choices tended to become more automatic. In essence, the findings suggest that prior experience tends to limit one's consideration set of service brands to the experienced service category. In this way, choice of a service provider shifts from complex problem solving to limited (or possibly routinized) problem solving in which the emphasis is on the choice of a particular service provider (cf. Howard, 1977, 1989). Customers who employ limited or routinized problem solving tend to have strong cognitive links between prior experience and the service category, but may not have developed a loyalty to a particular service provider within the category. In these situations, the challenge for service marketers shifts from educating the customer about the category and options within it to developing a position for the particular service provider. An important component in the positioning of a service is for organizations to ensure that their customers have positive service encounter experiences. However, simply providing good service may not be enough. In some instances, customers may not be knowledgeable about what comprises a satisfactory service encounter; hence it may require service marketers to help their customers learn to accurately assess the service encounter experience (cf. Hoch and Deighton, 1989). For example, a service organization might educate its customers about the particular activities it performs on their behalf or help customers learn which cues to consider when evaluating a service experience. In this way, service marketers are able to facilitate customer development of a strong cognitive link between service usage and accomplishment of personal goals. In addition, by enhancing customers' knowledge of their service encounters, service marketers help customers progress through their choice levels more quickly.

Benefit expectations

Formation of benefit expectations. By recognizing that greater benefit expectations tend to increase one's intentions to use a service category, service marketers can enhance the development of target markets and their positions within them by learning how to manage the benefit expectations of their customers. Our research indicated that benefit expectations associated with possession-oriented service categories increased as customers' experience with a category increased and when customers placed greater importance on select personal values.

Customer benefit expectations are learned from (direct) experience and/or education (cf. Hoch and Deighton, 1989). Experienced-based learning accords customers more control over what they choose to comprehend about the service category and it empowers them with greater decision-making confidence. However, increased customer control over their understanding of a service category may impede the positioning efforts of a service

organization (e.g. when one's experience creates an image that is inconsistent with that desired by the service organization). Obviously, efforts to manage customers' benefit expectations of a service category derived from prior experience represent a significant challenge to service marketers. One approach is to ensure that customers experience a consistent minimum level of satisfactory service from service providers within a service category. When customers have limited experience with a service category, a mixture of good and bad service experiences with the same or different providers may lead to a vague understanding of the category in general and the benefits it can offer. In these instances, customers are likely to expect less benefit from the service category, which in turn, can impair a decision to use it. Service marketers can help potential customers develop an unambiguous minimum level of benefit expectations of a service category by working together to establish and actively enforce policies and procedures which reflect a predictable level of service excellence from the various providers. These service category "guidelines" should then be communicated to potential customers to help generate reasonable minimum benefit expectations of providers across the category.

Service marketers

Service marketers should also constantly monitor experienced-based perceptions of their customers regarding the service category and its various providers. Customers who possess greater experience with a category tend to develop more consistent expectations of it; these expectations are seemingly more difficult to change. In these instances, organizations can enhance their marketing strategies by making certain that the service they provide – at a minimum – provides customers with the same basic experience that is typically found across the service category as a whole. Accordingly, gathering perceptions of all aspects of the service encounter can enable marketers to identify and correct potential problem areas before they seriously (noticeably) affect the service firms' bottom lines.

Knowledge

Customers can acquire knowledge about service encounters indirectly or vicariously by observing the treatment of other customers, reading brochures, reports, and advertisements (cf. Hoch and Deighton, 1989) or through word-of-mouth communication. Marketers can influence customers' knowledge about a service category by controlling the promotional messages (both message content and frequency of customer exposure to the message) that describe a service category and its benefits. Recognizing that service categories and brands can provide customers with many different benefits, marketers must decide which particular benefits to feature when positioning their offerings. Key benefits desired by customers may be discovered by identifying those personal values they (the customers) deem important when considering a service category. In our study, customers who considered external accomplishments/pleasures (e.g. a comfortable life or an exciting life) and salvation (e.g. being saved or rescued) to be of greater importance carried greater benefit expectations of possession-oriented (e.g. financial and simple maintenance) service categories. Ostensibly, service providers in these categories may choose to reinforce customers' benefit expectations related to either of the two personal values. For example, service brands may choose to emphasize customer benefit expectations related to a pleasurable life by recommending that customers "free up" precious time to engage in more pleasurable activities by permitting service providers perform those tasks that customers consider as drudgery and uninteresting. Alternatively, possession-oriented service providers might elect to reinforce one's benefit expectations related to salvation by demonstrating that use of the service category reduces the likelihood of making serious mistakes during the

performance of the delegated task. Hence, the customer may rely on the category to rescue him/her from potential mistakes that may arise during self-performance of a task. Such a perspective may underlie Larson's (1993) finding that the sampled households reported that a lack of know-how for completing the task at hand was the primary reason for hiring service providers. Future studies should examine whether customer values such as internal accomplishment and/or pleasures (e.g. self-respect or inner-harmony) become more salient for service categories that improve the person (e.g. categories that focus attention on customer avocational activities such as exercise programs, self-help, or the development of a hobby). Similarly, additional research is warranted to better understand the role that the terminal value of safety (i.e. protection) plays in decisions to use a service category.

