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THE SERVICESCAPE, MODERATING FACTORS AND LOYALTY INTENTIONS: THE EVALUATION OF AN ORGANIZATIONAL CLIMATE / CULTURE CONCEPTUALIZATION.

A Thesis submitted for the

Degree of Doctor of Philosophy

of Cardiff University

By

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DEDICATION

To my very dear parents who have taught me the true value and honour of loyalty by showing theirs time after time.

EKENE

Igbo Kwenu!

Igbo Kwenu!

Igbo Kwezuonu!

Nuonu!

Zuonu!

Birinu!

Birikwanu!

ANYI GA EBI!!

Agwo emeghi nke o jiri buru agwo, umuaka achiri ya hie nku.

ABSTRACT

This strategic marketing thesis explores the effects of the service environment (servicescape) on customers' loyalty intentions towards UK restaurants. To obtain a deeper understanding of approach-avoidance behaviour, the study draws from broadly parallel perspectives in the economics, psychology and organizational behaviour academies, in conceptualizing and operationalizing loyalty intentions. The organizational behaviour domain was particularly integral to the study as the climate and culture of an organization were shown to respectively determine the cues placed in the servicescape and the performance of service staff, thereby proving useful lenses through which the servicescape could be explored, conceptualized and rigorously tested.

In furtherance of conceptualization efforts, a model was developed to evaluate the linear influences of nine servicescape variables on customers' loyalty intentions. Additionally, the model appraised the impact of personal and environmental factors which were believed to moderate the servicescape – loyalty intentions relationship. The insertion of nine servicescape variables and four moderating factors into the model allowed for the development of a global configuration of the servicescape and provided a variation to the traditional servicescapes model.

The results of rigorous statistical and econometric testing support ten of the thirteen advanced hypotheses, thus sustaining the adoption of an organizational behaviour perspective as a legitimate approach to servicescape study. To validate these findings, triangulate empirical results and add richness to the study, a series of focus group sessions were conducted to obtain high-quality data on customers' perceptions of servicescape cues. The findings of these sessions were shown to complement utilized empirical techniques and enrich understanding of the restaurant servicescape via the organizational behaviour domain. Consequently, organizational climate and organizational culture should, at the very least, be equated in importance to overall services marketing strategy.

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Context and Purpose of the Study

1.1 Introduction

One of the most important aspects of the service environment is the influence it can have on human behaviour. That the servicescape is not only capable of affecting behaviour but also providing the context in which it occurs has been previously recognised by psychologists (see for example, Maslow and Mintz, 1956; Mehrabian and Russell, 1974; Mintz 1956) who pioneered work on environmental issues, and by *"landscapers, architects, interior designers [and] far-sighted retailers"* (Donovan and Rossiter, 1982, p. 34). Indeed, Winston Churchill is recorded as saying *"we shape our buildings and afterwards, they shape us"* (Churchill, 1943), in response to the bombing of the House of Commons in the London Blitz of the early 1940s.

Consequently, this thesis seeks to explore the determinants of customers' loyalty intentions within the United Kingdom restaurant service sector. To this end, the thesis examines contextual variables in the broad literature bases of strategic marketing, organizational behaviour, economics, and psychology. It is contended that the adoption of a multi-disciplinary approach offers the significant advantage of enabling the development of a deeper conceptualization of servicescapes; a concept which has to date been understudied and underserved.

This chapter sets out to introduce the theoretical and practical research context of the study by presenting a description of the research problem and advancing study aims and objectives. Thereafter, the chapter concludes with a brief discussion of the structure of the thesis and the order of presentation.

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1.2 Research Context

The service environment has been conceptualized in pertinent literature by various scholars using several different terms. For instance, the environment housing service exchanges has been variously referred to as *'the physical environment'* (Baker, 1987), *'atmospherics'* (Babin and Attaway, 2000; Eroglu *et al.*, 2003; Foxall, 1997; Hoffman and Turley, 2002; Kotler, 1973; Turley and Milliman, 2000), *'marketing environment'* (Turley and Milliman, 2000), *'economic environment'* (Arnold *et al.*, 1996), *'interactive theatre'* (Mathwick *et al.*, 2001), *'healthscapes'* (Hutton and Richardson, 1995), *'environmental psychology'* (Holahan, 1982; Mehrabian and Russell, 1974; Sweet, 1989; Weinrach, 2000), *'servicescape'* (Aubert-Gamet, 1997; Aubert-Gamet and Cova, 1999; Bitner, 1992; Wakefield and Blodgett, 1996), *'store environment'* (Mattila and Wirtz, 2001; Roy and Tai, 2003; Spangenberg *et al.*, 1996), *'service environment'* (Cronin, 2003; Foxall and Greenley, 1999) and *'the place'* (Hutton and Richardson, 1995). However, the general consensus is that service settings provoke emotional responses which lead customers to either choose to continue their association with a particular service provider, or discontinue patronage (Bitner, 1992; Donovan and Rossiter, 1982; Kotler *et al.*, 1998). Based on a synthesis of proffered definitions (see Chapter Three), the service setting or servicescape (the dominant term) is defined as *"the design of the physical environment (with or without customer input) housing the service encounter, which elicits internal reactions from customers leading to the display of approach or avoidance behaviours"*.

Bitner (1992, p. 59), who coined the term *'servicescape'*, states that the belief *"that human behaviour is influenced by the physical setting in which it occurs is essentially a truism"*. The importance of the physical setting has been seamlessly

transferred to services marketing where the principal characteristic of intangibility attributable to services prompts customers to look to the tangible cues present in the servicescape in order to form judgements on a service organization's competence (Baker, 1987) and the likely quality of its service (Lovelock, 2001). The significance of tangibility in a services marketing context was recognised in the 1970s by Shostack (1977) who highlighted that the paradox of services is that the more intangible a service is, the greater the need to make it more tangible through the use of cues. Correspondingly, Hoffman and Turley (2002, p. 35) suggest that both tangible and intangible components *"are essential in creating service experiences"*.

Therefore, it can be argued that a particular servicescape is more likely to lead to favourable assessments by customers if it is designed in a manner that customers can see, feel, hear, touch and/or smell the service; or as Bitner (1992, p. 66) describes, if it is able to *"affect the five senses"*. Likewise, Hoffman and Turley (2002, p. 40) contend that *"...atmospheric variables...greatly comprise 'compelling experiences'"*. It is important to note that customers' assessment of servicescapes occurs at one or more stages of the service experience; that is, prior to, during and/or after the service has been consumed. An example of how customers' assessments are 'managed' through these different stages of perceptual formation can be drawn from the design of casinos. In this servicescape, the slot machine closest to the entrance is usually 'engineered' to pay out more frequently than all the others because that encourages customers to enter the casino. Once inside, customers are exposed to the interior design of the servicescape which is specifically constructed to keep them within the casino for as long a period as possible. For instance, design factors *"include the conspicuous absence of clocks and windows as well as the labyrinth designs of the casino floor space"* (Lucas, 2000, p. 2). Furthermore, sleeping

quarters are available in the bigger casinos to keep customers within the servicescape for extended periods. Upon leaving the casino, most customers who lose to 'The House' leave thinking they were just unlucky. This is because during the time spent gambling, they won some money but ultimately lost more than they won.

Even though the effect of servicescapes on customers' behaviour is widely-recognised, there remains a surprising lack of empirical research addressing its role in consumption settings (Bitner, 1992) and its impact on customers' purchase decisions (Cronin, 2003). Generally, the influence exerted by servicescapes has barely been tapped as a tangible organizational resource (Becker, 1981; Bitner, 1992; Hoffman and Turley, 2002). This has led to calls by marketing scholars on the need for immediate redress of the lack of sufficient conceptual and empirical research in the area (see for example, Becker, 1981; Bitner, 1992; Cronin, 2003; Donovan and Rossiter, 1982; Hoffman and Turley, 2002; Hutton and Richardson, 1995; Kotler, 1973; Winsted, 1999). More specifically, consistently over the last four decades marketing scholars have continued to state vociferously that:

There is a *"great need for further research into the subject of optimal atmosphere"* (p. 64). This is because servicescapes *"may [in the future] become the chief form of competition"* (p. 61) - Kotler (1973).

"...store atmosphere has been poorly conceptualised and narrowly related to shopping behaviours of relevance to retailers" - Donovan and Rossiter's (1982, p. 35).

Organizations often design their physical facilities *"without consideration of how the environment will affect consumers"* - Baker (1987, p. 81).

There is a "*surprising lack of empirical research or theoretically based frameworks addressing the role of physical surroundings in consumption settings*" - Bitner (1992, p. 57).

An "*overview of the literature...regarding atmospherics ...points to the glaring lack of empirical work in the area*" - Hutton and Richardson (1995, p. 53).

"*...we still know relatively little about how consumers evaluate service encounters*" - Winsted (1999, p. 106).

"*...to date little empirical research has been conducted that investigates the impact of atmospherics as they relate to the customer's service experience*"- Hoffman and Turley (2002, p. 33).

Thus, the impetus for a study on servicescapes was borne out of the identification of the major dearth of studies relating to the effects of servicescapes on customers' loyalty intentions in consumption settings as described above. Additionally, the need for further study in the area of servicescapes is identified by Gremler and Brown (1996) who posit that although there has been a primary focus on customer loyalty in product-related or brand loyalty, loyalty of customers to service organizations has remained underserved. However, the underexposure of the servicescape concept especially in relation to empirical testing "*allows for true pioneering research to be done*" (Bitner, 1992, p. 68). To this end and in response to calls for further conceptual development of the area, a more rigorous conceptualization is attempted. In this regard, wider literature on organizational climate and organizational culture which combine the interaction of human and inanimate variables during the service experience is co-opted to serve as means through which the concept of servicescapes can be explored, conceptualized and rigorously tested. This approach is in keeping with the recommendation by Bitner (1992, p. 69) that a complete understanding of

servicescape dynamics may be garnered from an *"application of the full range of organizational methods and theories"*.

Furthermore, although Bitner (1992, p. 67) asserts that a *"total configuration of environmental dimensions"* is responsible for the constitution of the servicescape, most servicescape studies have limited their focus to the evaluation of only one or two servicescape elements to the extent that little is known about the 'global configuration' of aspects of the servicescape (Everett *et al.*, 1994). Therefore, *"because the service generally is produced and consumed simultaneously, [and] the customer is 'in the factory', often experiencing the total service within the firm's physical facility"* (Bitner, 1992, p. 57), this study will empirically assess the linear effects of nine servicescape variables – a significant departure from the restrictive nature of previous empirical servicescape studies. Specifically, positioning organizational culture and organizational climate as determinants of the cues present in the servicescape, the study will measure the linear effects of Ambient Conditions (music, scent and cleanliness), Design Factors (implicit communicators and furnishing), Staff Behaviour (customer orientation and credibility), and Staff Image (competence and physical attractiveness) on the approach-avoidance responses of customers in the form of their loyalty intentions. Additionally, to ensure that all possible factors determining customers' loyalty intentions are taken into account, the moderating roles of personal factors (variety-seeking behaviour and perceived sacrifice) and environmental factors (perceived economic turbulence and perceived competitive intensity) on the linear relationships will be examined. Finally, to validate results, triangulate empirical findings and add richness to the study, a series of focus group sessions will be conducted.

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1.3 Aims and Objectives of the Study

Based on an in-depth review of pertinent literature drawn from numerous research domains, this study has the dual aims of increasing the current level of theoretical understanding concerning the influential role of servicescapes in the determination of customers' loyalty intentions, and highlighting the practical usefulness of the manner in which servicescape cues can be 'managed' by service organizations within the UK restaurant sector. This is a necessary requirement in their drive to differentiate their offerings and by extension, acquire competitive advantages in a market fraught with very high levels of competition. Consequently, the study is guided by the following objectives:

1. The incorporation of a much wider set of organizational culture and organizational climate elements (representative of servicescape cues) into a conceptual model for subsequent rigorous empirical testing, so as to develop a global configuration of the servicescape.

2. The exploration and description of the servicescape variables that are linearly associated with customers' loyalty intentions towards UK restaurants.

3. The systematic investigation of the extent to which moderating personal and environmental factors affect the linear relationships between servicescape variables and customers' loyalty intentions.

4. The exploration of the level to which the manipulation of servicescape variables can influence services marketing strategy implementation.

5. The validation and triangulation of empirical results through the conduction of focus group sessions.

Accordingly, with the aims and objectives of the study setting distinct parameters for its implementation, this thesis will employ a set structure and order of presentation which will facilitate rigorous conceptual, quantitative and qualitative analyses of the research domain and generated data. The following section describes the form adopted in this study.

1.4   Structure of the Thesis and Order of Presentation

Silverman (1985) suggests that the structure of a research process should comprise five key stages from start to finish. These are (1) Beginning (Introduction), (2) Literature review, (3) Specification of research problem, (4) Fieldwork, and (5) Analysis and Implications. These five stages, fully encapsulated by the eight chapters of this thesis, are evinced in Figure 1.1 which demonstrates the sequential flow from one chapter to the next.

Figure 1.1: Structure of the Study

Chapter One	Introduction
Chapter Two	Literature Review – Services Marketing
Chapter Three	Literature Review - Servicescapes
Chapter Four	Conceptualization and Hypotheses Development
Chapter Five	Methodology
Chapter Six	Findings – PCA, Scale Indices Construction, Descriptive Statistics and Independent Samples T-Tests
Chapter Seven	Findings – Moderated Multiple Regression Analysis and Focus Group Research
Chapter Eight	Conclusions, Limitations, Contributions, Implications and Suggestions for Future Research

Chapter One, this introductory chapter, has provided an overview of the factors which necessitated further study in the area of servicescapes. Particularly, this chapter detailed the research context of the study; presented its aims and objectives emerging from a consolidation of pertinent literatures; and finally, depicts the structure of the thesis and its order of presentation.

Chapter Two begins the literature review process by firstly delineating product marketing from services marketing. Secondly, focus is turned to the services marketing literature with a view to highlighting the dynamic dyadic and triadic exchanges at the point of interaction between service customers and service staff.

Chapter Three, the second and concluding stage of the literature review process, reviews the literature streams in the areas of servicescapes, organizational climate and organizational culture in order to obtain an understanding of the motivating factors behind the selection and placement of particular cues in the servicescape, and the performance of service staff in their interaction with customers.

Chapter Four draws from the findings of the literature review chapters and concentrates on the construction of the conceptual model and the advancement of specific hypothesized relationships, reflective of the proposed effect of the servicescape variables and moderating factors of interest on customers' loyalty intentions.

Chapter Five focuses on the research methodology adopted to test the hypothesized relationships advanced in Chapter Four, and by extension, the goodness-of-fit of the statistical output. Thus, the chapter concerns itself with research design; data generation sources; questionnaire and research instrument development; survey methodology; focus group design and implementation; and data analysis methods.

Chapter Six, the first of two findings chapters, builds on the introductory analysis of the battery of statistical techniques presented in Chapter Five. In furtherance of these analyses, the chapter presents the results of data analysis conducted via principal

component analysis with varimax rotation, descriptive statistics, tests for the reliability and validity of scale indices and independent samples t-tests.

Chapter Seven develops on the preliminary tests conducted in Chapter Six which prepared the data for further rigorous analyses. Thus, the chapter presents the results of a three-stage analytical procedure conducted with the intention of evaluating the data by way of (1) zero-order correlation analyses, (2) multiple regression analysis and (3) moderated multiple regression analysis. In addition, the conducted focus group research sessions are presented and results analysed.

Chapter Eight is the summary chapter which draws the research exercise to a close by highlighting the major findings of the study and the contribution these findings make to the existing body of knowledge. Additionally, the limitations of the study are described and the implications for theorists and practitioners are presented. Finally, the avenues for future research in the area of servicescapes are documented.

Chapter Two: Services Marketing

2.1 Introduction

The aim of this chapter is to provide a review of the services marketing literature with a view to highlighting the dynamics between service customers and contact-employees of service organizations charged with the provision of the organization's service bundle. The chapter seeks to elucidate the potential linear linkage of the dynamic dyadic or triadic service interactions between buyer(s) and seller to loyalty intentions. The chapter comprises six main sections.

Firstly, the chapter begins by making a distinction between goods marketing and services marketing in order to clarify their dissimilarities. Secondly, definitions of services marketing are provided to contextualise the literature. Thirdly, a synthesis of the growing importance of services marketing in today's business environment and the need for its study are presented. Fourthly, to supply the basis for a continued review of the literature, the emergence and development of services marketing is chronicled from its inception in the early 1950s to the present day. In particular, the section documents the forecasts on the future of services marketing as offered by service scholars. Fifthly, the traditional marketing mix variables are presented and the academic pressure – based on practitioners' need – for an extension of the original 4Ps framework to include the variables relevant to the service industry is reviewed. Finally, the domain of service workers' effectiveness during service encounters is reviewed, with key models relevant to the interaction between contact-employees and customers in the servicescape presented and analysed. Furthermore, the section investigates the nature of the relationship between the concepts of perceived service quality, service failure and recovery, service as theatre, internal marketing, perceived value, satisfaction, commitment,

trust and loyalty intentions. The chapter ends with a summary of the main themes identified and the issues raised by the literature.

2.2 Delineating The Nature of Services Marketing

Rathmell (1966, p. 36) recommends that *"any comprehensive approach to the study of services marketing must begin at the conceptual level"*. Based on this recommendation, a review of the conceptual literature reveals the widely-held notion that delineation of the nature of services marketing began in 1953 with McDowell's pioneering Doctoral dissertation entitled *"The Marketing of Consumer Services"*, which introduced services marketing as a productive area for further marketing research. A further review of early marketing literature demonstrates that McDowell's dissertation also launched the debate on the differences between services marketing and goods marketing, and there was a considerable difference of opinion within the marketing discipline regarding the fundamental distinction(s) between goods and services (see for example, Bateson, 1979; Berry, 1987; Enis and Roering, 1981; Judd, 1964; Rathmell, 1966; Shostack, 1977; Wyckham *et al.*, 1975). Berry (1987, p. 5) makes an attempt at clarification by arguing that the fundamental distinction between services marketing and goods marketing is that *"goods businesses sell things and service businesses sell performances"*. Echoing this view, Christopher and McDonald (1995) maintain that marketing a service is different (and difficult) because the *product* on offer is intangible.

