CHAPTER 10

Creating the
Service Environment

- **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

- **Shape customers' experience and their behavior**

  - ➔ **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**

- **Support image, positioning and differentiation**

- **Part of the value proposition**

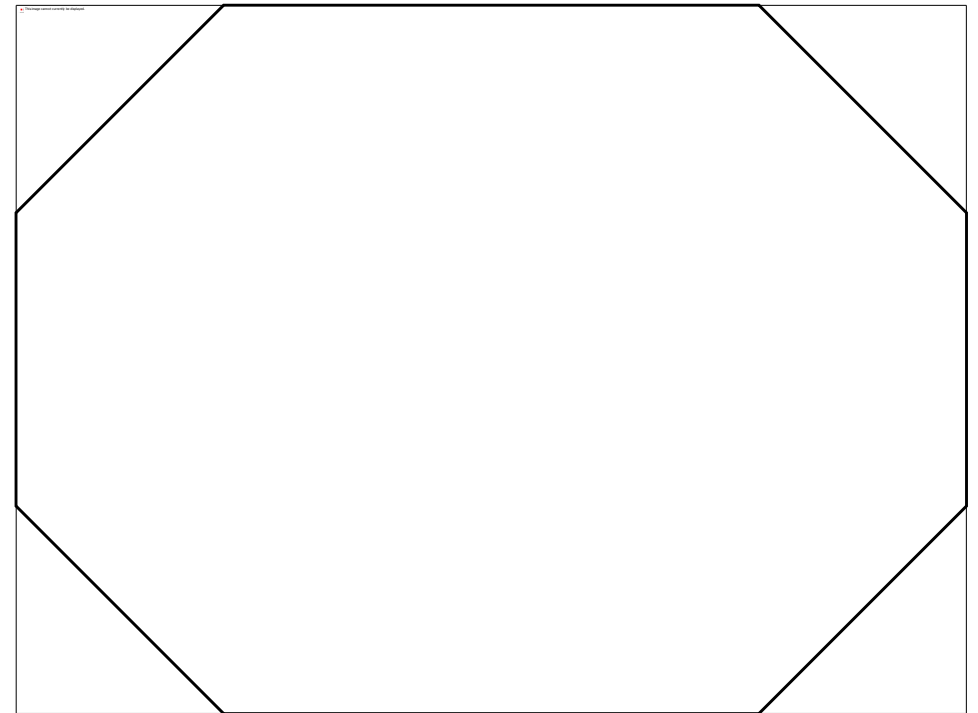- **Facilitate service encounter and enhance productivity**

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

Generator Youth Hostel, London

Fairmont Empress, Victoria, British Columbia

Servicescape as Part of Value Proposition

- **Physical surroundings help shape appropriate feelings and reactions in customers and employees**

