Chapter 10: Crafting the Service Environment
Overview of Chapter 10

- What Is the Purpose of Service Environments?
- Understanding Consumer Responses to Service Environments
- Dimensions of the Service Environment
- Putting It All Together
What Is the Purpose of Service Environments?
Purpose of Service Environments

- Helps firm to create distinctive image and unique positioning

- Service environment affects buyer behavior in three ways:
  - Message-creating medium: Symbolic cues to communicate the distinctive nature and quality of the service experience
  - Attention-creating medium: Make servicescape stand out from competition and attract customers from target segments
  - Effect-creating medium: Use colors, textures, sounds, scents and spatial design to enhance desired service experience
Comparison of Hotel Lobbies
(Fig 10.1)

Each servicescape clearly communicates and reinforces its hotel’s respective positioning and sets service expectations as guests arrive.

Orbit Hotel and Hostel, Los Angeles

Four Seasons Hotel, New York
Servicescape as Part of Value Proposition

- Physical surroundings help shape appropriate feelings and reactions in customers and employees
  - For example: Disneyland, Denmark’s Legoland

- Servicescapes form a core part of the value proposition
  - For example: Club Med, Las Vegas, Florida-based Muvico
    - Las Vegas: Repositioned itself to a somewhat more wholesome fun resort, visually striking entertainment center
    - Florida-based Muvico: Builds extravagant movie theatres and offers plush amenities. “What sets you apart is how you package it..” (Muvico’s CEO, Hamid Hashemi)

- The power of servicescapes is being discovered
Understanding Consumer Responses to Service Environments
Feelings Are a Key Driver of Customer Responses to Service Environments

The Mehrabian-Russell Stimulus-Response Model (Fig 10.2)

Dimensions of Affect: Pleasure and Arousal

Response/Behavior:
- Approach
- Avoidance and Cognitive Processes

Environmental Stimuli and Cognitive Processes

Feelings Are a Key Driver of Customer Responses to Service Environments
Insights from Mehrabian-Russell Stimulus-Response Model

- Simple yet fundamental model of how people respond to environments
- The environment, its conscious and unconscious perceptions, and interpretation influence how people feel in that environment
- Feelings, rather than perceptions/thoughts drive behavior
- Typical outcome variable is “approach” or “avoidance” of an environment, but other possible outcomes can be added to model
The Russell Model of Affect

Fig 10.3

- Distressing
- Unpleasant
- Boring
- Sleepy

- Arousing
- Exciting
- Pleasant
- Relaxing
Insights from Russell Model of Affect

- Emotional responses to environments can be described along two main dimensions:
  - Pleasure: Direct, subjective, depending on how much individual likes or dislikes environment
  - Arousal: How stimulated individual feels, depends largely on information rate or load of an environment

- Russell separated cognitive part of emotions from these two emotional dimensions

- Advantage: simplicity, allows a direct assessment of how customers feel
  - Firms can set targets for affective states
Drivers of Affect

- Affect can be caused by perceptions and cognitive processes of any degree of complexity.

- It’s the simple cognitive processes that determine how people feel in a service setting.

- If higher levels of cognitive processes are triggered, the interpretation of this process determines people’s feelings.

- The more complex a cognitive process becomes, the more powerful its potential impact on affect.

- However, most service encounters are routine and simple processes can determine affect.
Behavioral Consequence of Affect

- Pleasant environments result in approach, whereas unpleasant ones result in avoidance

- Arousal amplifies the basic effect of pleasure on behavior
  - If environment is pleasant, increasing arousal can generate excitement, leading to a stronger positive consumer response
  - If environment is unpleasant, increasing arousal level will move customers into the “distressed” region

- Feelings during service encounters are an important driver of customer loyalty
An Integrative Framework: Bitner’s Servicescape Model (Fig 10.4)

ENVIRONMENTAL DIMENSIONS

- Ambient Conditions
- Space/Function
- Signs, Symbols, and Artifacts

HOLISTIC ENVIRONMENT

- Employee Response Moderator
- Perceived Servicescape
- Customer Response Moderator

MODERATORS

- Cognitive Emotional Psychological
- Employee Responses
- Customer Responses
- Social Interaction Between Customers and Employees

INTERNAL RESPONSES

- Approaches:
  - Affiliation
  - Exploration
  - Stay longer
  - Satisfaction
- Avoid (opposite of approach)

BEHAVIOR

An Integrative Framework: 
Bitner’s Servicescape Model (2)

- Identifies the main dimensions in a service environment and views them holistically.

- Internal customer and employee responses can be categorized into cognitive, emotional, and psychological responses, which lead to overt behavioral responses towards the environment.