Other attempts to distinguish services from goods, on one or more dimensions, have ultimately arrived at a continuum - popularised in marketing textbooks (for example, see Kotler *et al.*, 2001) - with pure tangible goods (for example, salt and soap) at one end, pure intangible services (for example,

babysitting and massages) at the other, and a considerable overlap between both extremes. Although discussions on the distinctions have continued – albeit with far less intensity – in recent times (see for example, Brown *et al.*, 1994; Grove *et al.*, 2003; Simkin, 2000; Williams and Mowen, 1990), the literature now reflects the widely-accepted view that goods marketing is the marketing of objects and services marketing is the marketing of acts or benefits (Doyle, 2002), or activities and processes (Solomon *et al.*, 1985) that essentially do not result in the customer 'owning' anything.

Furthermore, quite unlike the quality of goods which can be measured objectively by such indicators as durability and number of defects (Crosby, 1979; Garvin, 1983; Parasuraman *et al.*, 1988), the quality of a service is an abstract and elusive construct because of the ephemeral nature of services (Lovelock, 1983). This nature is due to the basic characteristics unique to services:

(1) *Intangibility* - they cannot be seen, felt, tasted or touched.

(2) *Inseparability* - they are produced and consumed simultaneously.

(3) *Heterogeneity* - they differ from day to day, provider to provider, and customer to customer.

(4) *Perishability* - they cannot be stored.

(5) *Lack of ownership* - the service customer often has access to the service for only a limited amount of time.

The above characteristics have traditionally been used to distinguish services from physical products (see for instance, Cannon, 1997; Doyle, 2002; Kotler *et al.*, 2001; Martin, 1999; Parasuraman, *et al.*, 1985). Indeed, Martin (1999, p.325) posits that

these distinguishing characteristics of services are *"as fundamental to the study of services marketing as the '4Ps' are to the field of marketing in general"*. However, Lovelock and Yip (1996) argue that although relevant literature endorses these characteristics, they lack specific application to all types of services. As an alternative, Lovelock and Yip (1996, p. 66) proffer eight characteristics, which they contend *"project a better sense of the processes underlying service delivery"*. These characteristics are: (1) service output as *performances rather than objects*; (2) *customer involvement in production*; (3) *people as part of the service experience*; (4) *increased quality control problems*; (5) *evaluation difficulties for customers*; (6) *lack of inventories*; (7) *importance of time factor*; and (8) *the availability of electronic channels of distribution*. Lovelock and Yip (1996, p. 66) are also careful to identify that *"not every service is equally affected by all of them"* because there are different types of services. This position is based on Lovelock and Yip's (1996) categorisation of services (refined from an earlier classification by Lovelock, 1983) into:

(1) *People-processing services* - involving the simultaneous production and consumption of tangible actions to customers in person. For example, healthcare, food services and theme parks.

(2) *Possession-processing services* – concerning the provision of value to customers (who may be absent) through tangible actions to physical objects. For example, car repair, laundry services and freight transport.

(3) *Information-based services* – relating to the creation of value through the collection, manipulation, interpretation and transmission of data. For example, education, consulting and legal services.

In summary, academic evidence suggests that not only are there differences between services marketing and goods marketing, but also, to add further complication, there is heterogeneity within services themselves. Indeed, *"the breadth and diverse nature of the [service] sector is reinforced by increasing diversity in the modes of service delivery, in sources of service provision, and in patterns of consumer-provider interaction"* (Laing *et al.*, 2002, p. 479). Therefore, Lovelock (1983, p. 19) in his influential article (which won the Journal of Marketing's prestigious *Alpha Kappa Psi* award), advises that rather than carry on with the debate on the distinguishing features between goods marketing and services marketing, it is *"more useful to get on with the task of helping managers in service businesses do a better job of developing and marketing their products"*.

2.3 Definitions of Services Marketing

One of the consequences of the services marketing versus goods marketing debate is that numerous marketing scholars have attempted to provide definitions for services marketing. However, providing a definition for services is *"not easy"* (Doyle 2002, p. 339) as the concept has been *"traditionally difficult to define"* (Lovelock 2001, p.3). This is reflected in the fact that *"most people have little difficulty defining manufacturing or mining or agriculture, but defining service can elude them"* (Lovelock, 2001, p. 3). This difficulty in defining services marketing is attributed to the remarkably diverse industries found in the service sector (Doyle 2002; Lovelock, 1983, 2001). Despite this hinderance, the literature records periodic attempts at its definition. To aid understanding of services marketing, some of these widely-cited definitions which range from the succinct to the humorous are presented below in historical order.

Services marketing has been variously defined as:

1. The marketing of *"a deed, a performance or an effort"* (Rathmell 1966, p. 33).

2. *"The marketing of activities and processes...rather than objects"* (Solomon *et al.*, 1985, p. 99).

3. The marketing of *"something which can be bought and sold but which you cannot drop on your foot"* (Gummesson, 1987, p. 22).

4. The marketing of *"performances"* (Berry, 1987, p. 5).

5. *"A relationship, experience or encounter"* (Christopher and McDonald 1995, p. 11).

6. *"Any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product"* (Kotler and Armstrong 1996, p. 660).

7. *"Marketing in non-profit organizations such as health care, charities and government as well as for profit areas such as entertainment, tourism, finance, personal services and professional services"* (Dibbs *et al.* 1997, p. 312).

8. *"Much more than processing customers and their orders; it is the appearance of the facilities, the behaviour of employees, the presence of other customers, and the impressions made when customers come into contact with all these elements"* (Martin, 1999, p. 325).

9. *"An act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production"* (Lovelock 2001, p. 3).

10. *"An act or benefit that does not result in the customer owning anything"* (Doyle 2002, p. 339).

The definitions presented above identify the salient features of services which distinguish them from goods. Martin's (1999) definition goes even further to point out the effect of the appearance of physical facilities, the performance of employees,

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and the presence of other customers, on customers' perceptions of the received service. This range of definitions and the interest they have generated bears testimony to the growing importance of services marketing. The next section further examines this importance.

2.4   The Importance of Services Marketing

Nasar (1992) asserts that 'contrary to early belief, the services sector consists of far more than hamburgers and haircuts'. This follows the prediction made by Boddewyn *et al.* (1986) of the significant role to be played by services marketing in the new millennium. This prediction was substantiated by Lovelock and Yip (1996) who observed that the trade in services was growing rapidly both within domestic economies and internationally. In addition, Martin (1999) acknowledges that in the 1980s and 1990s, the UK along with other industrialised countries have evolved into service economies with their consumers now spending more on services than on tangible goods. Indeed, Brodie *et al.* (2000, p. 526) even affirm that, *"...the service component of consumer products is increasingly used as the key point of differentiation or competitive advantage"*. Furthermore, Brown (2000) argues that many manufacturing organizations are increasingly experiencing a transformation that involves a growing emphasis on services.

These views on the importance of both services and its marketing are buttressed by the data on the experimental monthly Index of Services (IoS) which shows that overall, service industries account for around 70 per cent of UK Gross Domestic Product (GDP) [National Office of Statistics, 2003]. This trend is expected to rise from year to year reflecting the UK service industries' historical

pattern of steadily rising output since 1948 when records were first kept (National Office of Statistics, 2003).

Figure 2.1 provides an economic forecast of UK service industries and shows the breakdown of output shares (as at the end of 2002), which totalled £395bn. The projections made, based on the Cambridge Model, forecast improving prospects for marketing services in 2004 and 2005 with a 4.5% growth in service output in 2004, which is an increase of 1.5% from 2003, and a further growth acceleration in 2005 eventually leading to an increase of about 160,000 new jobs per year (see Figure 2.1).

Figure 2.1: Market Services Output Shares (2002)
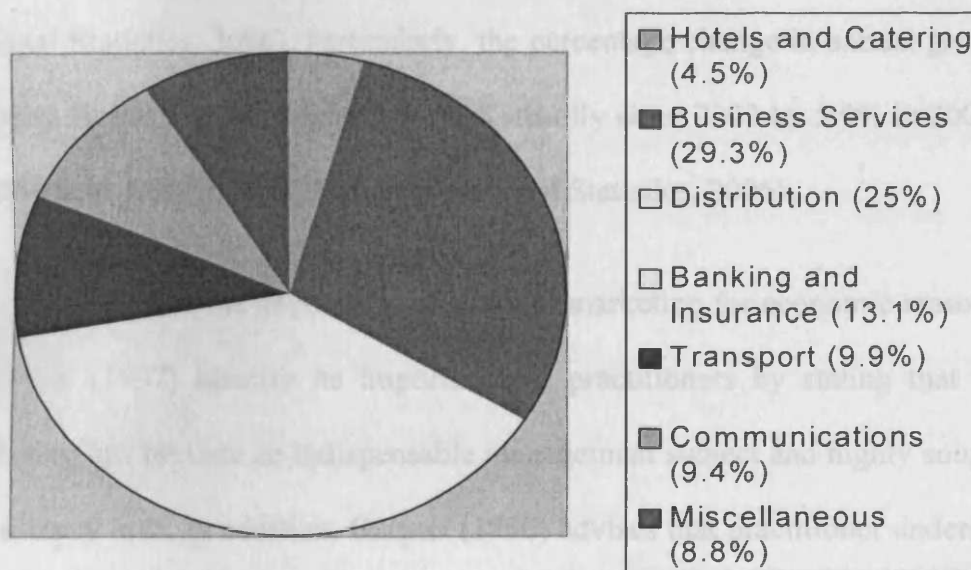
TOTAL = £395bn

Note: 1995 constant prices.
Sources: O.N.S and C.E. (2003).

Analysis by the Office of National Statistics and Cambridge Econometrics predict a continued growth of service output. In particular, based on Figure 2.1, the Cambridge Econometrics (2003) study predicts that:

> *"As the global economy and equity markets recover, market services and especially professional services are expected to benefit more than other sectors of the economy. The forecast is for some 4½% growth in output in 2004, up from the expected 3% growth outturn for 2003, and a further acceleration in 2005. This accelerating recovery through 2004-05 will be driven by corporate clients accelerating their outsourcing activities and a pick-up in M&A activity as the largest firms continue to seek global reach. The longer-term prospect is for a return to the trend of strong growth in output of about 3½% pa generating employment growth of around 1% pa, some 160,000 jobs per year."*

Since the forecast for 2003, service industries have experienced combined annual growth to the tune of: 2.7% in 2003, 3.6% in 2004, and 2.6% in 2005 (Office of National Statistics, 2006). Particularly, the percentage change in annual growth rate made by Hotels and restaurants has risen steadily since 2002 by 5.9% in 2003, 5.1% in 2004, and 1.6% in 2005 (Office of National Statistics, 2006).

Aside from the importance of services marketing for economic reasons, Lam and Woo (1997) identify its importance to practitioners by stating that services marketing has become an indispensable management subject and highly sought after consultancy area. In addition, Czepiel (1990) advises that practitioner understanding of service concepts (especially those of a relational nature) are crucial to the marketing of services because of their intangible nature, the extent to which the customer is involved in the production process, and the long-term formal and informal ties providers often establish with customers.

Finally, another reason for a focus on the study of services marketing as recommended by Solomon *et al.* (1985) is that a focus on the marketing problems predominant in the services sector may enable a broadening of horizons and contribute to improving marketing concepts applicable to both goods and services. This view of the possible symbiosis between goods marketing and services marketing is shared by Lovelock and Yip (1996) whose concept of *supplementary services* (comprising information, consultation, order-taking, hospitality, safekeeping, exceptions, billing, and payment) is presented as 'service additions' that may be used by manufacturing companies (in varying degrees depending on positioning strategy) to encircle their product packages. This position is reinforced by Martin (1999, p. 324) who identifies that *"manufacturers have taken on more and more characteristics of service firms"* in a bid to augment their product offerings and gain competitive advantage.

Similarly, Berry and Clark (1986) suggest that service firms have to pursue (1) *physical representation* (focus on tangible elements of the service; for example, staff dress), (2) *association* (focus on tangible elements that are not a direct part of the service yet are linked to the service; for example, celebrity endorsement and company logo), (3) *visualization* (focus on enabling customers to picture the benefits of a service mentally, and imagine the experience of its consumption; for example advertising for theme/amusement parks), and (4) *documentation* (focus on a description of service benefits using facts and figures; for example, the quoting of high safety standards) strategies that increase the tangibility of the service offering (see Berry and Clark, 1986 for an extensive review). Furthermore, Berry (1987, p. 9) notes that Federal Express (FedEx) gives its service business of overnight delivery a tangible feature by using a strong colour and graphics approach, which is

"consistent across its planes, delivery trucks, and mail pouches". Therefore, to eliminate the intangibility dilemma of services, it is important for these services to be made more tangible (Koernig, 2003; Shostack, 1977).

Another example showing the increasing augmentation of product packages with services and *vice versa* can be drawn from the rising popularity of electronic commerce. Using Lovelock and Yip's (1996) *possession-processing services* category, the attached delivery element after customers make purchases of tangible products online is evident. This is particularly important when juxtaposed with Blois' (2000, p. 267) prediction that the biggest development in the first decade of the Twenty-First century will be *"the increasing attempt on the part of manufacturers to utilize electronic commerce."*

2.5   The Emergence and Development of the Services Marketing Concept

Although Lovelock (1983) advises against a continued focus on historical services marketing issues such as the goods marketing versus services marketing debate, Berry and Parasuraman (1993, p. 14) observe that *"students interested in contemporary services marketing can benefit by knowing the field's roots"* because *"its growth and acceptance in the academic arena are indeed noteworthy"* (Grove *et al.*, 2003, p. 107). Based on this identification, a review of the literature reveals that McDowell (1953), Parker (1958) and Johnson (1969) first introduced the services marketing concept on the platforms of their dissertation research. Since then, the interest in services and related service issues has experienced exponential growth (Grove *et al.*, 2003; Martin, 1999). However, this growth came at a price. As earlier introduced in Section 2.2, an obstacle to the acceptance of the services marketing concept was raised and firmly set in place because of the difficulty at the time to

separate services marketing from goods marketing convincingly. Another impediment as identified by Berry and Parasuraman's (1993) study was the lack of instructional materials on services marketing. Prior to the 1950s, the focus of academic research had always been on goods marketing (of which services marketing was thought to be a part) and countless books and other publications continued to promote the view that services marketing was not, and indeed, could not be distinct from goods marketing. This is illustrated by the widely-cited quote by Converse (1921, p. vi):

> *"Still the main function of business is to market goods. Accounting, banking, insurance, and transportation are only aids, very important aids it is true, to the production and marketing of goods."*

The above quote by Converse recorded in 1921 is illustrative of the prevailing view of marketing scholars at the time. Brown *et al.* (1994) contend that the impact of this view lasted for several decades almost unchallenged (see for instance, Wyckham *et al.*, 1975).

The proponents of what has become known as the services marketing concept (see Berry and Parasuraman, 1993; Grove *et al.*, 2003) dedicated significant effort to the academic debate on whether or not services and goods were distinct because the debate (highly populated by 'goods marketing only' advocates) represented a fundamental challenge to the right of the services marketing field to exist. Brown *et al.* (1994) note that winning the debate meant that the field of services marketing could thrive while losing would undoubtedly have ensured its death. In this regard, participating services marketing scholars 'won' the debate that

services marketing is different thus establishing it as a justifiable area of enquiry (Berry and Parasuraman, 1993; Fisk *et al.*, 1993).

It is widely-cited (see for instance, Berry and Parasuraman, 1993; Brown *et al.*, 1994; Kotler, 1990; Lovelock, 1983) that the major turning point of the debate came in the form of an article authored by Lynn Shostack in 1977 entitled *"Breaking Free from Product Marketing"*, published in the *Journal of Marketing*. Shostack, a Citibank Vice-President at the time, chastised marketing scholars for not providing any *"guidance, terminology, or practical rules that are clearly relevant to services"* (Shostack, 1977, p.73). This statement had a profound impact on marketing scholars to the extent that Berry and Parasuraman (1993) note that Shostack's article (which ranked first in legitimising the field of services marketing, co-ranked second in contributing conceptual breakthroughs, and ranked fourth in stimulating the involvement of other researchers), undoubtedly accelerated the development of the area. It became clear to most that the proponents of services marketing had managed to get an all-important foothold. According to Kotler (1990, p. xii), Shostack's article *"...was to alter the course of our thinking about services marketing, if not general marketing itself."*

Key publications which made significant contributions to the advancement of services marketing, termed acceleration factors by Berry and Parasuraman (1993), are presented in Table 2.1.

Table 2.1: Publications Accelerating Services Marketing's Development

Publications	Legitimising Field (Rank)	Contributing Conceptual Breakthroughs (Rank)	Stimulating Involvement of Researchers (Rank)
Shostack, G. L. (1977), "Breaking Free from Product Marketing", *Journal of Marketing*.	1	2	4
Levitt, T. (1981), "Marketing Intangible Products and Product Intangibles", *Harvard Business Review*.	3	5	8
Lovelock, C. H. (1983), "Classifying Services to Gain Strategic Marketing Insights", *Journal of Marketing*.	3	2	3
Parasuraman *et al.* (1985), "A Conceptual Model of Service Quality and Its Implications for Future Research", *Journal of Marketing*.	2	1	1
Zeithaml *et al.* (1985), "Problems and Strategies in Services Marketing", *Journal of Marketing*.	5	5	4
Parasuraman *et al.* (1988), "SERVQUAL: A Multiple-Item Scale for Measuring Customer Perceptions of Service Quality", *Journal of Retailing*.	5	4	2

Adapted from: Berry and Parasuraman (1993, pp. 44-45).