Financial status

Role of financial status. Overall, the research findings indicate that type of service category seems to moderate the role of financial status on a customer's service category decisions. Financial status was found to positively influence intentions to use simple maintenance services. It was also found to positively influence the formation of the customer's benefit expectations of financial services. While these results should be interpreted with caution, the general message appears to be the same: customers with greater financial status are more likely to delegate their property-related tasks to service providers. This finding provides continuing support for the use of financial status as an important segmentation variable.

Conclusions

US economy

As services continue to emerge as a dominant part of the US economy, customers will experience an increasing number of service options to satisfy their needs. Marketers who understand customer motivations to use a particular service category will be in a better position to manage their target markets. As a first step to understanding customer decisions to use a service category, an adaptation of Howard's first-level choice model was applied to two different service categories. Our research findings supported the modified model. In addition to discussing areas for future research, several managerial implications of the study findings were discussed. One primary message associated with the managerial implications is that by understanding the different end-states (i.e. terminal values) that customers desire when choosing a service category, marketers may be able to segment their target markets more effectively and develop strategies that position their offerings in ways that best fit the desires of their target markets. Similarly, the impact of prior experience on intentions to use a service category reinforce the need for marketers to ensure that their customers are satisfied with their service encounters. In this way, prior experience can function as a competitive barrier which enables established (e.g. popular) service providers to better manage their target markets. However, if customers lack such prior experience, marketers should strive to weaken pre-existing relationships between targeted customers and competing service categories as they endeavor to build relationships with their target markets.

As with any study, this study contains several limitations. First, since customers tend to rely on personal experience when making service decisions (Biehal, 1983; Murray, 1991), we examined the effect of prior experience on customer intentions to use a service category. Yet, first time or infrequent service customers have limited or no prior experience with a service category. In these instances, one can still learn about the category from other sources such as an organization's promotional material or word-

of-mouth communication. Future studies should examine the role of these information sources on the customer's service category decisions. For example, research could examine the relative strength of prior experience, promotional effort, and word-of-mouth communication on the formation of customers' benefit expectations and intentions to use a service category.

Second, our analysis was conducted with global measures of benefit expectations. While overall opinions enable an adequate test of the service category choice model and simplify cross service category comparisons, such measures provide less insight into particular customer benefits used to formulate an overall response. Furthermore, even though an examination of the model of personal values-benefit expectations relationships can provide some insight into the general types of benefits customers commonly desire when choosing a service category, future studies should identify particular benefits desired by service category users and determine whether distinct benefit segments exist within service categories.

The study

Third, a subset of service category types was examined in the study. Thus, the extent to which the results of this study may be generalized to other service categories is somewhat limited. Obviously, replications of the study should be conducted with additional service categories. For example, research can apply the service category choice model to categories that deal with the person rather than the person's possessions.

A fourth limitation concerns the *post hoc* comparisons pertaining to the moderating effect of service category type. In the current study, the moderating effect of type of service category on the prior experience-intentions relationship was formally developed and examined. However, other moderating influences were observed via comparisons of the significance of results across the two service categories. Thus, conclusions from these unplanned (*post hoc*) comparisons should be interpreted with caution. More formal investigations of service category type's moderating influences on the importance of particular terminal values and financial status are warranted.

Limitations

In spite of the study limitations, the overall message that our data relate seems clear: services marketers should carefully consider the dynamics of customer decisions regarding the "make or buy" choice circumstance. Knowing and responding to their target markets' orientations toward these "first order" service category decisions can pay significant dividends in terms of affecting customers' choice, commitment and comfort associated with their service product.

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Appendix

Item number	Terminal value[b]	Factors and rotated factor loadings[a] Factor #1	Factor #2	Factor #3	Factor #4	h^2
1.	A comfortable life (a prosperous life)	0.74[c]				0.70
2.	An exciting life (a stimulating active life)	0.73				0.61
3.	Pleasure (an enjoyable, leisurely life)	0.69				0.63
4.	Social recognition (respect, admiration)	0.63				0.58
5.	A sense of accomplishment (lasting contribution)	0.58				0.51
6.	Self-respect (self-esteem)		0.76			0.68
7.	Inner-harmony (freedom from inner conflict)		0.73			0.65
8.	Freedom (independence, free choice)		0.72			0.64
9.	Wisdom (a mature understanding of life)		0.55		0.46	0.67
10.	True friendship (close companionship)		0.48		0.41	0.54
11.	A world of beauty (beauty of nature or the arts)	0.40	0.48			0.45
12.	National security (protection from attack)			0.74		0.67
13.	A world at peace (free of war and conflict)			0.63		0.55
14.	Family security (taking care of loved ones)		0.43	0.58		0.52
15.	Happiness (contentedness)	0.48		0.52		0.56
16.	Equality (brotherhood, equal opportunity for all)					0.43
17.	Salvation (saved, eternal life)				0.84	0.77
18.	Mature love (spiritual intimacy)			0.52	0.61	0.70
	λ	3.21	3.09	2.58	1.98	