- **Servicescapes form a core part of the value proposition**

  - **e.g. 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)**

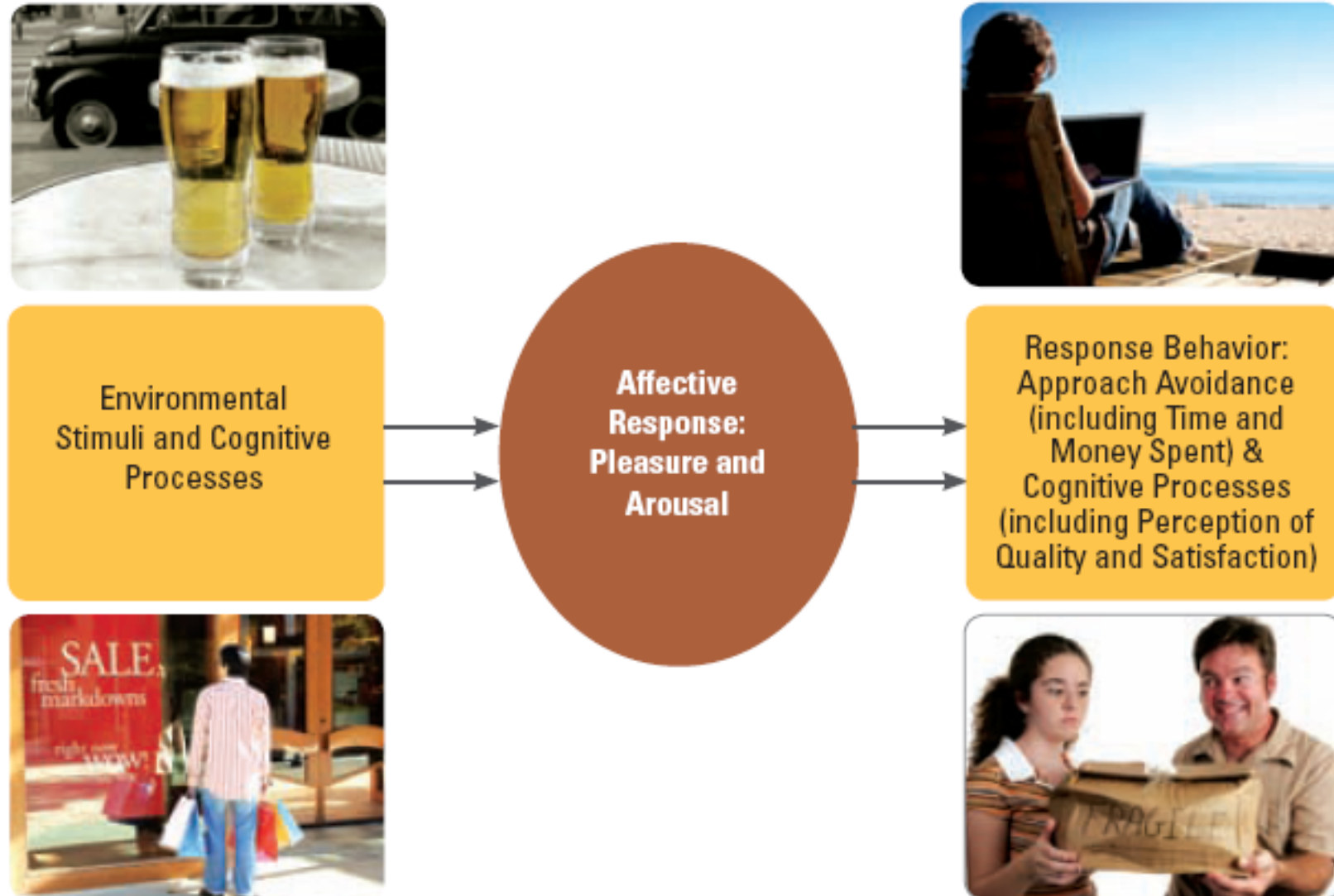- **The power of servicescapes is being discovered**