The six articles in Table 2.1 were selected from a list of fifteen provided by Berry and Parasuraman's (1993, pp. 44-45) study because of their high ranking nature in terms of legitimising the field of services marketing, contributing conceptual breakthroughs, and stimulating the involvement of researchers. The consequence of these groundbreaking articles was an increased interest in services marketing (Berry

and Parasuraman, 1993). Aside from the exuberance and risk-taking that characterised its growth, Fisk *et al.* (1993) affirm that three main factors influenced the evolution of services marketing. These are:

1. The considerable interaction between academics and practitioners resulting in a literature anchored in managerial issues.

2. A strong interdisciplinary orientation especially with regard to operations and human resources management.

3. The international orientation of the literature due to the input of scholars from the United States, United Kingdom, Scandinavia and France.

As a result of the above factors, services marketing has matured as an academic field in recent years and is now common in the business curricula of universities all over the world at both undergraduate and graduate levels (Grove *et al.*, 2003). In fact, the passion and determination with which services marketing has evolved and developed can only be compared to the emergence of interest in consumer behaviour in the 1960s (Brown *et al.*, 1994).

The emergence and development of services marketing through the years is charted in widely-referenced articles by Brown *et al.* 1994) and Fisk *et al.* (1993), who categorise the literature's evolutionary periods into the *crawling out* (1953 – 1980), *scurrying about* (1980 – 1985), and *walking erect* (1986 – 1992) periods. The contributions made to the field by way of number of publications over these three evolutionary periods are evinced in Table 2.2.

Table 2.2: General Services Marketing Literature (As at November 1992)

Stages	Journal Articles	Books	Proceedings, Papers and Book Chapters	Dissertations	Total
Crawling Out (1953 – 1980)	59	10	32	19	120
Scurrying About (1980 – 1985)	104	26	141	16	287
Walking Erect (1986– 1992)	361	50	272	37	720
Total	**524**	**86**	**445**	**72**	**1,127**

Adapted from: Brown *et al.* (1994, p.24)

The above framework of services marketing's evolutionary stages by Brown *et al.* (1994) will be subsequently adopted for the purpose of a continued review of the literature on the emergence and development of the services marketing concept as follows below.

2.5.1 Crawling Out (1953 – 1980)

Gronroos (2000, p. 500) notes that *"before the 1970s, no books on the marketing of services had been published and a very limited number of journal articles existed about the topic"*. Most scholars interested in research in the new field thus had to pursue their interests through their dissertation studies. This *crawling out* or introductory period was principally characterised by the struggle faced by early service marketing scholars to publish their work, which was mostly conceptual and advanced virtually no research model. The academic community being *"conservative and hidebound"* (Brown *et al.*, 1994, p. 21; Fisk *et al.*, 1993, p. 62) put up strong resistance because it failed to see how services marketing could be distinct from goods marketing (even though the economies of most industrialized

nations like the UK started to become more service based from the mid 1940s). This prompted several scholars to question the widely-held view that services marketing was only a part of goods marketing (see for instance, Johnson, 1969; McDowell, 1953; Parker, 1958). Further, of significance in this period was the advancement of the service characteristics of *intangibility*, *inseparability*, *heterogeneity*, and *perishability*. The development of these characteristics particular to services and the vociferousness of services marketing scholars initiated the goods marketing versus services marketing debate which marked the end of this period.

2.5.2 Scurrying About (1980 – 1985)

The *scurrying about* stage represented the bridging period between the 'differences debate' and the walking erect period. The literature was still mostly conceptual (see for example, Levitt 1981; Lovelock 1983; Parasuraman *et al.*, 1985; Zeithaml *et al.*, 1985) but was beginning to move beyond the goods marketing versus services marketing debate. In addition, the effect of the inhibiting factor of lack of an appropriate textbook was lessened by the publication of Christopher Lovelock's textbook: *Services Marketing*, in 1984. Furthermore, a lot more services marketing articles were published including four in the premier *Journal of Marketing* (these were the articles by Lovelock, 1983, Parasuraman *et al.*, 1985, Solomon *et al.*, 1985, and Zeithaml *et al.*, 1985). This period also saw the emergence of a core group of academics and practitioners through interaction at a series of American Marketing Association conferences which brought together both novice and established contributors (Brown *et al.*, 1994). New York University and The Marketing Science Institute also sponsored services marketing conferences which were very significant because they provided an avenue for in-depth academic discussions on topics related

to the new field, resulting in the emergence of much of the literature (Brown *et al.*, 1994).

Also, of major importance in this period was the introduction of two journals dedicated to publishing services marketing research. These were the *Services Industries Journal* (SIJ) which began operation in 1981, and the *Journal of Professional Services Marketing* (JPSM) which made a complementary contribution as a services marketing research outlet beginning in 1985. Illeris and Akehurst (2001, p. 4) state that before the SIJ, *"there was no specialised multi-disciplinary journal where services researchers could publish their work"*.

Additionally, with the deregulation of the United States services sector leading to intensified competition, the need for organizations to remain competitive in the changed business environment transformed the role of marketing in these organizations from being one of modest importance to one that was vital if the organization was to survive (Brown *et al.*, 1994).

2.5.3 Walking Erect (1986 – 1992)

The *walking erect* stage traces the establishment of services marketing as a *bona fide* mainstream academic sub-discipline (Berry and Parasuraman, 1993; Fisk *et al.*, 1993; Grove *et al.*, 2003). In this period, the development of thought and research in the field reached dramatic and rapid proportions (Martin, 1999). The period saw an increase in the number of services scholars releasing a significant amount of literature (now mature and focused on the specific marketing problems of service businesses especially in relation to service quality). The increased demand - particularly from service practitioners - for published articles in major journals led to

the creation of academic centres dedicated to services research (for example, the American Marketing Association, the Marketing Science Institute, and the First Interstate Centre for Services Marketing).

Berry and Parasuraman (1993) argue that these demand and supply factors pertaining to services marketing reflected the three sequential stages relevant to the growth of any discipline: knowledge creation, knowledge dissemination, and knowledge utilization. These twin forces of demand and supply warrant a closer examination as it has been further argued by Berry and Parasuraman (1993, p. 17) that:

> *"The growth of a new discipline of study is not unlike the growth of a new product. Both demand and supply are necessary."*

The demand for greater understanding of service issues flowed from service industries and literature in services marketing was, as a result, influenced by the changing nature of the economy and the growing needs of management (Brown *et al.*, 1994). These needs in no small way served as the stimulant for services marketing research. For instance, with the deregulation of the U.S. services sector, entry barriers were lowered and U.S. service businesses found themselves faced with many new competitors, leading inevitably to over-capacity and intensified price competition (Berry and Parasuraman, 1993). This dramatic change in the intensity of competition shook the services sector and companies that could not compete effectively were forced out of the market. For example, of the 36 U.S. airlines in operation in 1980, 25 had ceased to operate by 1992 (Saporito, 1992). Similarly, between the period 1985 to 1990, the total number of commercial banks in operation had dropped by 14% through mergers, acquisitions and failure-induced absorptions (Roach, 1991). Correspondingly, more trucking companies failed in the 1980s than

in the previous 45 years of Interstate Commerce Commission regulation (Bartlett and Steele, 1991). This increasingly fierce competition thus prompted service company executives to turn to services marketing scholars for answers, and they (services marketing scholars) were only too happy to oblige.

Around the time of the deregulation of the U.S. services sector, publications in the form of books, articles, papers, proceedings and dissertations numbering about 287 (see Table 2.2) had been released and services marketing scholars, brimming with confidence, set out to supply the much needed answers. Numerous scholars under the auspices of the Marketing Science Institute, the American Marketing Association, and Arizona State University's First Interstate Centre for Services Marketing, carried out intensive research (Berry and Parasuraman, 1993). Aside from providing a conducive environment and all the necessary support for deeper exploration of the new research area, each academic centre made significant contributions to the growth of the literature. These contributions shall be examined briefly in turn.

The Marketing Science Institute (MSI) launched its Consumer Services Marketing Research Program in 1977 based on the growing awareness that it was inappropriate to transfer product-oriented marketing strategies to the services marketing process. The institute's first services marketing report published in 1977 consisted of five papers (by Pierre Eiglier, Eric Langeard, Christopher Lovelock, John Bateson, and Robert Young), which further emphasised the differences between goods marketing and services marketing. The MSI also made a very significant contribution to the development of services marketing by bringing the voice of the business community into academic research in marketing (Berry and

Parasuraman, 1993). This move to involve the business community both financially and intellectually ensured the commencement, completion, and implementation of MSI sponsored services marketing studies.

In 1981 the American Marketing Association (AMA) sponsored the first national services marketing conference in Orlando, Florida. The Orlando conference was open to both academics and marketing executives and served as a meeting place for the pioneers of services research, many of whom met for the first time. Berry and Parasuraman (1993, p. 20) speak of a conference atmosphere *"so stimulating that it is impossible to document and difficult to describe"*. The conference proceedings produced a book–length volume containing 60 papers in the areas of services theory, commercial services, professional services and non-profit public sector services. After the conference, Lynn Shostack chaired a newly formed Services Marketing Task Force made up of both academics and practitioners (Berry and Parasuraman, 1993). The Services Marketing Task Force developed into an AMA committee in 1983 and Berry and Parasuraman (1993) report that this committee executed an annual services marketing conference, services marketing workshops (first held in 1983), a services marketing newsletter (first published in 1983), a services marketing bibliography (published in 1985), a collection of services marketing course syllabi (compiled in 1985) and a faculty consortium on services marketing (held in 1985). In addition, based on the recommendation of the committee, a services marketing division was created within AMA in 1984, placing it at par with other AMA divisions, including AMA board membership for two services marketers. This major development was ranked first for legitimising the field of services marketing in the study by Berry and Parasuraman's (1993).

In 1985 the Arizona State University (ASU) became the first American University to commit to the development of the services marketing research area. With the aid of an endowment grant from the First Interstate Bank, the university set up the First Interstate Centre for Services Marketing (FICSM) for the dual purpose of providing yet another outlet for services marketing knowledge to executives and students; and adding to the growing literature. Berry and Parasuraman (1993) contend that FICSM played a significant role in the origination of the "Quality in Services" (QUIS) series of multidisciplinary, multinational conferences on service quality. First hosted in 1988 by the University of Karlstad, Sweden, the conference led to the production of an annual book volume entitled, *Advances in Services Marketing and Management*, in 1992. Another major contribution by FICSM to services marketing is the publication of several articles focused on the marketing of services by ASU staff and doctoral students (among whom were Mary Jo Bitner and Stephen Brown), originating from the FICSM working paper series (Berry and Parasuraman, 1993). These widely-recognised contributions were rewarded with funding from several corporate members (including IBM, AT&T, and Xerox) who continue to contribute an annual stipend in aid of FICSM's research activities.

Aside from the major contributions from the United States, it should be noted that significant input was made by scholars in Europe which *"clearly contributed to the development of services marketing in America"* (Berry and Parasuraman, 1993, p. 27). These contributions were made primarily by 'The Nordic School' (Scandinavian scholars particularly Evert Gummesson and Christian Gronroos) and 'The French Connection' (French service scholars such as Eric Langeard and Pierre Eiglier). The willingness of these scholars to travel to the United States to attend conferences and also serve as visiting professors in US

universities allowed for the growth of the subdicipline to take on a worldwide perspective.

2.5.4 Using Tools (The Future)

The establishment of the above research and education centres and others dedicated to the study of services marketing is testimony to the level of maturity the area has attained (Grove *et al.* 2003). This observation follows the proposition of a futuristic stage in services marketing's development by Fisk *et al.* (2000) termed the *using tools* period.

Writing in 2000, Fisk *et al.* argued that the *using tools* period will be characterised by a continued broadening, deepening and sharpening of services research with more quantitative contributions – measurements, statistics, and decision support modelling – to reflect increasing globalisation and multidisciplinary research. Further, Fisk *et al.* (2000) recommended continued research in the areas of service design and delivery, service encounters and service experiences, service quality, and customer satisfaction.

Developing this position, Grove *et al.* (2003) declared that like all maturing fields of study, services marketing faces the challenge of diffusion. They contend that the domain of services has expanded and its defining boundaries have become less distinct, thus making the direction in which services marketing is headed, somewhat unclear. This lack of clarity was confirmed by the diverse recommendations obtained from a select panel of ten leading services marketing experts (comprising Leonard Berry, Mary Jo Bitner, David Bowen, Stephen W. Brown, Christian Gronroos, Evert Gummesson, Christopher Lovelock, A. 'Parsu'

Parasuraman, Benjamin Schneider, and Valarie Zeithaml) who were asked to give their opinion to the question: 'What directions would you like to see the services marketing field take in the future?'. Answers received from these scholars on the future path of services marketing generally ranged from a recommendation that service scholars and practitioners should rethink the definition of services, to calls for the further exploration of the relationship between services and manufacturing. More specific recommendations identified the need for continued interdisciplinary research; continued exploration of the service encounter; more investigation of the customer's role in service production; more study of how customers' behaviour affects employees; continued work on customer satisfaction and customer loyalty; greater investigation of the link between service quality and profitability; and more study of the service marketing mix variables (see Grove *et al.*, 2003, p. 113). These recommendations bear out the earlier postulation by Laing *et al.* (2002, p. 480) that the two broad research themes which may provide the critical foundations underpinning the trajectory of future services marketing development are *"the management of the service process and the nature of interaction between consumers and suppliers"*.

In response to the above recommendations which represent *"specific issues that are relevant to the [service] business environment of the future"* (Grove *et al.*, 2003, p. 117), this thesis will adopt an interdisciplinary approach (see Chapter Three for a review of the servicescapes, organizational climate and organizational culture literatures). Also, to buttress the importance of an interdisciplinary approach, Berry and Parasuraman (1993, p. 47) remark that:

"The involvement of scholars from multiple disciplines in the early years actually may have contributed to the field's uniqueness and to its meriting the status of a distinct subdiscipline ".

Furthermore, an analysis of the marketing mix variables forms the basis of the next section, after which follows an examination of service workers and the service encounter. Finally, an investigation of the concepts of perceived service quality, service failure and recovery, service as theatre, internal marketing, perceived value, satisfaction, commitment, trust and loyalty intentions will conclude this chapter. In doing so, this study attempts to address directly the divergent yet complementary views expressed by service experts as key to the future development of services marketing.

2.6   The Services Marketing Mix

Rafiq and Ahmed (1995) assert that the 'time-honoured' marketing mix concept is one of the core concepts of marketing theory. This is because the marketing mix paradigm is the nub of most marketing management presentations (Goldsmith, 1999). Indeed, this management paradigm according to Gronroos (1994, p.4), *"has dominated marketing thought, research and practice since it was introduced".*

It is generally believed that Borden (1964) was the first to introduce the term *"marketing mix"* which he had used since the late 1940s based on suggestions made to him by Culliton's (1948) description of a business executive as a mixer of ingredients (Rafiq and Ahmed, 1995). Borden (1964) subsequently proposed a set of twelve elements which he argued made up the marketing mix. These were: (1) product planning, (2) pricing, (3) branding, (4) channels of distribution, (5) personal selling, (6) advertising, (7) promotions, (8) packaging, (9) display, (10) servicing,

(11) physical handling, and (12) fact-finding and analysis. McCarthy (1964) refined

Borden's list by amalgamating the twelve different elements into the now very

widely-accepted four distinct categories of *"product, price, promotions, and place"*

(p. 38). These he called the 4Ps (otherwise known as the *"marketing mix"*) and

defined them as *"...a combination of all of the factors at a marketing manager's

command to satisfy the target market"* (p. 35). It can be argued that the roots of

other definitions stem from the one above. For instance, McCarthy and Perreault

(1987) explain that the 4Ps are the controllable variables that an organization can co-

ordinate to satisfy its target market; Kotler *et al.* (1999, p. 109) define the 4Ps

framework as *"... the set of controllable tactical marketing tools that the firm blends

to produce the response it wants in the target market"*; while more recently it has

been defined by Judd (2003, p. 1303) *as "...the controllable elements of marketing

which collectively form the basis for customers' perceptions of an organization."*

Thus, the idea of the 4Ps framework is based on organizational manipulation of

marketing variables as a toolkit (Shapiro, 1985) of sorts, to ensure the desired

response from the market.

Goldsmith (1999) reveals that the 4Ps framework enjoyed general acceptance

for several decades as the central, coordinating concept around which the many

other aspects of marketing practice were organized. However, although the

framework seemed to capture the marketing elements suggested by others (for

example, Borden, 1964; Culliton, 1948; Swartz, 1973), it was not free from criticism.

For instance, Gronroos (1994) argues that the 4Ps framework is not applicable to all

markets and all types of marketing situations. Specifically, it is contended that the

framework lacks applicability to service, not-for-profit, and industrial organizations

(Baccus, 2002). Industrial marketers have argued that industrial marketing has

features different to consumer marketing (Webster, 1984), and services marketing scholars (for example, Booms and Bitner, 1981; Cowell, 1984; Gronroos, 1994) affirm that the 4Ps model is obsolete by demonstrating that the marketing of services requires decisions different to those applied to goods marketing (Goldsmith, 1999).