Notes:

[a]Factor loadings less than 0.4 are not reported

[b]Scaling procedure for each of the items: a 5-point scale ranging from "Not important" (coded 1) to "Most important" (coded 5)

[c]Orthogonal (Varimax) rotated factor loadings

Table AI. Varimax rotated factor pattern for terminal values

		Financial service category						Simple maintenance service category					
		Screening sample			Calibration sample			Screening sample			Calibration sample		
Predictor variable	Estimation variables	Path coefficients		R^2	Path coefficients		R^2	Path coefficients		R^2	Path coefficients		R^2
Intentions to use				0.678[a]			0.681[a]			0.811[a]			0.814[a]
	Prior experience	0.31[b]	(0.43)[a]		0.44[b]	(0.56)		0.51[b]	(0.65)		0.49[b]	(0.70)	
	Financial status	0.00	(0.08)		0.00	(0.05)		0.00	(0.03)		0.00[b]	(0.11)	
	Benefit expectations	0.45[b]	(0.41)		0.41[b]	(0.31)		0.37[b]	(0.30)		0.28[b]	(0.23)	
Benefit expectations				0.629[a]			0.578[a]			0.570[a]			0.541[a]
	Prior experience	0.52[b]	(0.73)		0.43[b]	(0.73)		0.46[b]	(0.71)		0.42[b]	(0.71)	
	External	0.10	(0.08)		0.18[f]	(0.16)		0.12	(0.10)		0.13	(0.11)	
	Internal	0.13	(0.09)		-0.05	(-0.04)		0.02	(0.02)		0.01	(0.01)	
	Safety	-0.03	(-0.03)		-0.11[g]	(-0.14)		-0.08	(-0.08)		-0.03	(-0.04)	
	Salvation	0.08[g]	(0.11)		0.11[e]	(0.18)		0.09[f]	(0.16)		0.03	(0.05)	

Notes:
[a]Standardized regression coefficients (βs) are contained in the parentheses.
[a]$p < 0.0001$ for an F-test
[b]$p < 0.01$ for a one-tailed t-test
[c]$p < 0.05$ for a one-tailed t-test
[d]$p < 0.10$ for a one-tailed t-test
[e]$p < 0.01$ for a two-tailed t-test
[f]$p < 0.05$ for a two-tailed t-test
[g]$p < 0.10$ for a two-tailed t-test

Table AII. Parameter estimates for the screening and calibration samples

This summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto *to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present*

Executive summary and implications for managers and executives

Understanding the hierarchy of decisions

As services continue to emerge as a dominant part of the US economy, customers have an increasing range of options to satisfy their needs. Service providers must obviously compete with other service providers in their field. Knowingly or unknowingly, they must also compete with providers of related categories of service.

For example, a person who wants his or her kitchen painted must first decide whether to perform the task himself or herself or to delegate it to someone else. If the decision is made to give the task to a service provider, the next task is to choose a service category. This could be a choice between, for example, professional painters, family members or friends. If the decision is taken to use a professional painter, a specific painting company must be selected.

Most studies assume that customers have already decided to use a particular type of service and, in many cases, that customers can recall their previous experiences with specific service providers. However, this is often not so for people who are using a service for the first time, or who use a service only infrequently.

Customer choice at service-category level

Dorsch et al. *examine customer choice at the service-category level. They conducted a study among 223 members of the Arkansas Household Research Panel who had perceived a need for financial services and simple maintenance services. Financial services deal with intangible assets and so depict a more "pure" service category than simple maintenance services, which are commonly directed towards one's possessions. Repairing the lawn mower is a good example of a simple maintenance service.*

The survey shows that decisions on customer-service category are influenced by the amount of benefit expected from the service category in question, the amount of experience the consumer has had with that service category and his or her financial status. The direct effect of prior experience on customer intentions was stronger for the more tangible service category (simple maintenance services) than for the more intangible category of service (financial services).

The challenges for service marketers

The greater the anticipated benefit associated with a service provider – any provider – the more likely the potential consumer is to rely on a service category. This may indicate the need for a two-pronged promotional campaign. The first part of the campaign would emphasize the benefits of a service category (say, professional painters and decorators), while the second would require individual service providers to emphasize the benefits of their particular offerings (for example, John Smith, specialist in applying anaglypta).

The more experience that customers have with a service category, the more their category choices tend to become automatic. In these situations, the challenge for service marketers shifts from educating the consumer about the category and options within it to developing a position for the particular service provider.

The impact of prior experience on intentions to use a service category reinforces the need for marketers to ensure that their customers are satisfied with the service they receive. In this way, prior experience can function as a competitive barrier which enables established service providers to better manage their target markets. However, if customers lack such prior experience, marketers should strive to weaken the existing relationships between targeted customers and competing service categories as they endeavor to build relationships with their target markets.

Dorsch et al. *conclude that customers with greater financial status are more likely to delegate their property-related tasks to service providers.*

(A précis of the article "Consumer intentions to use a service category". Supplied by Marketing Consultants for MCB University Press.)