Understand Consumer Responses to Service Environments

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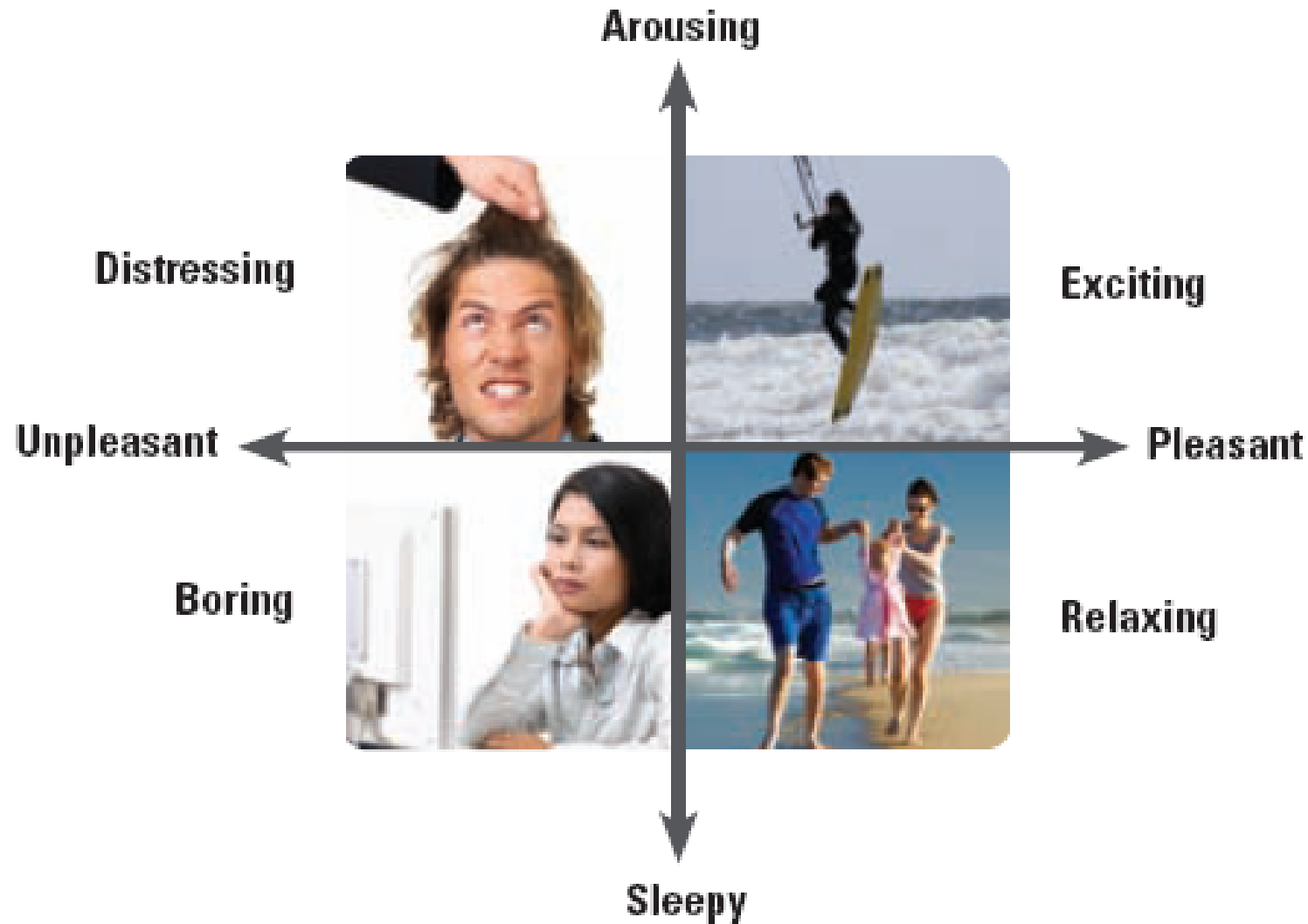
Insights from Mehrabian-Russell Stimulus-Response Model

- 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

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**

- **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

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

- Most service encounters are routine and simple processes can determine affect

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

- If higher levels of cognitive processes are set off, the interpretation of this process determines people's feelings

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**

Environmental Dimensions

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

Moderators Holistic Environment

- Perceived Servicescape
- Employee Response Moderator
- Customer Response Moderator

Internal Responses

- Cognitive Emotional Physiological
- Employee Responses
- Customer Responses
- Cognitive Emotional Physiological

Behaviour

Approach
- Affiliation
- Exploration
- Stay longer
- Satisfaction

Avoid (opposites of approach)

Social Interaction Between Customers & Employees

Approach
- Attraction
- Stay/Explore
- Spend More $$$
- Satisfaction

Avoid (opposites of approach)

SOURCE

Bitner, M.J. (1992) Servicescapes: The impact of physical surroundings on customers and employees. *Journal of Marketing*, 56 (April), pp. 57–71.

- **Identifies the main dimensions in a service environment (servicescape)**

  → **Ambient conditions**

  → **Space/functionality**

  → **Signs, symbols and artifacts**

- **People perceive them as a whole**

- **Key to effective design is how well each individual dimension fits together with everything else**

- **Internal customer and employee responses can be categorized into cognitive, emotional and physiological responses, which lead to observable behavioral responses towards the environment**

Dimensions of the Service Environment

- **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 make the performance of the service easier**

- **Signs, Symbols and Artifact**

  ➔ **Explicit or implicit signals to:**

    - **Communicate firm's image**

    - **Help consumers find their way**

    - **Let them know the service script**

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**

  → **Scents**

  → **Sounds such as noise and music**

  → **Size and shapes**

  → **Air quality and temperature**

Impact of Music

- **In service settings, music can have 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 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 obtain emotional, physiological, and behavioral responses**

