

## **Developing an Economics of Information Measurement for Services: The SEC Framework**

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### **Abstract**

The consumer information evaluation framework using the search, experience and credence (SEC) classification has been active in the service literature for almost twenty years (Zeithaml 1981). Although embraced by marketers, surprisingly little empirical work has been done on the viability of the economics of information framework yet it offers important theoretical support in the services literature and practical applications for service providers. Useful for both goods and services research, the SEC framework has its strongest appeal in the service industry literature because of services' inherent intangible and non-standard characteristics. Marketing scholars argue that this type of service industry distinction enhances theory development because the findings are not particular to some unique industry but are generalizable to other like type service situations. Because of its important theoretical potential in the service literature and its managerial implications for service providers, an effective multi-item SEC measurement is needed. This research attempts, through several qualitative and quantitative iterations, to further the service literature by extending the SEC measurement into a useful theoretical and managerial instrument. This exploratory research attempts to build upon previous endeavors in developing a measurement (e.g. Iacobucci 1992) that can differentiate, between search, experience and credence goods/services.

The Economics of Information's (Nelson 1970) classification was initially developed to help explain the notion that consumer information about quality often has "profound effects upon the market structure of consumer goods" (Nelson 1970, p. 311). Nelson extended Stigler's (1961) information search theory to explain information by way of experience. He defined two types of qualities that had distinct characteristics in terms of consumer evaluation processes: search -- those that can be fully evaluated prior to purchase, and experience -- those that must be first purchased and consumed before the consumer is able to evaluate. Darby and Karni (1973) extended the information acquisition classification to include credence qualities -- those that the consumer can never fully evaluate even after purchase and consumption, i.e. those accepted on faith. Zeithaml (1981) introduced the classification into marketing, via the service literature, as a theoretical framework to better conceptualize the purchase evaluation differences between goods and services. Her classic piece featured a continuum on which consumer goods anchored one end of the spectrum (easy to evaluate) and pure services anchored the other end (difficult to evaluate). Goods, she proposed, have more search qualities while services exhibit more experience and credence qualities due to their unique characteristics -- intangibility, non-standardization and inseparability.

The current research produced three potentially significant outcomes. First, the multi-dimensional scale performed well in terms of factor loadings and reliability analysis. Second, involvement does appear to play a significant role in how consumers evaluate a service. Third, examining those goods/services with similar involvement scores, we see that the individual dimensions can predict service type.

### **References**

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