Consequently, Brunner (1989) argued for the re-conceptualization of the 4Ps framework with his introduction of the 4Cs concept. Brunner's (1989) 4Cs concept comprises the elements of *concept mix* (similar to the product element), *costs mix* (similar to the price element but also including non-monetary costs to customers such as information gathering, transportation and parking), *channels mix* (similar to the place element), and *communications mix* (similar to the promotions element but also includes market research). Although gainful in its focus on mix elements from a customer rather than organizational viewpoint, Brunner's (1989) 4Cs framework has also been generally criticised for being only a change in nomenclature. Rafiq and Ahmed (1995, p. 6) for instance argue that the 4Cs concept *"does not strictly adhere to the concept of the marketing mix as a set of controllable variables used to influence the customer"*. To reinforce their criticism of the 4Cs framework, Rafiq and Ahmed (1995) presented the following three arguments against its adoption:

(1)   Non-monetary costs will vary from customer to customer and moreover are outside the control of marketers.

(2)   Market research activities are used to calibrate the marketing mix variables and not influence buyer behaviour as such.

(3)   The 4Cs framework does not address the concerns of services and industrial marketing.

Thus, for the concerns of services marketing to be properly addressed, decisions pertaining to the marketing of services should be based on the inclusion of other strategic elements (Lovelock 2001) which are currently lacking in the 4Ps framework, thereby making the framework as is, potentially misleading because of its over-simplification (Kent 1986). Various other scholars though united in their criticism of the framework's over-simplicity, have differing views on the elements that should be incorporated into the framework to make it more robust. The literature reveals that proposed additions include the elements of: public relations (Mindak and Fine, 1981; Kotler, 1986; Wind 1985); political power (Kotler, 1986); positioning, politically-based marketing tools, public affairs, portfolios of markets, products at three levels of analysis, and a programme which cohesively integrates the entire marketing mix (Wind 1985); people power (Judd 1987, 2003); personnel, procedures, physical assets and personalisation (Goldsmith, 1999); people, processes and customer service (Payne and Ballantyne, 1991); productivity and quality (Lovelock, 2001) and; participants, processes and physical evidence/assets (Booms and Bitner, 1981).

Booms and Bitner, (1981) were particularly vociferous in both their criticism of the 4Ps framework and proposal for an extension of the 4Ps framework to include *participants* (people), *processes* and *physical evidence*, thus instituting the now widely-disseminated 7Ps framework tailored specifically to services marketing. Bitner (1990, p. 70) maintains that although the elements of participants, processes and physical evidence can be incorporated into existing elements in the traditional 4Ps framework, it is important that they are separated and given due attention because they are of *"expressed importance"* to managers in service firms.

In the study carried out by Rafiq and Ahmed (1995) to gauge the usefulness of the 7Ps framework with respect to its applicability, results confirmed its popularity among marketing educators who use it as a general practical framework rather than confine its use to the teaching of services marketing. Table 2.3 illustrates the elements of the traditional and services marketing mixes, each of which is addressed subsequently.

Table 2.3: The Traditional and Services Marketing Mixes

Product	Price	Place	Promotion	Participants	Physical Evidence	Process
Traditional Marketing Mix						
Quality	Level	Distribution Channels	Advertising			
Features and Options	Discounts and Allowances	Distribution Coverage	Personal Selling			
Style	Payment Terms	Outlet Locations	Sales Promotion			
Brand Name		Sales Territories	Publicity			
Packaging		Inventory Levels and Locations				
Product Line		Transport Carriers				
Warranty						
Service Level						
Other Services						
Adapted from: Kotler (1976)						

Modified and Expanded for Services

Product	Price	Place	Promotion	Participants	Physical Evidence	Process
Quality	Level	Location	Advertising	Personnel:	Environment:	Policies
Brand Name	Discounts and Allowances	Accessibility	Personal Selling	Training	Furnishings	Procedures
Service Line	Payment Terms	Distribution Channels	Sales Promotion	Discretion	Colour	Mechanization
Warranty	Customers' Own Perceived Value	Distribution Coverage	Publicity	Commitment	Layout	Employee Discretion
Capabilities	Quality/Price Interaction		Personnel	Incentives	Noise Level	Customer Involvement
Facilitating Goods	Differentiation		Physical Environment	Appearance	Facilitating Goods	Customer Discretion
Tangible Clues			Facilitating Goods	Interpersonal Behaviour	Tangible Clues	Flow of Activities
Price			Tangible Clues	Attitudes		
Personnel			Process of Service Delivery	Other Customers:		
Physical Environment				Behaviour		
Process of Service Delivery				Degree of Involvement		
				Customer/Customer Contact		

Adapted from: Booms and Bitner (1981)

The *product* element calls the attention of managers to all aspects of the service performance that have the potential to create value for customers (Lovelock, 2001). *Product* in this context is thus the totality of goods and services offered to the target market by the providing organization (Kotler *et al.*, 1999) and how these seek to satisfy customer needs (Smith and Saker, 1992). Blois (2000) also defines *product* as the element that covers what an organization offers to prospective customers for their acquisition, use, consumption or adoption.

The *price* element involves what customers have to pay to get the product (Kotler *et al.*, 1999). Lovelock (2001, p. 17) defines *price* as the element which "*...addresses management of the expenditures and other outlays incurred by customers in obtaining benefits from the service product*". These expenditures and outlays involve both monetary and non-monetary costs associated with the purchase and use of a good or service such as time, physical and psychological effort (Blois, 2000). Smith and Saker (1992) assert that *price* is the most contentious element in the marketing mix because it influences revenue directly.

The *place* element refers to location, accessibility, physical distribution channels and distribution coverage (Booms and Bitner, 1981). All organizations are involved in *place* decisions, which centre on how the service offering can be made available to customers (Smith and Saker, 1992; Kotler *et al.*, 1999). The *place* component also involves the delivery of service through electronic distribution channels, depending on the nature of the service (Lovelock, 2001). Stated otherwise, services may be delivered to the customer directly at the production site, or in certain instances, transmitted electronically (Blois, 2000).

The *promotion* element covers advertising, personal selling, publicity, sales promotion, (Booms and Bitner, 1981; Smith and Saker, 1992) and other activities that communicate the merits of the service and encourage people to buy (Kotler *et al.*, 1999). In addition, promotion can be said to involve non-recurrent selling efforts, often of a short-term nature, such as contests, discount coupons, special displays and introductory offers (Blois, 2000), which can be communicated through the use of media sources, and aim to provide needed information and advice, persuade target customers of the merits of the service bundle, and encourage them to take action at specific times (Lovelock, 2001).

The *participants* element involves all the people directly or indirectly involved in the production and consumption of the service (Booms and Bitner, 1981). It identifies the personnel involved in the delivery of the product to customers (Goldsmith, 1999) and their quantity, quality, training and promotion (Fifield and Gilligan, 1996). Furthermore, of critical importance is the participatory role of customers at the interface as "*...thoughtless or poorly behaved customers can often cause needless problems for service personnel who are trying hard to serve them well*" (Lovelock, 2001 p. 72). Thus, badly behaved customers may not only put service personnel at risk but also cause other customers to view their own service experiences negatively (Lovelock, 2001). Indeed, continued dissatisfaction with a succession of negative incidents can even drive good employees to quit their jobs (Lovelock, 2001). The interaction between contact-employees and customers, and the resultant simultaneity of production and consumption in services is therefore a prime marketing consideration because as customers participate in the service process, they interact with company staff, all of whom are actually "*part-time marketers*" (Gronroos, 1994, p. 8) themselves. Contact-employees are thus a key

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part of the service package or what a service firm sells (Parasuraman, 1987). In fact, the quality of a service is inseparable from the quality of the service provider (Cronin, 2003) because even though contact-employees may not be involved with the creation of market strategies, marketplace success is frequently largely dependent on them (Piercy, 2002).

The *process* element centres on the system in place which provides an enabling environment for the service offering to be created and passed on to the customer. In other words, it involves the procedures, mechanisms and flow of activities through which the service is acquired (Booms and Bitner, 1981; Goldsmith, 1999). The process element also involves blueprinting, automation and control procedures (Fifield and Gilligan, 1996) which facilitate the receipt of the service because the utilization of cutting-edge technology is critical to creating a service system for the delivery of outstanding service quality (Bowen *et al*. 1989; Heskett *et al*. 1997; Jones and Sasser, 1995; O'Connor and Shewchuk, 1995). These processes are facilitators and so it is important for them to be organized in a manner that is convenient and efficient for customer use (Smith and Saker, 1992) because badly designed processes are likely to annoy customers, make it difficult for contact-employees to do their jobs effectively (Lovelock, 2001) and result in service failure (Lewis and McCann, 2004).

The *physical evidence* element refers to the environment in which the service is delivered and involves elements such as cleanliness, décor, and ambience (Fifield and Gilligan, 1996) including the tangible goods that facilitate the performance and communication of the service (Booms and Bitner, 1981). Stated otherwise, it

involves all the physical assets that accompany and surround the service (Goldsmith, 1999). According to Bitner (1992, p. 57):

> "...because the service is simultaneously produced and consumed, the customer is 'in the factory', often experiencing the total service within the firm's physical facility."

Physical environments are thus more important in services marketing than in goods marketing because of the customer's greater experience with the service setting (Bitner, 1992). It has been argued that customers look for clues to the likely quality of a service by inspecting the tangible evidence (Lovelock, 2001) and make judgements on the basis of items such as the state of the building, and the furniture and fittings (Smith and Saker, 1992). Therefore, paradoxically, as Shostack (1977) points out, the more intangible-dominant a service is, the greater the need to make the service tangible.

In summary, as discussed above, while there are varied suggestions by numerous marketing scholars for more and/or different elements to be added to the original 4Ps framework, Booms and Bitner's (1981) 7Ps framework is widely-accepted as being robust enough to address the strategic concerns of services marketers.

2.7 Service Workers and the Service Encounter

Central to the marketing of services is the service encounter (Laing *et al.*, 2002). Bitner *et al.* (2000, p. 138) contend that, *"service encounters are critical in all industries, including those that have not been traditionally defined as service industries"*. Furthermore, service encounters are shown to be particularly important within the service orientation paradigm because their nature - even though often

brief - forms the basis of important customer service quality evaluations (Parasuraman *et al.*, 1988) and customer evaluations of the service providing firm as a whole (Bitner, 1990). However, despite the confirmed importance of service encounters, Winsted (1999, p. 106) maintains that *"we still know relatively little about how consumers evaluate service encounters"*.

Gutek *et al.* (1999) define a service encounter as 'a situation in which a customer has a single interaction with a provider and may have no expectations of any future interaction(s)'. Service encounters have also been defined as *"a period of time during which the customer directly interacts with a service"* (Shostack, 1985, p. 243). Referred to as 'the critical moments of truth' (Bitner *et al.*, 2000; Carlzon, 1987) or 'the exchange-point' (Bitner *et al.*, 1994), service encounters determine how customers perceive both an organization's offering and the level of satisfaction they derive from its consumption (Bitner *et al.*, 2000; Chebat and Kollias, 2000; Harris and Ogbonna, 2002; Nickson *et al.*, 2005; McCollough *et al.*, 2000).

"Services marketing has always emphasized customer satisfaction through employee interaction within the organization and with the customer" (Halliday, 2004, p. 45). In the same way, Chen and Quester, (2006, p. 189) assert that *"in order to engage customers in an exchange process and keep them in a long-term relationship, satisfying customers is important"*. Each service encounter presents an opportunity for the firm to sell itself, reinforce its offerings, and satisfy the customer (Bitner *et al.*, 2000). Indeed, Harris and Ogbonna (2002, p. 163) affirm that *"the attitudes and behaviours of frontline, customer-contact service providers are a significant factor in customers' perceptions and interpretations of service encounters"*. Accordingly, significant importance is attached to the manner in which

customers are treated by service workers at the exchange point. Specifically, the service encounter involves the attitudinal and behavioural responses of service workers towards customers during the exchange (Hartline and Ferrell, 1996; Lemmink and Mattson, 1998; Martin, 1999), which is the key differentiating factor between competing service organizations (Berry, 1987; Chen and Quester, 2006; Lam and Woo, 1997; Sergeant and Frenkel, 2000). This view is reaffirmed by Kotler (2000) who states that good communication skills, courtesy, credibility, reliability, and responsiveness are factors that differentiate an organization. Adding to the list, Nickson *et al.* (2005) advance the concept of "aesthetic labour" which projects the required component of aesthetic skills (that is, the need for employees to 'look good' and 'sound right'). However, control of service workers at the interface is difficult because since a human element is involved, variation is likely to occur (Levesque and McDougall, 2000; Nickson, *et al.*, 2005). Therefore, in a bid to better manage their employees and ensure that their presence promotes the delivery of quality service, there has been an increasing systemization or '*McDonaldization*' (Ritzer, 2000) of the service encounter through the use of tight rules and regulations which focus on scripting service workers' verbal interactions with customers - as is common in fast-food outlets and call centres - or the more severe measure of replacing labour with technology.

Despite these measures, it remains generally accepted that the human interaction between customer and service worker is critical to the success of the service process (Chebat and Kollias, 2000; Halliday, 2004; Lemmink and Mattson, 1998; Martin, 1999). As mentioned above, aspects of the interaction such as employees' verbal behaviour during an encounter (for example, words of greeting and courtesy) affect customers' perceptions of employee friendliness and

consequently enhance (or diminish as the case may be) the perceived quality of the service interaction (Elizur, 1987; Kotler, 2000; Parasuraman *et al.*, 1985). On the one hand, quality service cannot be received from an unhappy or discourteous employee (Cronin, 2003) and on the other hand, if a service worker *clicks* with the customer at the initial contact, this will serve as a prompt for the customer to consider establishing a relationship which will favourably influence the evaluation of all subsequent service interactions (Beatty *et al.*, 1996). Supporting this position, the findings of Chen and Quester's (2006) study showed that the impact of service workers' market orientation on customer retention was significant and positive. This phenomenon is a unique characteristic of the marketing of services because as opposed to loyalty to tangible products, service loyalty is more dependent on the development of these interpersonal relationships (Kelly and Davis, 1994) which bring customers and service workers physically and psychologically close (Schneider, 1987).

Aside from the performance of service workers, equally important is the manner in which customers conduct themselves during the service encounter. Lovelock (2001) emphasizes that badly-behaved customers can cause service personnel to quit their jobs if this bad behaviour is sustained over a period of time. This is a development of an earlier position by Palmer *et al.* (2000, p. 518) who caution that *"front-line employees are continually interacting with customers, and long hours, unsympathetic employers and inconsiderate customers may impact on employees' performance"*. It has also been identified that poorly-behaved customers may not only create discomfort to service workers but also cause other customers to view their own service experiences negatively (Lovelock, 2001; Martin, 1999). Consequently, service organizations have to take charge of the service encounter as

best they can so as to ensure offerings perform well in the mind of the customer as s/he interacts with service workers, other customers and the servicescape.

2.7.1 Modelling Service Experiences

This section attempts to model service encounters as a way of gaining a deeper understanding of the dynamics at the point of interaction between buyer and seller. Numerous studies have been conducted to measure customer experiences at the interface and almost as many models have been advanced to support these studies. Of all these studies, the following three models have been selected because of their widely-referenced status and applicability to the present study:

1. A Model of Service Encounter Evaluation (Bitner, 1990).

2. Framework for Understanding Environment-User Relationships in Service Organizations (Bitner, 1992).

3. The Customer – Service Worker Relationship Model (Bove and Johnson, 2000).

The first model highlights the antecedents and consequences of customer dis/satisfaction; the second model, also by Mary Jo Bitner, brings the servicescape effects on customers and employees to the fore in order to aid understanding of the nature of activities occurring within the service setting. Finally, Bove and Johnson's (2000) model advances the importance of service workers and internal marketing as strong determinants of the display of loyalty behaviour by target customers. A further examination of each model follows hereafter:

2.7.1.1 Figure 2.2: A Model of Service Encounter Evaluation
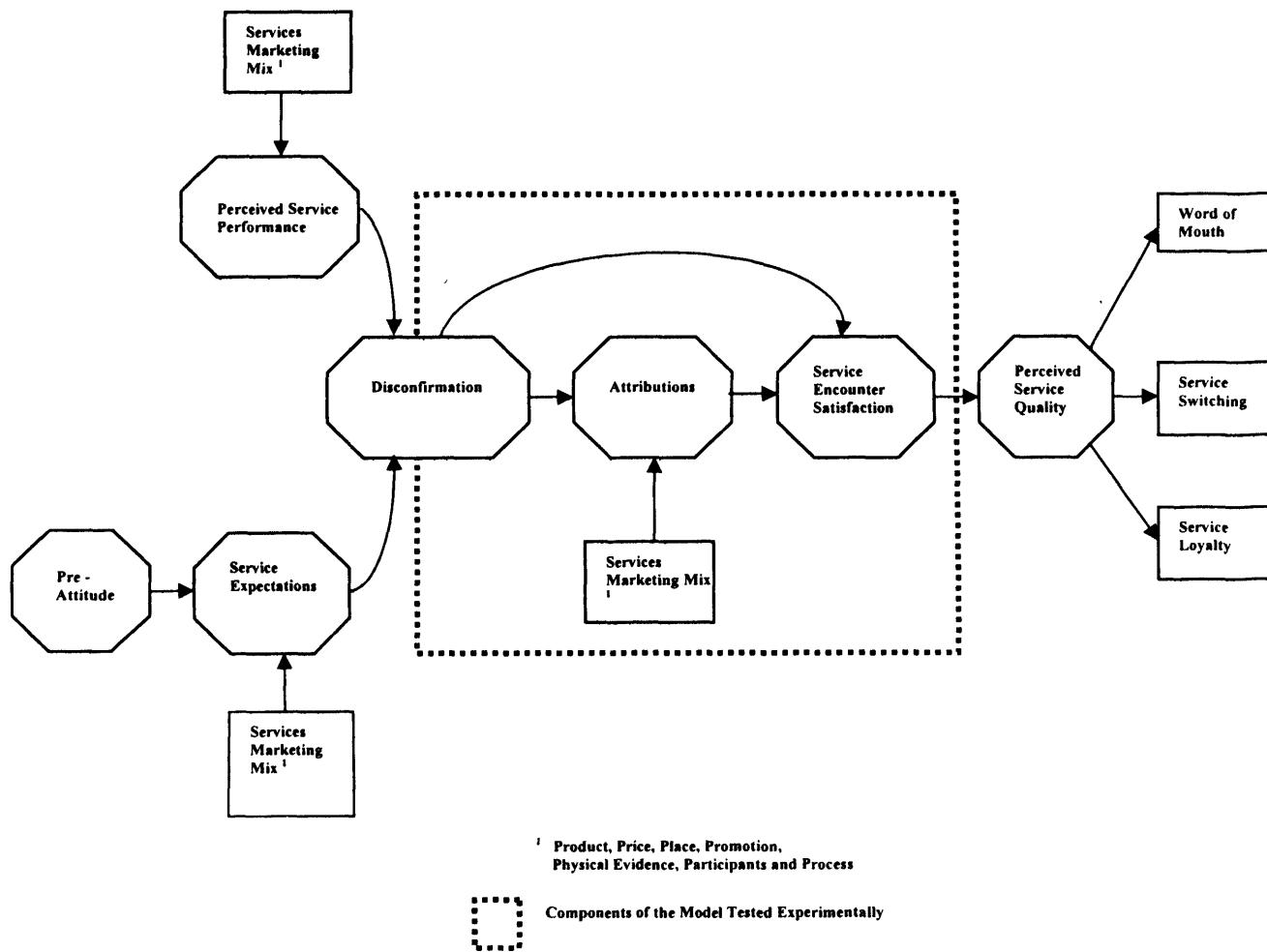
Adapted from: Bitner (1990).