- **In service settings, research has shown that scents can have significant effect on customer perceptions, attitudes, and behaviors**
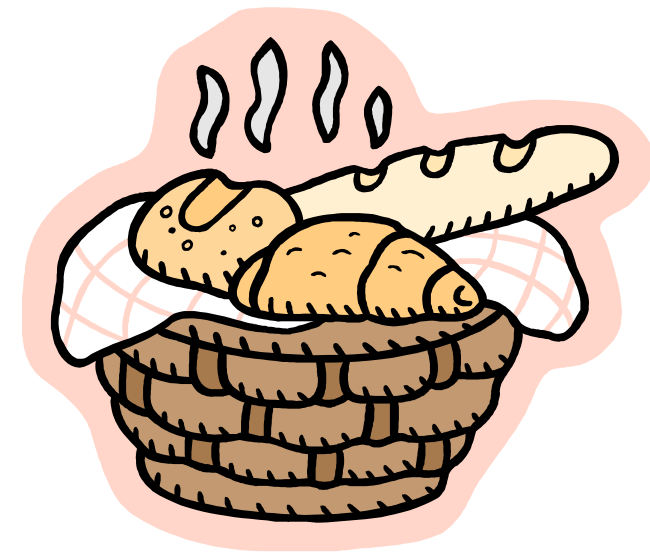
Aromatherapy: Effects of Selected Fragrances on People (Table 10.2)

Fragrance	Aroma Type	Aromatherapy Class	Traditional Use	Potential Psychological Effect on People
Eucalyptus	Camphoraceous	Toning, stimulating	Deodorant, antiseptic, soothing agent	Stimulating and energizing
Lavender	Herbaceous	Calming, balancing, soothing	Muscle relaxant, soothing agent, astringent	Relaxing and calming
Lemon	Citrus	Energizing, uplifting	Antiseptic, soothing agent	Soothing energy levels
Black pepper	Spicy	Balancing, soothing	Muscle relaxant, aphrodisiac	Balancing people's emotions

Impact of Color

- **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**

- **Research has shown that in service environments, despite differing color preferences, people are generally drawn to warm color environments**

- **Warm colors encourage fast decision making and are good for low-involvement decisions or impulse buys**

- **Cool colors are preferred for high-involvement decisions**

Common Associations and Human Responses to Colors (Table 10.3)

Color	Degree of Warmth	Nature Symbol	Common Association and Human Responses to Color
Red	Warm	Earth	High energy and passion; can excite and stimulate emotions, expressions, and warmth
Orange	Warmest	Sunset	Emotions, expressions, and warmth
Yellow	Warm	Sun	Optimism, clarity, intellect, and mood-enchancing
Green	Cool	Growth, grass and trees	Nurturing, healing and unconditional love
Blue	Coolest	Sky and Ocean	Relaxation, serenity and loyality
Indigo	Cool	Sunset	Mediation and spirituality
Violet	Cool	Violet flower	Spirituality, reduces stress, can create an inner feeling of calm

Impact of Signs, Symbols, and Artifacts

- **Communicates the firm's image**

- **Help customers fine their way**

- **Let customers know the service script**

- **First time customers will automatically try to draw meaning from the signs, symbols and artifacts**

- **Challenge is to design such that these guide customer through the service delivery process**

  → **Unclear signals from a servicescape can result in anxiety and uncertainty about how to proceed and obtain the desired service**

People are Part of the Service Environment

- Appearance and behavior of both service personnel and customers can strengthen impression created by service environment or weaken it

- For employees, once they are dressed up, they must perform their parts

- For customers, marketing communication may seek to attract those who appreciate the service environment and are also able to enhance it by their appearance and behavior

- In hospitality and retail settings, newcomers often look at existing customers before deciding whether to patronise the service firm

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

- **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.**

- **Photo audit - ask customers to take photographs of their experience and these are used as basis for further interviews or included as part of survey of experience**

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

- **Blueprinting - extended to include physical evidence in the environment.**

- **Service environment:**

  - → **Shapes customers' experiences and behavior**

  - → **Support image, positioning and differentiation**

  - → **Part of the value proposition**

  - → **Facilitate service encounter and enhance 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**

- **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 front-line staff and customers**

  → **Photo audits included in interviews and surveys**

  → **Field experiments to manipulate specific dimensions to observe effects**

  → **Blueprinting physical evidence of environment**