- Key to effective design is how well each individual dimension fits together with everything else.
Dimensions of the Service Environment
Main Dimensions in Servicescape Model

- **Ambient Conditions**
  - Characteristics of environment pertaining to our five senses

- **Spatial Layout and Functionality**
  - Spatial layout:
    - Floorplan
    - Size and shape of furnishings, counters, machinery, equipment, and how they are arranged
  - Functionality: Ability of those items to facilitate performance

- **Signs, Symbols, and Artifacts**
  - Explicit or implicit signals to:
    - Communicate firm’s image
    - Help consumers find their way
    - Convey rules of behavior
Impact of Ambient Conditions

- Ambient environment is composed of hundreds of design elements and details that must work together to create desired service environment.

- Ambient conditions are perceived both separately and holistically, and include:
  - Lighting and color schemes
  - Size and shape perceptions
  - Sounds such as noise and music
  - Temperature
  - Scents

- Clever design of these conditions can elicit desired behavioral responses among consumers.
Impact of Music

- In service settings, music can have a powerful effect on perceptions and behaviors, even if played at barely audible levels

- Structural characteristics of music—such as tempo, volume, and harmony—are perceived holistically
  - Fast tempo music and high volume music increase arousal levels
  - People tend to adjust their pace, either voluntarily or involuntarily, to match tempo of music

- Careful selection of music can deter wrong type of customers
## Impact of Music on Restaurant Diners

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer time spent at table</td>
<td>45min</td>
<td>56min</td>
<td>+11min</td>
</tr>
<tr>
<td>Spending on food</td>
<td>$55.12</td>
<td>$55.81</td>
<td>+$0.69</td>
</tr>
<tr>
<td>Spending on beverages</td>
<td>$21.62</td>
<td>$30.47</td>
<td>+$8.85</td>
</tr>
<tr>
<td>Total spending</td>
<td>$76.74</td>
<td>$86.28</td>
<td>+$9.54</td>
</tr>
<tr>
<td>Estimated gross margin</td>
<td>$48.62</td>
<td>$55.82</td>
<td>+$7.20</td>
</tr>
</tbody>
</table>

Impact of Scent

- An ambient smell is one that pervades an environment
  - May or may not be consciously perceived by customers
  - Not related to any particular product

- Scents have distinct characteristics and can be used to solicit emotional, physiological, and behavioral responses

- In service settings, research has shown that scents can have significant effect on customer perceptions, attitudes, and behaviors
### Effects of Scents on Perceptions of Store Environments (1)

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>Unscented Environment Mean Ratings</th>
<th>Scented Environment Mean Ratings</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Store Evaluation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative/positive</td>
<td>4.65</td>
<td>5.24</td>
<td>+0.59</td>
</tr>
<tr>
<td>Outdated/modern</td>
<td>3.76</td>
<td>4.72</td>
<td>+0.96</td>
</tr>
<tr>
<td><strong>Store Environment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unattractive/attractive</td>
<td>4.12</td>
<td>4.98</td>
<td>+0.86</td>
</tr>
<tr>
<td>Drab/colorful</td>
<td>3.63</td>
<td>4.72</td>
<td>+1.09</td>
</tr>
<tr>
<td>Boring/ Stimulating</td>
<td>3.75</td>
<td>4.40</td>
<td>+0.65</td>
</tr>
</tbody>
</table>

## Effects of Scents on Perceptions of Store Environments (2)

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>Unscented Environment Mean Ratings</th>
<th>Scented Environment Mean Ratings</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outdated/up-to-date style</td>
<td>4.71</td>
<td>5.43</td>
<td>+0.72</td>
</tr>
<tr>
<td>Inadequate/adequate</td>
<td>3.80</td>
<td>4.65</td>
<td>+0.85</td>
</tr>
<tr>
<td>Low/high quality</td>
<td>4.81</td>
<td>5.48</td>
<td>+0.67</td>
</tr>
<tr>
<td>Low/high price</td>
<td>5.20</td>
<td>4.93</td>
<td>-0.27</td>
</tr>
</tbody>
</table>

## Aromatherapy: Effects of Selected Fragrances on People

(Table 10.2)

<table>
<thead>
<tr>
<th>Fragrance</th>
<th>Aroma Type</th>
<th>Aroma-Therapy Class</th>
<th>Traditional Use</th>
<th>Potential Psychological Effect on People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eucalyptus</td>
<td>Camphoraceous</td>
<td>Toning, stimulating</td>
<td>Deodorant, antiseptic, soothing agent</td>
<td>Stimulating and energizing</td>
</tr>
<tr>
<td>Lavender</td>
<td>Herbaceous</td>
<td>Calming, balancing, soothing</td>
<td>Muscle relaxant, soothing agent, astringent</td>
<td>Relaxing and calming</td>
</tr>
<tr>
<td>Lemon</td>
<td>Citrus</td>
<td>Energizing, uplifting</td>
<td>Antiseptic, soothing agent</td>
<td>Soothing energy levels</td>
</tr>
<tr>
<td>Black pepper</td>
<td>Spicy</td>
<td>Balancing, soothing</td>
<td>Muscle relaxant, aphrodisiac</td>
<td>Balancing people’s emotions</td>
</tr>
</tbody>
</table>
Impact of Color