Bitner's (1990) model identifies the antecedents and consequences of customer dis/satisfaction. The model presents a means in which the services marketing mix (particularly the elements of participants and physical evidence) can be utilized to influence customer satisfaction in service encounters positively, via a synthesis of consumer satisfaction, services marketing, and attribution theories. Additionally, the model provides a useful framework for programmatic research on service encounter evaluations.

The model can be analysed in four stages with the first stage presenting the suggestion that the expectations about the outcome of a particular service encounter will be influenced by the consumer's pre-attitude, which may be informed by personal experience. The second stage of the model bears the suggestion that consumers usually compare prior expectations with perceived performance. If these expectations are in accord with perceived performance, then prior expectations are confirmed. However, if there is a disparity between the two, this will lead to either positive or negative disconfirmation. The third stage of the model suggests the mediation of satisfaction by causal attributions for disconfirmation which is itself influenced by the services marketing mix. This means that customers will initially diagnose the causes of disconfirmation before going on to determine their level of dis/satisfaction. Depending on the causes of disconfirmation and the resultant level of dis/satisfaction, future behaviour may be modified. The fourth and final stage shows that satisfaction with the service encounter will serve as an input into perceived service quality (or attitude) which will possibly lead to an expression of behaviour in the form of word-of-mouth recommendation, service switching or service loyalty.

Experimental results suggest that customers will be more dissatisfied when they perceive a service failure to be within the control of the firm and likely to reoccur, than they would if the opposite were the case. Furthermore, results show that employee explanations, offers to compensate, and the appearance of the physical environment can influence customer perception of the causes of service failure. These findings confirm the importance of understanding not only customer attributions but also the formation of these attributions. Bitner (1990) suggests that

such an understanding can guide management policies and actions in response to

product and service failures.

2.7.1.2 Figure 2.3: Framework for Understanding Environment-User Relationships in Service Organizations

| ENVIRONMENTAL DIMENSIONS | HOLISTIC ENVIRONMENT | MODERATORS | INTERNAL RESPONSES | | BEHAVIOUR |
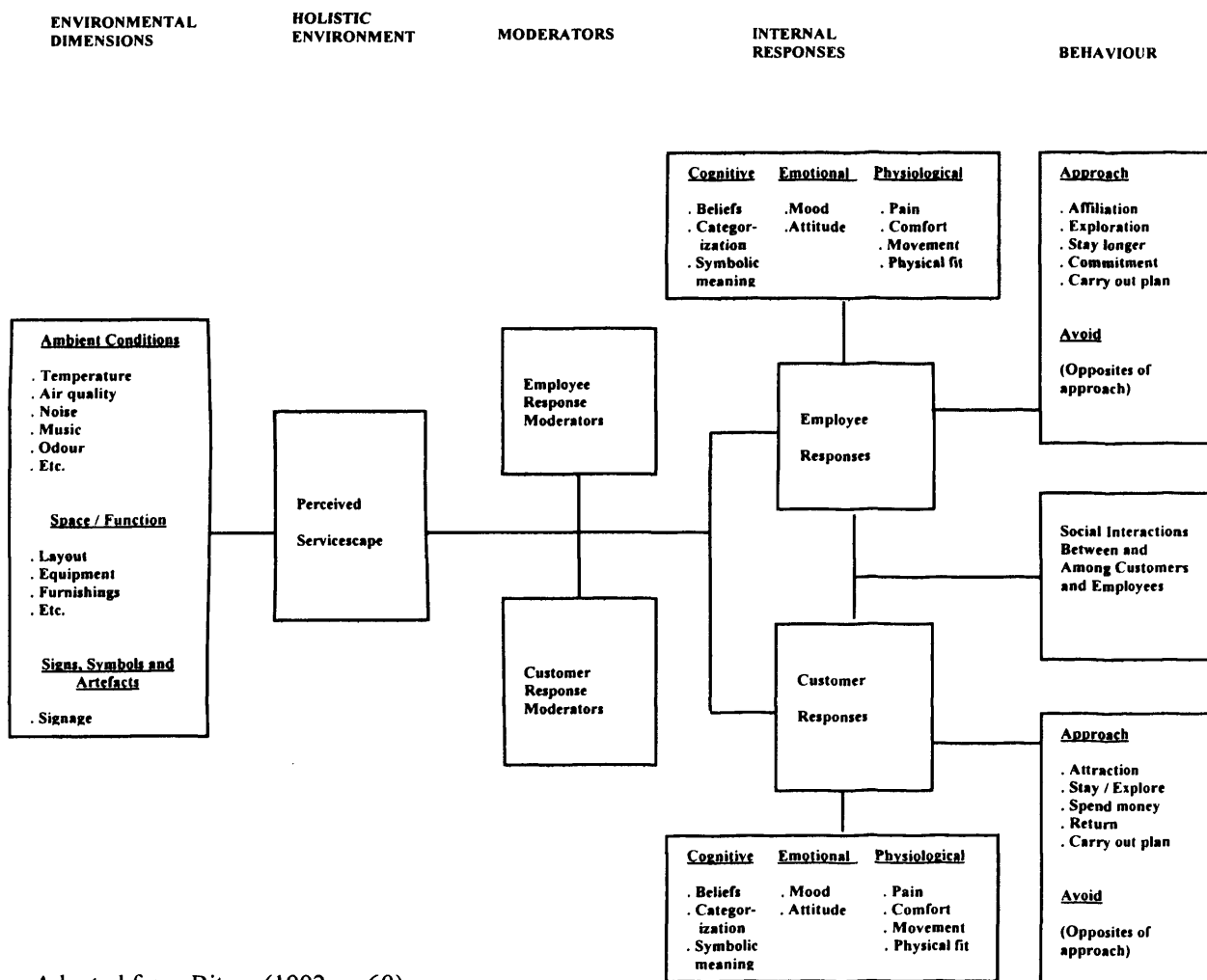
Adapted from Bitner (1992, p. 60).

Bitner's (1992) model addresses the complexity of environmental decisions across

service organizations and their influence on customer and employee behaviour.

Coining the term "servicescape" (p. 58), Bitner (1992) explored the broader domain

of non-verbal communication within service environments, suggesting that both

customers and employees can perceive environmental factors in a manner eliciting

cognitive, emotional and physiological responses, which "influence their

behaviours" (p. 62). These environmental factors are an essential part of the service encounter and delivery process (Eroglu *et al.*, 2003; Hoffman and Turley, 2002) and can be controlled by the organization to *"enhance (or constrain) employee and customer actions"* (Bitner, 1992, p. 65), leading them to express either approach or avoidance behaviour (Aubert-Gamet and Cova, 1999; Hoffman and Turley, 2002; Mattila and Wirtz, 2001; Sundaram and Webster, 2000; Sweeney and Wyber, 2002; Turley and Milliman, 2000).

The environmental factors presented on the three composite environmental dimensions of *ambient conditions*; *space/function*; and *signs, symbols and artefacts*, form the important aspects of the servicescape. These dimensions which project organizational ideals to customers (Rafaeli and Pratt, 2005) are further examined below:

(1) Ambient Conditions: This dimension includes elements such as air quality, noise, music, temperature, scent, cleanliness and lighting, all of which form the background characteristics of the servicescape (Aubert-Gamet, 1997; Bitner, 1992; Koernig, 2003). Ambient conditions *"affect the five senses"* but usually go unnoticed except in extreme conditions (Bitner, 1992, p. 66). Similarly, Bitner (1992) notes that some elements (for example, infrasound) may be undetectable yet may have an extreme effect on those who remain exposed to it for long hours. Cowen (2003) echoes this view by stating that even though humans cannot hear anything pitched lower than 20 hertz, we often distinctly feel the effects of infrasound.

(2) Spatial Layout and Functionality: While spatial layout refers to the ways in which seats, walkways, entrances, exits, machinery, equipment, rest-rooms, and service lines are designed and arranged in the servicescape (Arnould, *et al.*, 1998;

Babin and Attaway, 2000; Foxall, 1997), functionality refers to *"the ability of the same items to facilitate performance and the accomplishment of goals"* (Bitner, 1992, p. 66). Although layout and functionality factors are very significant because they affect the comfort and performance of both customers and employees in the servicescape, there is a dearth of research on their effect on customers in commercial service settings (Bitner, 1992; Cronin, 2003; Hoffman and Turley, 2002).

(3) Signs, Symbols, and Artefacts: This refers to the elements related to aesthetic appeal such as architectural design, facility upkeep, the surrounding external environment, signage and other physical elements that can be viewed. These aesthetic factors are important because they influence the ambience of the servicescape which in turn influences both customers and employees (Bitner, 1992; Cronin, 2003; Ennew and Binks, 1999; Koernig, 2003).

Fouquier (1984) provides an equation by which most research on servicescapes can be summarised. The equation is expressed as:

$$A \ (X/r/Y) \ B$$

where:

A = the transmitter

B = the receiver

X = the factor

Y = the result

r = the nature of the relation

From the transmitter (A), a factor (X) is doing (r) something (Y) to the receiver (B). Hence, Bitner's (1992) research based on cognition, emotion and physiology considers that the primary result (Y) is a single behaviour (either approach or

avoidance) and the nature of the relationship (r) is one of indirect causality. Consequently, Bitner (1992) maintains that an understanding and management of the servicescape will enable firms to achieve both external marketing goals and internal organizational goals. This view is mirrored by that held by Browne *et al.* (2004) and Mummaleneni (2005) who state that the servicescape is likely to influence customer and employee feelings, perceptions and ultimately, inclinations to do business with an organization.

As a result of the focus of this study on servicescapes, a comprehensive analysis of the literature is conducted in Chapter Three.

2.7.1.3   Figure 2.4: The Customer-Service Worker Relationship Model
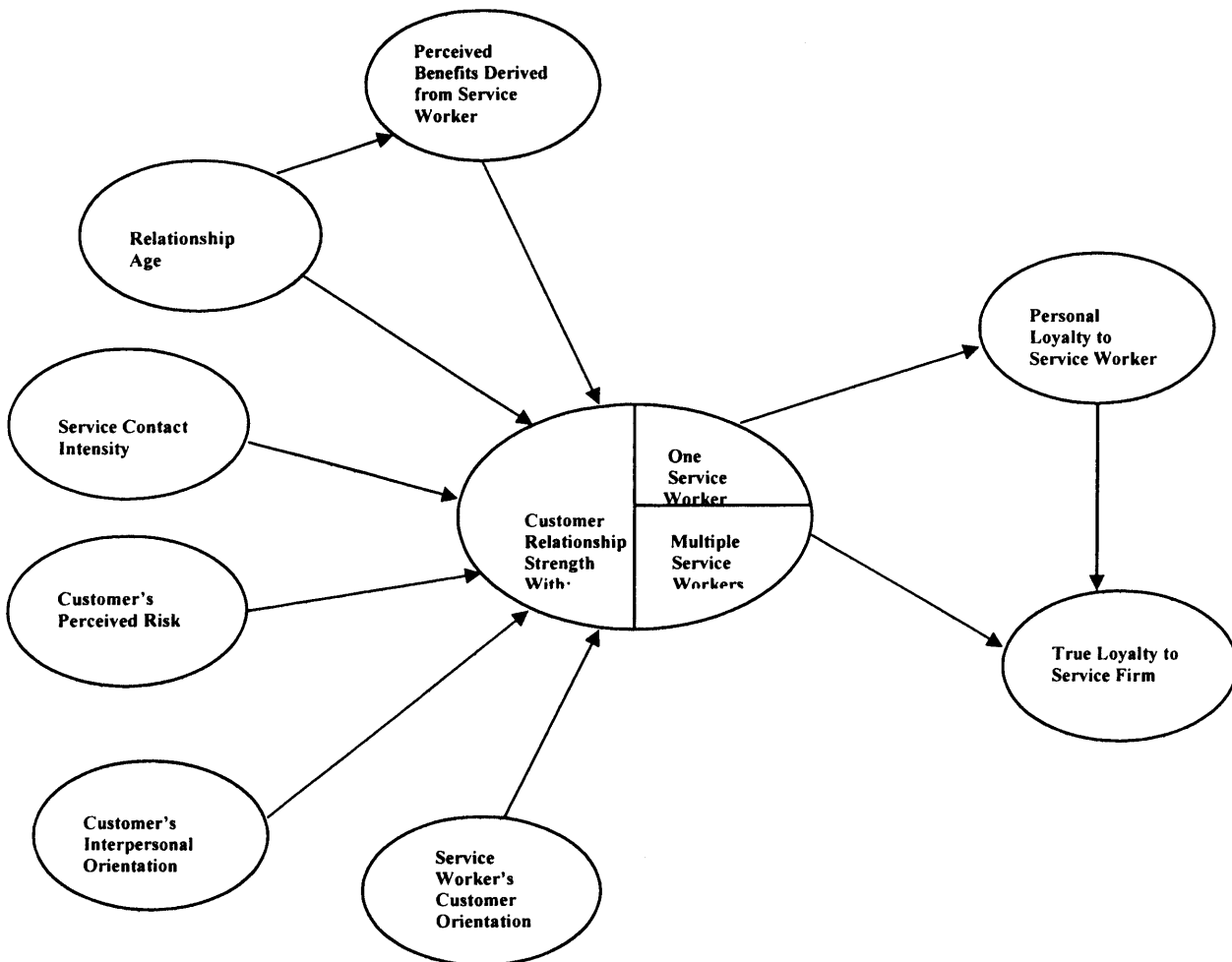
Adapted from: Bove and Johnson (2000).

Bove and Johnson's (2000) model is important in the study of service encounters because it evaluates the direct involvement of service workers and highlights the criticality of internal marketing. This it does by providing a description of the role that customer relationships with service workers have in developing customer loyalty, within the enabling setting of the service organization. Indeed, the importance of front-line employees to an organization's overall business performance cannot be overstated (Chen and Quester, 2006).

The model offers managers of service organizations an inexpensive way of building a truly loyal customer base. The basis for this is the proposition that the strength of customers' relationships with service workers will play a major role in the establishment of true customer loyalty (Bove and Johnson, 2000). In the same way, Ennew and Binks (1996) assert that the relationship between the antecedents of relationship strength and true loyalty is moderated by a customer's relationship strength with one or multiple service workers. Following from this, Bove and Johnson (2000) present the following six antecedents of relationship strength:

The first antecedent is that of *perceived benefits* (valuable outcomes) derived from interacting with the service worker. This will determine the success and growth of a relationship (Altman and Taylor, 1973) because perceived benefits from the interaction will lead to greater expectations for the next interaction, thereby increasing the likelihood that the customer will engage in a relationship (Sheth and Parvatiyar, 1995; Gronroos, 2001).

The second antecedent is that of *relationship age*. Relationship age is important because it shows an accumulation of service encounters can be transformed from individual transactions into a relationship due to increasing levels

of trust and commitment shared by the parties involved (Czepiel, 1990; Dwyer *et al.*, 1987; Sheaves and Barnes, 1996).

The third antecedent is that of *contact intensity*. Contact intensity is positioned as a determinant of relationship strength because the more frequent the contact between customers and service workers, the greater the possibility that they will have a stronger liking for one another provided the relationship is mutually rewarding (Barnes, 1997). This will invariably lead to an increase in their level of commitment to the relationship (Crosby *et al.*, 1990). In addition, contact intensity also includes a measure of the physical proximity of the customer and the service worker when the service is actually delivered. This distance between participants may be expressed in centimetres while the duration of the service encounter may be expressed in minutes/hours (Bove and Johnson, 2000). This proposition is based on the view that closer proximity and longer duration of the service encounter is likely to produce feelings of greater intimacy (due to increased communication) and by extension, strengthen the relationship (Barnes, 1997; Crosby *et al.*, 1990; Mehrabian, 1981; Price *et al.*, 1995; Tan, 1981).

The fourth antecedent is that of the *customer's perceived risk*. This is usually difficult - if not impossible - to evaluate (even after purchase and consumption) for services that are high in experience and credence qualities. Darby and Karni (1973) argue that this is because these kinds of services (for example health care and legal services) usually possess a large intangible component of which customers lack sufficient knowledge to appraise even after consumption (Bowen and Jones, 1986). This uncertainty may lead customers to seek out and

maintain a relationship with the providing service worker(s) [Barnes, 1997; Czepiel, 1990; Mills, 1990].

The fifth antecedent is the *customer's interpersonal orientation* which is the extent to which a customer is interested in and reactive to other people. This is expected to determine the extent of his/her relationship with the service worker because while some customers may desire to enter into a relationship with service providers, other may not (Barnes, 1997; Henry, 1994).

The sixth and final antecedent is the *employee's customer orientation* which, as Williams and Attaway (1996) explain, is the service worker's performance towards understanding the needs of the customer and the adoption of responses that best satisfy those needs. In other words, the focus of the employee is on the creation/maintenance of a relationship rather than on making a sale (Dorsch *et al.*, 1998). The driving factor thus remains the guarantee of satisfaction because *"in order to engage customers in an exchange process and keep them in a long-term relationship, satisfying customers is important"* (Chen and Quester, 2006, p. 189). Therefore, if the employee's customer orientation is high, s/he will immediately sacrifice the sale if it is not in the customer's best interest.

As a result of relationship strength, Bove and Johnson (2000) further argue that the customer can be loyal to either the organization (service loyalty) or a particular service worker (personal loyalty). On the one hand, where the customer forms strong relationships with multiple service workers, the commitment to these relationships and the trust felt towards the services workers tend to transfer (through positive attitudes) to the organization as a whole (Beatty *et al.*, 1996). Therefore a direct path is expected between relationship strength and true customer loyalty,

when the customer forms strong relationships with multiple service workers (Bove and Johnson, 2000). However, on the other hand, where the customer forms a strong relationship with only one service worker, the commitment to the relationship and the trust felt towards the service worker would only translate into high personal loyalty to the particular service worker (Bove and Johnson, 2000). This is especially the case when the customer perceives the service worker's performance to be unique compared to the other service workers in the same field. However, Bove and Johnson (2000) further contend that the strong relationship between a customer and a particular service worker will eventually transfer to the organization - through regular use of the service worker (high patronage) - in the form of loyalty to the organization.

2.8 Rationale for The Focus on Service Experiences

This section investigates the rationale for the focus on the delivered service experienced by customers. The variables of perceived service quality, service failure and recovery, service as theatre, internal marketing, perceived value, satisfaction, commitment, trust and loyalty have been chosen for further examination because several services marketing experts have suggested that they represent the future path of services marketing (see Section 2.5.4). Similarly, other marketing experts indicate that these areas represent both behavioural and attitudinal outcomes of the service experience, which determine the future behaviour of customers and by extension, affect future company performance (see for example, Aaker *et al.*, 2004; Ashill *et al.*, 2005; Bell and Luddington, 2006; Bowen and Chen, 2001; Calhoun, 2001; Chen and Quester, 2006; Dabholkar *et al.*, 2000; Edvardsson, 2005; Evanschitzky and Wunderlich, 2006; Hocutt *et al.*, 2006; Kau and Loh, 2006; Lerman, 2006; Maxham

and Netemeyer, 2002; Olorunniwo *et al.*, 2006; Parasuraman and Grewal, 2000; Palmer, 2000; Reichheld *et al.*, 2000a; Reichheld *et al.*, 2000b; Schoefer and Ennew, 2005; Sherry *et al.*, 2001; White and Yu, 2005). To reinforce the essential nature of these constructs, a review of the conceptual underpinnings of each follows in the closing sections. The importance of these constructs cannot be over-emphasised as they represent the perceptions, feelings and intentions of the very customers to whom service practitioners attempt to provide quality service.

2.8.1 Perceived Service Quality

Zeithaml (1988) defines perceived service quality as the customer's judgement about the extent of superiority or excellence of the service. Similarly, Brady and Cronin (2001) define service quality as 'the overall assessment of the standard of service received'. Given this centrality of service quality to customers' loyalty intentions in service settings (Cronin *et al.*, 2000), the focus of academic and practitioner interest now seems to rest on improving the quality of services delivered to customers (Edvardsson, 2005; Kang and James, 2004; Parasuraman and Grewal, 2000). Indeed, Zeithaml (2000, p. 78) asserts that *"of all the relationships in the chain between service quality and profitability, the link between service quality and purchase intentions has been most often researched and confirmed"*. This position is supported by Brady and Robertson (2001) who contend that as service quality is a cognitive assessment, a high service quality perception can lead to satisfaction, which may in turn lead to favourable behavioural intentions.

The very well-received Service Quality (SERVQUAL) framework introduced by Parasuraman *et al.* (1985) is believed to have driven service quality literature considerably. The framework is suggested for use in the explanation of

service quality shortfalls, through the identification of the gap or perceived judgement between customers' expectations of service performance, and perceptions of their *actual* service experiences (cf. Cronin and Taylor, 1992, 1994; Gronroos, 1984; Lam and Woo, 1997; Khatibi *et al.*, 2002; Parasuraman *et al.*, 1988; Stewart and Chase, 1999; Svensson, 2001).

Comprising the dimensions of *tangibility* (appearance of the organization's physical facilities, equipment, personnel and communication materials), *empathy* (the caring individualised attention provided to customers), *reliability* (the organization's ability to perform the promised service dependably and accurately), *responsiveness* (the organization's willingness to help customers and provide prompt service), and *assurance* (knowledge and courtesy of employees and their ability to convey trust and confidence), Lam and Woo (1997, p. 1) assert that *"the SERVQUAL scale has been used by both academics and practising managers in various industries across different countries"*. Relevant literature supports this assertion, revealing several attempts to apply the measure across sectors (see for example, Babakus and Boller, 1992; Carman, 1990; Clow *et al.*, 1995; Finn and Lamb, 1991) and across countries (see for example, Angur *et al.*, 1999; Caruana *et al.*, 1998; Cui *et al.*, 2003; Pitt *et al.*, 1995; Winsted, 1999). Svensson (2001) argues that the popularity and importance of the scale is largely due to its contribution to the strength of interpersonal, intra-organizational and inter-organizational service encounters. Similarly, Fisk *et al.* (1993) maintain that service quality is the most researched area of services marketing, and this explains why it has *"the highest degree of conceptual variations"* (Zins, 2001, p. 274). This identification is upheld by Cui *et al.* (2003) who caution that to prevent misleading results, the original measurement scales should be properly adapted to fit context.

The provision of quality service by organizations to their customers during the service encounter forms the backbone of service research (Boulding *et al.*, 1993; Brady and Robertson, 2001; Cronin and Taylor, 1992, 1994; Crosby, 1979; Dabholkar, 1993; Dabholkar *et al.*, 2000; Edvardsson, 2005; Gronroos, 1984, 2001; Parasuraman *et al.*, 1985, 1988, 1991, 1994; Spreng and Mackoy, 1996; Zeithaml *et al.*, 1996) and as such has been mentioned repeatedly in this review. Marketing scholars (as referenced above) add credence to the position of Heskett *et al.* (1994) that just like in manufacturing, this shift to a quality focus is essential to the survival of service businesses as well. However, despite the current drive for quality in service industries, the relationship between service quality and profit implications was not initially obvious. The relationship took time to verify primarily because the expectation was that the connection would be simple and direct (Zeithaml *et al.*, 1993). Rather, Zahorik and Rust (1992) explain that the link is neither straightforward nor simple. Indeed, Parasuraman and Grewal's (2000) study traced the convoluted relationship between service quality and profitability through the constructs of perceived value and loyalty, arguing that customer loyalty ensures long-term profitability. Similarly, Clemmer (1990) postulates that superior service quality is the third ring of perceived value, the first two being the basic product or service, and extended support services. Thus, key to the argument in favour of greater concentration of efforts in the delivery of service quality to customers is its link to perceived value, satisfaction, commitment, trust and particularly, loyalty (Harris and Goode, 2004). This identification is made all the more important by the affirmation of Bansal *et al.* (2005) that it is clear that poor quality or changes in an organization's quality levels will provoke a change in consumers' attitudes towards the organization and will likely lead to a change in their behaviour.

2.8.2 Service Failure and Recovery

Service failure and recovery management is of strategic importance in the marketing of services (Ashill *et al.*, 2005; Bell and Luddington, 2006; Kau and Loh, 2006; Lerman, 2006; Reynolds and Harris, 2005) because *"one negative service encounter, or service failure, may permanently lower consumers' overall satisfaction"* (Hocutt *et al.*, 2006, p. 199) and lead to defection, negative word-of-mouth and a reduction in profitability levels (Andaleeb and Conway, 2006; Bodey and Grace, 2006; Harris *et al.*, 2006; Lorenzoni and Lewis, 2004; Mattila, 2001; Miller *et al.*, 2000).

Service failure is defined as 'a mistake or error that occurs in the delivery of the service' (Colgate and Norris, 2001), representing a form of brand-relationship transgression (Aaker *et al.*, 2004). Exhorted to strive towards a 'zero defects' service provision (Schoefer and Ennew, 2005), service providers face increasing difficulty aligning these expectations with customer perceptions. As the service sector involves *"increasing diversity in the modes of service delivery, in sources of service provision, and in patterns of consumer-provider interaction"* (Laing *et al.*, 2002, p. 479), service provider control during the service encounter cannot be absolute. This lack of overall control invariably leads to a quality divergence between the actual service as received by customers and the proposed service as intended by service managers. Indeed, the very characteristics of services – particularly that of heterogeneity – somewhat guarantee that the quality of service provision will, on occasion, fail to attain acceptable levels (Boshoff and Allen, 2000; Hocutt *et al.*, 2006; Lewis and McCann, 2004; Lorenzoni and Lewis, 2004). As a result, *"if service failure cannot be wholly eliminated, then understanding the processes of service recovery and the way in which consumers respond can be of considerable*

value in managing organizational performance" (Schoefer and Ennew, 2005, p. 261).

In order to address the problems of failed deliveries, service recovery measures are required. Service recovery is defined as 'the actions taken by a service provider in response to a service failure' (Gronroos, 1988), *"with the ultimate objective of restoring the customer to satisfaction and keeping his/her custom"* (Lorenzoni and Lewis, p. 12). Similarly, Olorunniwo *et al.* (2006) define service recovery as 'the degree to which service providers actively take corrective actions when something goes wrong or something unexpected happens'. It is argued that the type of actions taken by the service provider – particularly front-line staff – will have a significant effect on the outcome of service recovery (Boshoff and Allen, 2000). These actions, to be effective, should include the five ingredients of effective service recovery: apology, urgent reinstatement, empathy, atonement, and follow-up (Bell and Zemke, 1987).

Also of critical importance is the need for service providers to identify what customers in their service industry consider appropriate recompense for service failures. For instance, within the restaurant environment (a low-critical situation), displeased customers tend to view economic compensation in the form of free food, a discount or coupons (rather than replacement or correction) as a satisfaction-inducing outcome of service failure (Hoffman *et al.*, 1995). This is of great interest because the study by Bitner *et al.* (1994) revealed that in a significant number of cases, it was an inappropriate response to service failure that accounted for customer dissatisfaction, rather than the service failure itself. Further, as the study by Zeelenberg and Pieters (2004) identified a linear relationship between customer

satisfaction and organizational profitability, *"efforts to resolve customer complaints make good business sense"* (Lerman, 2006, p. 92).

Indeed, such is the impact of effective service recovery that several researchers have highlighted the existence of a service recovery paradox which is that successfully resolved service failures tend to create a stronger sense of customer commitment towards the providing organization than if the failure had not occurred in the first place (see for instance, Abrams and Pease, 1993; Kelley *et al.*, 1993; Maxham and Netemeyer, 2002). The findings of the longitudinal study of customers' banking experiences by Maxham and Netemeyer (2002) however caution that while effective service recovery after the first failure paradoxically led to an increase in positive outcomes (such as satisfaction, word-of-mouth and repurchase intentions), customer ratings declined after a second service failure – despite satisfactory recoveries. In fact, in direct challenge to the service recovery paradox, the study by McCollough *et al.* (2000) found that customer satisfaction ratings were higher after error-free service delivery than after service failure and recovery. Therefore, a concentration on the formulation of a satisfactory service recovery strategy (to serve as substitute for service quality delivery initiatives) may be ill-advised within the context of services marketing. That said, it is important to emphasise that unresolved service shortfalls are likely to immediately trigger negative emotions (Inman and Zeelenberg, 2002; White and Yu, 2005; Zeelenberg *et al.*, 2000) which link directly to negative outcomes such as switching behaviour (Babin and Babin, 2001; Miller *et al.*, 2000) because negative emotions have a stronger influence on post-choice evaluation (Inman *et al.*, 1997).

2.8.3 Service as Theatre

The interaction of customers with service providers is an experience (Harris *et al.*, 2003). In a bid to better understand the complexity of the interaction, the experience of customers and service providers has been placed within the context of theatre. This approach was first broached with the view to upholding the focus on the 'total customer experience', arising in the creation of the theatre metaphor as a dominant one in services marketing (Grove and Fisk, 1992; Kanter, 2002; Sherry *et al.*, 2001). Indeed, Harris *et al.* (2001) identify the growing use of theatrical terminology by retailers as descriptors for their offers. For instance, mention is made of Berketex Bride Ltd. '*auditioning for employees*' and Niketown in Chicago referring to customers as '*the audience participating in the production*'. This increasing alignment to theatre is designed to: (1) create an elaborate theatre environment within the store; (2) emphasise fun, excitement and entertainment; and (3) encourage greater audience/customer participation (Baron *et al.*, 2000).

The emphasis by Baron *et al.* (2000) on the encouragement of customer participation follows from Pine and Gilmore's (1999) identification of the service encounter being one where customers are clearly more participants than spectators. Indeed, the participatory-based interdependence of role behaviours between provider and service customer informs Williams and Anderson's (2005, p. 13) contention that "*principles in theatre arts provide the tactical detail needed to fit service creation elements into analogous roles in a drama setting*". According to Wilson (2001), these roles through which customers can be engaged have been identified to include those of the director (provider of direction for the consumption process), the lead actors/actresses (central to the consumption of the service), the supporting cast (assisting in articulating the lead act's character), the set (the servicescape), the

audience (other customers), and the script (the proposed service delivery process). On this basis, Williams and Anderson (2005) assert that whereas most past research introducing a theatre model have tended to confine the customer to the audience or spectator role (that is, a role which places them firmly as the *receiver* of services only), the above characterization indicates that customers are actually co-creators, engaging in service design and assembly. Similarly, Lengnick-Hall *et al.* (2000, p. 360) contend that *"customers are the primary raw material the human service system seeks to change; therefore, customers are also required participants in the basic work of the enterprise"*.

Given the above, relevant literature forwards the position that due to the transitory nature of services and the core component of human relationships in its delivery, parallels are easily drawn between the service experience within consumption settings (servicescapes) and techniques from the practical theatrical experience. It will thus be of benefit to service practitioners for this perspective to be upheld as it accords adequate recognition to the participatory role of the customer within the servicescape.

2.8.4   Internal Marketing

The role of marketing is experiencing change within organizations with emphasis being increasing laid on partnering within the organization, teamwork among members, and shared responsibility (Gilmore, 2000). This is a result of the rise in discussions and debates on internal marketing over several years (Foreman, 2000), with the strong suggestion that internal marketing is a determinant of effective external marketing (Gronroos, 2000; Kotler, 2000; Lings and Greenley, 2005). This

position is supported by Rafiq and Ahmed (2000) who state that the roots of internal marketing lie in efforts to improve service quality.

Considered a strategic management issue (Ballantyne, 2000; Gronroos, 2000), internal marketing is believed to involve the use of marketing techniques within the organization as a means of creating and communicating organizational values (Hogg and Carter, 2000). More comprehensively, Rafiq and Ahmed (2000) define internal marketing as:

> *"a planned effort using a marketing-like approach to overcome organizational resistance to change and to align, motivate and inter-functionally co-ordinate and integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer orientated employees".*

While the above definition (a development of an earlier one in 1993) helps to highlight the extent to which internal marketing has an influence within organizations, it still fails to acknowledge the possibility that employees may be self-motivated and that internal marketing is able to provide an enabling environment for these motivations to be valued (Varey and Lewis, 1999).

Palmer (2000, p. 172) asserts that *"successful organizations understand the importance of contact personnel and see an important role for internal marketing"*. However, according to Gilmore (2000, p. 75), despite the recorded advances of internal marketing implementation within organizations, *"the problem of achieving a holistic, organization-wide, action-oriented implementation of internal marketing still remains"*. This is surprising as similar recommendations have been made for several decades. For instance, Berry (1981) recommended:

"... viewing employees as internal customers, viewing jobs as internal products, and then endeavouring to offer internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organisation. "

In more recent times and with a view to supplementing earlier arguments, Rafiq and Ahmed's (2000) delineation of the internal marketing remit to include the overcoming of organizational resistance and the alignment, motivation and integration of employees towards the effective implementation of corporate and functional strategies, is one which encapsulates fully not only the main elements of internal marketing, but also the literary development of the construct through the stages of (1) employee satisfaction, (2) customer orientation and (3) strategy implementation/ change management. The success of these central tenets hinges on their full adoption by organizational workers. Attempts by organizations to encourage employee commitment in this regard are not new. However, the active, market-oriented focus is a new approach to addressing this old problem (Varey and Lewis, 1999).

2.8.5 Perceived Value

The concept of perceived value is difficult to define and measure (Holbrook, 1994; Woodruff, 1997; Zeithaml, 1988). An attempted definition is that perceived value is the consumer's overall assessment of what is *received* relative to what is *given* (Zeithaml, 1988; Lovelock, 2001). In other words, it is the result of the customer's assessment of the trade-off between quality perception and his/her monetary and non-monetary sacrifices (Bolton and Drew, 1991). However, this assessment is highly personal as the perception of value tends to vary widely from one customer to another (Holbrook, 1994; Zeithaml, 1988). Studies show (see for example, Jacoby

and Chestnut, 1978; Pessemier, 1959; Reichheld, 1996) that brand loyal customers may be willing to pay more for a branded product or service because they perceive some unique value in the brand that no alternative can provide. Parasuraman (1997) contends that this value assessment may be dynamic in the sense that it is susceptible to change during various stages of a customer's association with an organization, because of the variability of service delivery during the service encounter.