- Colors can be stimulating, calming, expressive, disturbing, impressional, cultural, exuberant, symbolic

- Color pervades every aspect of our lives, embellishes the ordinary, gives beauty and drama to everyday objects

- Colors have a strong impact on people’s feelings

- Colors can be defined into three dimensions:
  - Hue is the pigment of the color
  - Value is the degree of lightness or darkness of the color
  - Chroma refers to hue-intensity, saturation, or brilliance
## Common Associations and Human Responses to Colors (Table 10.3)

<table>
<thead>
<tr>
<th>Color</th>
<th>Degree of Warmth</th>
<th>Nature Symbol</th>
<th>Common Association and Human Responses to Color</th>
</tr>
</thead>
<tbody>
<tr>
<td>Red</td>
<td>Warm</td>
<td>Earth</td>
<td>High energy and passion; can excite and stimulate</td>
</tr>
<tr>
<td>Orange</td>
<td>Warmest</td>
<td>Sunset</td>
<td>Emotions, expressions, warmth</td>
</tr>
<tr>
<td>Yellow</td>
<td>Warm</td>
<td>Sun</td>
<td>Optimism, clarity, intellect, mood-enhancing</td>
</tr>
<tr>
<td>Green</td>
<td>Cool</td>
<td>Growth, grass, and trees</td>
<td>Nurturing, healing, unconditional love</td>
</tr>
<tr>
<td>Blue</td>
<td>Coolest</td>
<td>Sky and ocean</td>
<td>Relaxation, serenity, loyalty</td>
</tr>
<tr>
<td>Indigo</td>
<td>Cool</td>
<td>Sunset</td>
<td>Mediation and spirituality</td>
</tr>
<tr>
<td>Violet</td>
<td>Cool</td>
<td>Violet flower</td>
<td>Spirituality, reduces stress, can create an inner feeling of calm</td>
</tr>
</tbody>
</table>
Impact of Signs, Symbols, and Artifacts

- Guide customers clearly through process of service delivery
  - Customers will automatically try to draw meaning from the signs, symbols, and artifacts
  - Unclear signals from a servicescape can result in anxiety and uncertainty about how to proceed and obtain the desired service
  - For instance, signs can be used to reinforce behavioral rules (see picture on next slide)
Signs Teach and Reinforce Behavioral Rules in Service Settings (Fig 10.7)

Note: Fines are in Singapore dollars (equivalent to roughly US $300)
People Are Part of the Service Environment (Fig 10.8)

Distinctive Servicescapes Create Customer Expectations
Putting It All Together
Selection of Environmental Design Elements

- Consumers perceive service environments holistically

- Design with a holistic view
  - Servicescapes have to be seen holistically: No dimension of design can be optimized in isolation, because everything depends on everything else
  - Holistic characteristic of environments makes designing service environment an art

- See Research Insights 10.2: Match and Mismatch of Scent and Music in Singapore

- Must design from a customer’s perspective
Tools to Guide Servicescape Design

- Keen observation of customers’ behavior and responses to the service environment by management, supervisors, branch managers, and frontline staff.

- Feedback and ideas from frontline staff and customers, using a broad array of research tools from suggestion boxes to focus groups and surveys.

- Field experiments can be used to manipulate specific dimensions in an environment and the effects observed.

- Blueprinting or service mapping—extended to include physical evidence in the environment.
Summary of Chapter 10: Crafting the Service Environment (1)

- **Service environment:**
  - Shapes customers’ experiences and behavior
  - Facilitates service encounters
  - Enhances productivity

- **Mehrabian-Russell stimulus-response model and Russell’s model of affect help us understand customer responses to service environments**
  - Pleasure and arousal
  - Approach/avoidance

- **Servicescape model is integrative framework of consumer responses to service environments. Main dimensions:**
  - Ambient conditions—music, scent, color, etc.
  - Spatial layout and functionality
  - Signs, symbols, and artifacts

- **People are also part of service environment**
Summary of Chapter 10: Crafting the Service Environment (2)

- Putting it all together, firms should:
  - Design with a holistic view
  - Design from a customer’s perspective
  - Use tools to guide servicescape design

- Some tools for guiding servicescape design are:
  - Keen observation of customers’ behavior and responses in service environments
  - Feedback and ideas from frontline staff and customers
  - Field experiments to manipulate specific dimensions to observe effects
  - Blueprinting physical evidence of environment