Ryan *et al.* (1999) posit that value, or worth received for money spent, is a direct antecedent of loyalty. They argue that the higher the perceived worth, the more likely there will be a repurchase commitment. This view is echoed by Stum and Thiry (1991) who state that to drive loyalty, value has to be added to the transaction, and by Dodds *et al.* (1991) who argue that in a pre-purchase situation, value perceptions exercise a direct influence on the initial willingness to buy, and on subsequent re-purchase intentions (Bolton and Drew 1991).

2.8.6 Satisfaction

Jones and Sasser (1995) contend that achieving customer satisfaction is the primary goal for most service firms today. Ryan *et al.* (1999) define satisfaction as contentment with the total ownership or relationship experience. Satisfaction has also been defined by Kelly and Davis (1994) as a variable frequently associated with affecting both customer and employee commitment.

Conceptually, Bolton and Drew (1991) assert that satisfaction is a purchase outcome whereby consumers compare rewards and cost with anticipated consequences. Based on these consumer comparisons or perceptions, it is likely that

the higher the degree of contentment, the more a customer is committed to repurchase (Ryan *et al.*, 1999). Operationally however, it is argued that satisfaction is similar to attitude (Bitner, 1990) as it represents the sum of several attribute satisfaction judgements. From this perspective, satisfaction is positioned as a transaction specific measure (Bitner, 1990; Parasuraman *et al.*, 1988). However, Cronin and Taylor (1994) disagree stating that satisfaction represents a global judgement rather than a transaction specific measure.

Similar to customer evaluations of service quality, after the service encounter the customer compares actual performance against initial expected performance. The result of this comparison will be either confirmation (when the two performances match) or disconfirmation (when there is a mismatch). Fornell *et al.* (1996) affirm that disconfirmation can be either positive or negative. According to them, disconfirmation is positive when initial performance expectations are exceeded, and negative when expectation levels are not attained. Fornell *et al.* (1996) go on to argue that the confirmation or disconfirmation experienced by the customer is what leads to the emotional reactions called satisfaction and dissatisfaction.

Studies (see for example, Mittal and Lassar, 1998; Elnan and Andersen, 1999) have found that a positive relationship exists between customer satisfaction and service quality. Fornell *et al.* (1996) also contend that perceived value directly influences customer satisfaction. Furthermore, of significant importance is the establishment by studies (see for example, Bloemer and Kasper, 1995; Oliva, *et al.*, 1992; Reichheld, 1994; Schneider and Bowen, 1999) that the relationship between satisfaction and loyalty is non-linear.

2.8.7 Commitment

The concept of commitment emerged predominantly in the distribution channel literature (Martin and Goodell, 1991). Commitment has been defined by Beatty and Kahle (1988, p. 4) as the *"emotional or psychological attachment to a brand"*. Similarly, Morgan and Hunt (1994, p. 23) define commitment as *"an ongoing relationship with another that is so important as to warrant maximum efforts at maintaining it"*. Generally, commitment is an enduring desire to maintain a valued relationship (Moorman and Zaltman, 1992).

Commitment has been portrayed by Jacoby and Kyner (1973, p. 3) to be critical in *"assessing the relative degrees of brand loyalty"*. This position has been criticised by Assael (1987) who maintains that commitment and loyalty are synonymous and represent each other, and by Oliva *et al.* (1992) who assert that commitment and loyalty are not even related. Offering a compromise position between these divergent views, Beatty *et al.* (1988) postulate that the constructs of commitment and loyalty are distinct yet related.

To delineate the construct of commitment further, researchers have taken steps to comprehend its formative process. For instance, Salancik (1977) argues that commitment occurs and is strengthened when customers experience the three perceptual states of *revocability* (not easily reversed), *publicness* (known to significant others) and *volition* (undertaken freely). Similarly, Crosby and Taylor (1983) have argued that *information* (the level of complexity and consistency of information which may lead to attitudinal confidence), *identification* (the link between a preference and one's personal values and self-image), and *volition* (freedom to act unhindered) underscore the antecedent processes of commitment.

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Similarly, although Jacoby and Chestnut (1978) position commitment as having both a behavioural and an affective component, Odekerken-Schroder (1999) argues that in empirical research, commitment can only be used to denote customers' affective preferences. However, the point of convergence in the commitment literature is the view of its strong relation to trust.

2.8.8 Trust

Morgan and Hunt, (1994, p. 23) define trust as *"confidence in an exchange partner's reliability and integrity"*. Stated otherwise, trust is based on the premise that others will behave as expected (Knoll and Jarvenpaa, 1998). Similarly, Achrol (1997) argues that trust is indicated by each participant's confidence in the other's sincerity, reliability, loyalty, and willingness to refrain from opportunistic behaviour. Trust is thus an outcome of the honest and fair treatment of customers and the provision of consistent and competent service (Berry, 1999; Johnson and Grayson, 2000; Morgan and Hunt, 1994). Although some studies reject the criticality of trust in the formation of long standing relationships between organizations and their customers (see for example, Doney and Cannon, 1997; Grayson and Ambler, 1999), it is generally accepted that the level of trust in the relationship between organizations and customers will determine how long the relationship will last (Berry, 1999; Bitner, 1995; Morgan and Hunt, 1994; Wilson, 1995). After all, as asserted by Gundlach and Murphy (1993, p. 41), *"the variable most universally accepted as a basis of any human interaction or exchange is trust"*.

Lewicki and Bunker (1996) propose three qualitatively different types of trust, initially based on research on romantic relationships, but adjusted to service

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relationships. They are: calculus-based trust (trust in the service provider because it is in the provider's best interest not to suffer the loss of reputation and profits that a violation of trust would lead to); knowledge-based trust (based on the customer knowing the service firm well and s/he being able to anticipate its actions); and identification-based trust (based on complete confidence in the service organization's willingness to act in the customer's best interests). More recently, Johnson and Grayson (2000) advanced four elements as the different sources of trust. These have been categorised into: generalised trust (which may be based on the firm's reputation); personality-based trust (based on a person's trusting nature); system-based trust (based on the influence of regulating authorities); and process-based trust (based on impersonal processes and routines that create a stable context for exchange).

Achrol (1997) argues that trust is critical to all organizations in their dealings with customers because with the presence of trust, the performance of the firm is enhanced. Similarly, Hoffman (2000) proposes that the presence of trust and commitment results in sustainable competitive advantage for organizations. This is because, *"to gain the loyalty of customers, you must first gain their trust"* (Reichheld and Schefter, 2000, p. 107).

2.8.9 Loyalty

It is believed that the construct of loyalty emerged as a result of the need to answer questions on how and why consumer preferences emerge (Evanschitzky and Wunderlich, 2006), stemming from early satisfaction and dissatisfaction literature (Schoenbachler *et al.*, 2004). Loyalty is an important concept in strategic marketing (Rundle-Thiele and Bennett, 2001) primarily because *"loyal customers are the*

lifeblood of an organization, regardless of its scale and business scope" (Chen and Quester, 2006, p. 188). Consequently, the prospect of identifying the drivers of loyalty has captured both the attention and interest of marketing scholars for several decades (Rundle-Thiele and Bennett, 2001). However, *"gaining customer loyalty is less straightforward and more complex than several previous studies have suggested"* (Evanschitzky and Wunderlich, 2006, p. 340)

There is no universal agreement on the definition of loyalty (Uncles *et al.*, 2003) as several definitions have been advanced from different theoretical perspectives in a bid to capture the essence of the concept. For instance, Ryan *et al.* (1999) define loyalty as 'a commitment to repurchase'. Schoenbachler *et al.* (2004) posit that loyalty is 'the tendency to repurchase the same brand time after time, with an added psychological commitment or attitudinal bias towards the brand'. Other definitions of an attitudinal nature tend to focus on customers' preferences, intentions or strength of affection for a brand (Iwasaki and Havitz, 1998). Similarly, Oliver (1997, p. 392) views loyalty as a strong commitment to repurchase a product or service *"regardless of situation influences or marketing efforts geared towards causing switching behaviour"*. On the basis of a synthesis of proffered definitions, loyalty can be characterised as a customer's state of fidelity or faithfulness to a product or service.

It is contended that loyalty can take an attitudinal (determinist), behavioural (stochastic) or composite form (see Chaudhuri and Holbrook, 2001; Dick and Basu, 1994; Gremler, 1995; Jacoby and Chestnut, 1978; Lee and Cunningham, 2001; Odin *et al.*, 2001; Oliver, 1997; Rundle-Thiele and Mackay, 2001; Zins, 2001). Stated otherwise, as Uncles *et al.* (2003) explain, the three conceptualisations of loyalty

which have received significant scholarly attention are: (1) loyalty as an attitude that leads to a relationship with the brand; (2) loyalty mainly expressed in terms of revealed behaviour (that is, purchase pattern); and (3) loyalty moderated by an individual's characteristics, circumstances, and/or the purchase situation. Hence, attitudinal loyalty involves cognitive, affective and conative elements, which act as mediators between stimuli and responses (Rundle-Thiele and Mackay, 2001; Zins, 2001). Behavioural loyalty involves repeat purchase behaviour whose three main measures Jacoby and Chestnut (1978) identified to be *proportion of purchase*, *sequence of purchase*, and *probability of purchase*; based on customers' purchase history. The composite form of loyalty originally proposed by Day (1969) involves an amalgamation of both the attitudinal and behavioural forms of loyalty (Gremler, 1995; Odin *et al.*, 2001).

As there is no universally acknowledged definition of loyalty, it is likely for this reason that there remains no agreement on the best way to measure the construct. While some researchers have forwarded the merits of an attitudinal approach, others have raised the importance of a behavioural measure. To combine the merits of both approaches, the composite measure has become popular with loyalty scholars. While a two-dimensional composite measure is considered the best approach because it substantially increases the predictive power of loyalty (Bowen and Chen, 2001), Rundle-Thiele and Bennett (2001, p. 26) however warn that seeking a cure-all solution to the measurement of the loyalty construct is *"akin to the quest for the Holy Grail"*. They proceed to suggest that the type of market should determine the choice of brand loyalty measure(s) used. For instance, their highly-referenced article identified that due to the typically 100 percent share of category requirements (such as in hairdressing or accounting services) and difficulty in obtaining behavioural

statistics, an attitudinal approach may be useful in measuring loyalty in services businesses. However, the article is quick to point out that in determining customers' frequency of purchase, behavioural loyalty measures also have a medium to high application in services.

The study of customer loyalty centres on elements such as market share, company/brand allegiance and exclusive purchase (Rundle-Thiele and Mackay, 2001; White and Yu, 2005). These elements are founded on the notion that purchase decisions driven by loyalty considerations may become so entrenched as to be habitual for the customer (Rundle-Thiele and Bennett, 2001). Furthermore, Weiner (2000) posits that loyal customers tend to attribute service failures to 'unstable factors' (that is, factors outside the control of the provider). This leads them to remain loyal despite dissatisfying experiences. Therefore, loyal customers are an asset to the companies/brands as a loyal customer base is a major determinant of brand equity (Dekimpe *et al.*, 1997). This has given rise to the view that *"consumer choice behaviour is not a random process, and therefore, market shares of exchangeable goods or services are not equally distributed"* (Evanschitzky and Wunderlich, 2006, p. 330). Unfortunately however, despite its criticality within service settings (Rundle-Thiele and Bennett, 2001), services brand loyalty has received relatively little scrutiny in academic literature and popular press (Berry, 2000), compared to matters relating to goods loyalty (Javalgi and Moberg, 1997). In an attempt to encourage customer loyalty by building brand image, several measures have been pursued (Schoenbachler *et al.*, 2004). These attempts initially centred on the almost exclusive use of mass awareness advertising campaigns. They soon progressed to the use of promotional tools such as discounts and coupons, and most recently, the development of loyalty schemes whereby customers receive direct

reward for displaying loyal behaviour (Schoenbachler *et al.*, 2004). The idea behind loyalty schemes and the reason for their success is that card holders are more likely to repatronise the organization from which the card was obtained so as not to lose out on the benefits promised. Similar tactics are used within the airline industry where customers can accumulate flyer miles on every trip whenever they patronise the same airline. This, like retailer loyalty cards or even co-branded credit cards (Schoenbachler *et al.*, 2004), serves to ensure that customers develop a pre-dispositional commitment towards a particular organization (see Section 4.71 on Variety-Seeking Behaviour).

Dick and Basu (1994) have argued that based on repeat patronage and relative attitude (the quality evaluations for one product or service in relation to an alternative one), loyalty can be classed into four distinct categories. The categories are *true loyalty* (the most ideal form of loyalty involving a customer's total commitment and strong feeling of attachment or emotional bond over the long term); *spurious loyalty* (involving a situation where the customer is forced to remain with an organization because s/he cannot go elsewhere due to certain factors, for example, system incompatibility with software from other organizations); *latent loyalty* (involving a hidden form of loyalty which lies within a customer's relationship with a particular organization); and *no loyalty* (when the customer remains open to offers from competitors). This categorisation was further developed by Oliver (1997) into a framework comprising the four sequential stages of loyalty which are: (1) *cognitive loyalty* (the existence of beliefs that a brand is preferable to others), (2) affective loyalty (a favourable attitude or liking based on satisfied usage), (3) *conative loyalty* (the development of loyalty intentions characterized by a deeper level of

commitment), and (4) *action loyalty* (the conversion of intentions to action, accompanied by a willingness to overcome impediments to such action).

The practice of loyalty categorisation is supported by Bloemer and Kasper (1995) who argue that loyalty is not static but instead can be represented on a continuum from spurious loyalty to true loyalty, where spuriously loyal customers show less commitment than truly loyal customers. Bloemer and Kasper (1995) further argue that since the level of elaboration on the part of the customer may act as a moderator between satisfaction and loyalty, the satisfaction – loyalty relationship, contrary to belief, is not direct. Oliva *et al.* (1992) explain that the relationship is non-linear because loyalty is only affected when satisfaction increases above a certain level, below which it remains unaffected. Therefore, the more positive the customer's experience, the more likely s/he will be willing to reuse the service (Burton *et al.*, 2003). Schneider and Bowen's (1999) study extends this insight by advancing the extreme emotional dimensions of *delight* and *outrage*. Delight is a very high level of satisfaction far beyond customer expectations, which is very likely to cause the customer to display loyalty behaviour, and outrage is and has the opposite effect.

These varied attempts to better understand and measure loyalty is reflective of the benefits that can accrue to an organization if its customers are retained. A loyal customer base is of great advantage to the organization because it reduces the marketing cost of doing business (Rundle-Thiele and Bennett, 2001) and loyal customers tend to engage in positive word-of-mouth (Sirdeshmukh *et al.*, 2002). The effect of word-of-mouth is particularly significant within the hospitality industry as Palmer *et al.* (2000, p. 517) identify that *"word-of-mouth recommendation can be*

critical to the continued success of many types of restaurant" and Bowen and Chen (2001, p. 216) note that *"the importance of word-of-mouth can never be overemphasised within the hotel industry"*. This propensity of loyal customers to engage in word-of-moth advertising at no extra cost to the organization (termed the 'loyalty ripple effect') decreases customers' perceived risk (Bowen and Chen, 2001), creates an additional revenue stream for service organizations, increases value and reduces the overall cost of doing business (Gremler and Brown, 1999). In addition, a small change in customer retention can yield disproportionately large changes in profitability. For instance, the study by Reichheld *et al.* (2000a) revealed that a five-percentage point shift in customer retention consistently resulted in 25-100% profit swings. This identification is congruent with several similar studies which highlighted the economic impact of customer retention (see for instance, Bowen and Chen, 2001; Reichheld, 1996; Reichheld and Sasser 1990; Reichheld and Schefter 2000; Thomas, 2001). Reinforcing the review above, Olorunniwo *et al.* (2006) specifically state the following effects of customer retention on profitability:

(i)   Increased income is generated for the organization through repeat business.

(ii)   Due to expenses associated with advertising, promotion, and start-up activities, acquiring new customers can cost a lot more than retaining existing ones.

(iii)   Loyal customers often act as ambassadors for the organization, spreading the word and recommending the organization to several others.

Based on the above, *"loyalty seems to be an important antecedent to financial outcome"* (Evanschitzky and Wunderlich, 2006, p. 330). As a result, Zins (2001, p. 288) contends that *"loyalty management is a key concern in marketing"*. Similarly, Pritchard *et al.* (1999, p. 333) postulate that, *"understanding how or why a sense of*

loyalty develops in customers remains one of the crucial management issues of our day ".

In summary, the closing sections of this review address the conceptual areas identified by service experts as central to the future of services marketing. The linkages between these variables is appropriately encapsulated by Bitner's (1992) model of servicescapes which traces the *journey* of the customer from the moment s/he approaches the *'service factory'* to the point after services have been received and evaluated. As these concepts are developed and operationalized within the service setting, a much wider and deeper understanding of the service setting through a review of the composition of the servicescape will help throw more light on customers' loyalty intentions towards service organizations. Additionally, as the elements of the servicescape and the level of delivered service have in turn been shown to be dependent on the organizational practices and methods of the service provider (see for instance, Chebat and Dube, 2000; Lam and Woo, 1997; Ogbonna and Harris, 2002b; Parasuraman, 1987; Webster, 1995), a review of the organizational climate and organizational culture literatures is pertinent to enable the formation of a complete picture of the complexities attributed to the dyadic or triadic interactions between service providers and their customers.

2.9   Concluding Remarks

This chapter set out to review the literature on services marketing with the purpose of synthesising the effects of the service encounter on the loyalty intentions of service customers. The chapter began with an examination of the distinction between goods and services, and then proceeded to provide definitions of services marketing. Then followed the delineation of services marketing's relevance in

relation to macroeconomics, management, and its augmentation with manufacturing activities. Thereafter, the emergence and development of services marketing was charted. This was carried out in addition to outlining the likely future developmental path of the area as identified by service experts. The presentation of the traditional marketing mix followed and reasons were provided for the extension of its framework to cater to the needs of the service industry. Lastly, the service encounter was reviewed using models showing the dynamic relationship between service workers and customers. In addition, the concepts of servicescapes, perceived service quality, service failure and recovery, service as theatre, internal marketing, perceived value, satisfaction, commitment, trust and loyalty intentions were presented and the nature of their interrelationships was explicated.

A critical finding that emerges from this review is the recognition of the importance of the physical environment in the delivery of services and the effect this has on the perceptual processes of customers, which determine approach or avoidance behaviour. A related critical finding is the influence that the practices and methods of an organization have in determining the tangible cues present in these physical environments and indeed, the attitudinal and behavioural responses of service workers at the interface. To address the above findings, the literatures on servicescapes, organizational climate and organizational culture require review. Chapter Three provides such a review.

Chapter Three: Servicescapes

3.1 Introduction

The previous chapter concludes with an examination of service encounters, entailing the identification of the influential role of cues present in the service environment and how customers' perceptions of these cues affect their loyalty intentions. In addition, pertinent literature reveals organizational climate and organizational culture to be valuable constructs that can help provide useful insights into the underlying design and construction of the service environment, and the performance of customer-contact employees. In a bid to explore the recommendations of the literature, this chapter is divided into three broad sections covering the literature on (a) servicescapes, (b) organizational climate, and (c) organizational culture. The aim is to highlight the different theoretical perspectives that have been advanced for each construct in order to highlight the extent of its impact in both shaping interactions in the service environment and influencing the loyalty intentions of customers.

The chapter begins with a section on servicescape which will cover definitions of the term to aid initial comprehension of the construct. Thereafter, an examination of the domain of the construct is conducted to map out its scope and identify the theoretical bases of the study, tracing the relationship from servicescapes to loyalty intentions. Finally, an analysis of the relevance of servicescapes in the electronic marketplace and the limitations of servicescape literature are presented.

The next section of the chapter is based on a review of the organizational constructs of climate and culture. Firstly, a review of the organizational climate literature is conducted with a focus on forwarded definitions and approaches to its study. Secondly, the organizational culture domain is reviewed by way of an

appraisal of the different definitions and paradigms that have been advanced to increase understanding in an area characterised by complexity and lack of consensus. Finally, the chapter concludes with the delineation of organizational climate and organizational culture to clarify the differences between these closely related organizational variables.

3.2 Definitions of the Servicescape

Outlining the advanced definitions for the servicescape construct serves to provide an initial understanding of the area before its theoretical bases are examined. The artificial environment where service encounters occur has been conceptualized in the literature by a variety of scholars using several different terms. For instance, it has been referred to variously as *'the physical environment'* (Baker, 1987), *'atmospherics'* (Babin and Attaway, 2000; Eroglu *et al.*, 2003; Foxall, 1997; Hoffman and Turley, 2002; Kotler, 1973; Turley and Milliman, 2000), *'marketing environment'* (Turley and Milliman, 2000), *'economic environment'* (Arnold *et al.*, 1996), *'interactive theatre'* (Mathwick *et al.*, 2001), *'healthscapes'* (Hutton and Richardson, 1995), *'environmental psychology'* (Holahan, 1982; Mehrabian and Russell, 1974; Sweet, 1989; Weinrach, 2000), *'servicescape'* (Aubert-Gamet, 1997; Aubert-Gamet and Cova, 1999; Bitner, 1992; Wakefield and Blodgett, 1996), *'store environment'* (Mattila and Wirtz, 2001; Roy and Tai, 2003; Spangenberg *et al.*, 1996), *'service environment'* (Cronin, 2003; Foxall and Greenley, 1999), and *'the place'* (Hutton and Richardson, 1995). These different terms reflect the eclectic nature of the literature in the area and have been used *"over the last 30 years of exploration and conceptual development in this literature stream"* (Turley and Milliman, 2000, p. 193). However, for the purpose of consistency and in keeping

with wide-acceptance, this thesis will employ the term 'servicescape', as coined by Bitner (1992), in reference to all artificial or built environments wherein service encounters occur; unless otherwise stated.

A review of the literature reveals that several definitions have been put forward to characterise the servicescape. Some of these very widely-referenced definitions are provided below in historical order.

The servicescape has been defined as:

1. The "...design [of] buying environments to produce specific emotional effects in the buyer that enhance his [or her] purchase probability" (Kotler, 1973, p. 50).
2. "All of the objective physical factors that can be controlled by the firm to enhance (or constrain) employee and customer actions" (Bitner, 1992, p. 65).
3. "The means by which a consumption environment engenders emotional reactions in customers, encouraging them to stay in the setting, browse, evaluate and purchase; or discouraging any of these activities" (Foxall, 1997, p. 506).
4. The "consciously designed places, calculated to produce commercially significant actions" (Arnould et al., 1998, p. 90).

The definitions advanced above express recognition of the effect of purposefully built environments on loyalty outcomes. According to Bitner (1992), these controllable physical factors (including but not limited to signage, furnishing, layout, colour, cleanliness, scent and music) can be systematically manipulated to produce desired effects in the form of a favourable disposition towards the servicescape – and by extension the providing organization (Arnould, et al., 1998). Specifically, Kotler (1973) and Foxall (1997) detail the moderating role of emotions in the

formation of either a favourable (approach) or unfavourable (avoidance) disposition. In Babin and Attaway's (2000, p. 93) estimation, the servicescape *"evokes emotions, these emotions help determine value, and this value motivates customers to patronize a given choice repeatedly"*.

Based on a synthesis of these proffered definitions, it is postulated that the servicescape can be defined as *"the design of the physical environment (with or without customer input) housing the service encounter, which elicits internal reactions from customers leading to the display of approach or avoidance behaviours"*.

With servicescape definitions providing an initial understanding of the construct, it becomes necessary to detail extant literature in the area. Thus, the next section addresses the servicescape domain; thereafter the theoretical underpinnings of the construct will be examined.

3.3 Mapping the Servicescape Domain

Looking at the bombed House of Commons in 1943, Winston Churchill is recorded as saying: *"we shape our buildings and afterwards, they shape us"* (Churchill, 1943). This enduring quote by Churchill signals his recognition of the servicescape influence on human behaviour. Churchill's position was mirrored almost fifty years later by Bitner (1992, p. 59) who stated that the belief *"that human behaviour is influenced by the physical setting in which it occurs is essentially a truism"*. Based on this identification, Bitner (1992) coined the term *'servicescapes'* in reference to the physical surroundings as fashioned by service organizations to facilitate the provision of service offerings to customers. It is asserted that the servicescape

comprises both tangible (such as the building, decorations and fixtures) and intangible (such as temperature, colour, scent and music) features which make up the service experience (Hoffman and Turley, 2002) and exact an influence on employee and customer behaviour (Baker, 1987; Bitner, 1992; Hoffman and Turley, 2002; Turley and Milliman, 2000). This capacity of the servicescape to not only impact behaviours, but also provide the context in which they occur has been previously recognised by "landscapers, architects, interior designers, far-sighted retailers" (Donovan and Rossiter, 1982, p. 34) and by environmental psychologists (see for example, Maslow and Mintz, 1956; Mehrabian and Russell, 1974; Mintz 1956) who pioneered work on the effects of the environment on behaviour.

The importance of the service environment was also recognised as far back as the 1970s by Kotler (1973, p.61) who asserted that the servicescape "may [in the future] become the chief form of competition". Similarly, Shostack (1977) maintained that the more intangible a service is, the greater the need to make it more tangible through the use of environmental cues. Correspondingly, Baker (1987) affirms that because the physical facilities are a visible manifestation of the intangible service, inexperienced customers (that is customers using the service organization for the first time) will rely on the organization's servicescape to make judgements on the organization's competence. Indeed, it has been suggested that the same can be said for experienced customers (that is customers who have used the service organization before) because in certain cases (such as with credence based services like health care and legal services), customers may find it difficult to evaluate services even after consumption (Koernig, 2003; Zeithaml, 1981). Thus, the inability to evaluate the received service may encourage customers to continue relying on the organization's servicescape in order to alleviate any cognitive

dissonance. As Kotler (1987, p. 389) identifies in his in-depth study on healthcare, *"if patients receive treatment in a rundown facility, they are likely to demean not only the facility, but the treatment as well"*. In the same way, Hutton and Richardson (1995, p. 59) contend that a properly designed servicescape for hospitals *"can have a positive impact upon the actual healing process of patients and the physical well-being of all participants in the environment"*. In more general terms, Hutton and Richardson (1995, p. 59) add that if a customer is satisfied with an organization's servicescape, then s/he is *"more likely to be satisfied with the complete service encounter"*.

Unfortunately, the influence exerted by servicescapes has barely been tapped as a tangible organizational resource (Becker, 1981; Bitner, 1992; Hoffman and Turley, 2002). Even though the effect of servicescapes on customers is widely-recognised, there remains a surprising lack of empirical research addressing its role in consumption settings (Bitner, 1992) and its impact on customers' purchase decisions (Cronin, 2003). In fact, Baker (1987, p. 81) identifies that firms often design their physical facilities *"without consideration of how the environment will affect consumers"*. Baker (1987) goes on to provide the example of the open-plan system which has been adopted by banks because it increases their efficiency and reduces utility bills, without taking into account their customers' need for privacy and confidentiality.

Hoffman and Turley (2002) assert that the importance of servicescapes in service organizations cannot be overemphasised. Likewise, Zeithaml *et al.* (1985) declares that environmental issues take on added importance in a service context. Thus, in recognition of the need for customer involvement in the conceptualization

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of the servicescape, the theoretical underpinnings of servicescape study will be addressed in the next section with emphasis placed on the S-O-R (stimulus-organism-response) relationship introduced by Mehrabian and Russell (1974).

3.4 The Theoretical Underpinnings of Servicescapes

It is generally accepted that the term 'atmospherics' was coined by Kotler (1973) in his very widely-referenced article, "Atmospherics as a Marketing Tool", which first recognised the influence of the in-store environment on the perceptual processes of customers' (cf. Turley and Milliman, 2000), leading to purchase/non-purchase decisions. Kotler (1973) asserts that customers perceive store atmosphere through a combination of visual (colour, lighting, proximity and number of visual elements), aural (music type, sound level), tactile (cleanliness), and olfactory (scent) cues present within the service environment. Based on this, Kotler (1973) called for further research in the area as he observed that there was, quite frequently, a disconnect between the use of nonverbal cues to project the atmosphere intended by the retailer, and same as perceived by the customer. The effect of non-verbal cues on customer perception has since been recognised by several studies. For instance, it is generally believed that nonverbal sources of sensation produce both cognitive (see Bitner, 1990, 1992; Mazursky and Jacoby, 1985) and affective (see Bitner, 1992; Crowley, 1993; Donovan and Rossiter, 1982) responses which influence customers' loyalty intentions either favourably or unfavourably (approach-avoidance behaviour). Similarly, Sundaram and Webster (2000) affirm that pleasing nonverbal cues producing positive emotions may encourage customers to associate positive characteristics with service providers, while unpleasant nonverbal cues producing

negative emotions are likely to cause customers to view service experiences negatively.

Whether accidentally or deliberately placed, the physical environment is rich in cues (Rapoport, 1982) which are commonly assessed by customers before and after purchase, to enable them reach a judgement on the provider's capabilities and quality (Berry and Clark, 1986; Koernig, 2003; Shostack, 1977; Zeithaml, 1981). These cues, as Ott (1989) describes, are artefacts made up of material and nonmaterial objects and patterns, whose placement or introduction into the servicescape is determined by the culture of the organization. By virtue of their presence in the servicescape, these objects are able to communicate to customers, information about the organization's technology, beliefs, values, assumptions, and 'ways of doing things'. This position is supported by Kotler (1973) who asserts that décor is used as a means of expressing the ideals of an organization to customers. It follows therefore that if the intrinsic cues of a service have low predictive value or the customer has low confidence in the evaluation of these cues, extrinsic cues such as organizational image (based on the assortment of cues) will be consulted more intensively (Hoch and Ha, 1986; Olson and Jacoby, 1972; Selnes, 1993). Consequently, in these situations, the satisfaction of customers will be influenced by the servicescape in which the service is delivered (Bitner, 1990; Harrell *et al.*, 1980).

Aside from the influence of the servicescape on customers, another area of key importance is the servicescape effects on employee motivation, satisfaction, and productivity (Baker *et al.*, 1988; Becker, 1981; Davis, 1984; Steele, 1986; Sundstrom and Sundstrom, 1986; Wineman, 1986). This area is important because as both customers and employees offer a direct input into service provision, the

outcome of the service delivery process may depend as much upon the actions of the customer as on the actions of the provider (Cronin, 2003; Ennew and Binks, 1999). Unfortunately, many servicescape studies do not address the contributory role of employees in servicescape perception (for example, Donovan and Rossiter, 1982; Kotler, 1973; Milliman, 1982, 1986). In this regard, it is postulated that since the interaction between customers and employees within the organization's facility is a process that occurs simultaneously (Echeverri, 1999; Gummesson, 1995; Larsson-Mossberg, 1994; Normann, 1992), it is necessary for the servicescape to also support the needs and preferences of both employees and customers simultaneously (Bitner, 1992).

3.4.1 The Stimulus–Organism–Response (S-O-R) Relationship

The widely-referenced stimulus-organism-response model forwarded by Mehrabian and Russell (1974) proposes that servicescape stimuli affect the emotional states of customers and thus lead to the display of approach-avoidance responses (see Figure 3.1). The relationship is confirmed in extant literature dating back to 1964 (see Turley and Milliman, 2000 for a comprehensive review of related studies). Of considerable importance is that every one of the sixty studies reviewed by Turley and Milliman (2000) identified a significant relationship between servicescape manipulation and shopping behaviour. These studies confirm the very widely-held stance (spanning several decades) that customers do indeed respond to servicescape stimuli (see for instance, Aubert-Gamet and Cova, 1999; Baker, 1987; Bitner, 1990, 1992; Cronin, 2003; Donovan and Rossiter, 1982; Eroglu *et al.*, 2000, 2001, 2003; Hoffman and Turley, 2002; Koernig, 2003; Kotler, 1973; Mattila and Wirtz, 2001; Mehrabian and Russell, 1974; Maslow and Mintz, 1956; Smith and Curnow, 1966;

Spangenberg *et al.*, 1996; Sundaram and Webster, 2000; Sweeney and Wyber, 2002; Wakefield and Blodgett, 1994, 1996).

Figure 3.1: The Mehrabian–Russell Model

| Environmental Stimuli | → | Emotional States: Pleasure Arousal Dominance | → | Approach or Avoidance Responses |
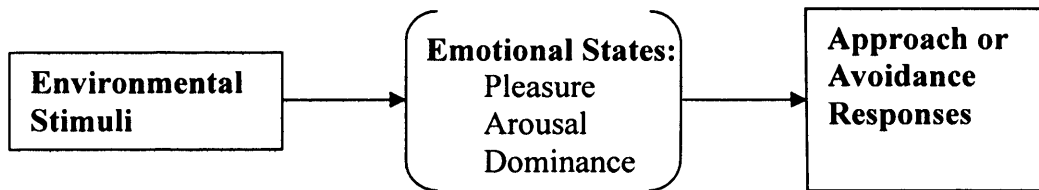
Adapted from Mehrabian and Russell (1974).

The Mehrabian-Russell theoretical model depicts what is described by Donovan and Rossiter (1982, p. 36) as a *"parsimonious description of environments, intervening variables and behaviours"*. Here, emotional states are posited as important mediators between servicescape stimuli and customer behaviour (cf. Bellenger *et al.*, 1977; Wakefield and Baker, 1998; Wakefield and Blodgett, 1996; Ward *et al.*, 1992). The model proposes that individuals evaluate the servicescape (favourably or unfavourably) based on the degree of emotional stimulation they receive from it. The degree of stimulation, Mehrabian-Russell (1974) postulate, will determine their response of either approach or avoidance of the servicescape in question. Each of the factors in Mehrabian and Russell's (1974) model are examined in the sections below.

3.4.2 Classification of Servicescape Stimuli

Servicescape variables are an essential part of the service encounter and delivery process (Hoffman and Turley, 2002). The servicescape is important because although customers cannot see a service as such, variables associated with the service serve as clues for the invisible service (Aubert-Gamet, 1997; Aubert-Gamet

and Cova, 1999; Baker, 1987; Bitner, 1992; Mattila and Wirtz, 2001; Sundaram and Webster, 2000; Sweeney and Wyber, 2002). Whilst accepting the importance of servicescape variables, Kotler (1973) contends that there is no one ideal servicescape composition for all industries. He argues that since each market is made up of customers with varying tastes, servicescape composition should be based on (a) the target audience, (b) what that target audience is seeking from the buying experience, (c) the servicescape variables that can fortify emotional reactions sought by the buyers, and (d) the ability of the servicescape to compete with the servicescapes of competitors (see Kotler, 1973 for a review of the use of servicescape components in different industry settings). Respecting these guidelines will lead to the creation of a motivating servicescape which will ensure favourable loyalty intentions and also help convert these intentions into actual buying behaviour (Kotler, 1973). Similarly, Donovan and Rossiter (1982, p. 37) state that servicescape stimuli can be manipulated systematically *"to predict the probable behavioural consequences of such variations"*. This is possible because the servicescape is influential in communicating either an image or a purpose to customers (Aubert-Gamet, 1997). For example, Sommer (1969) notes that because of their structure and meaning, people lower their voices and stop smiling in churches and banks. In the same way, dim lights in a restaurant setting communicate to diners that the setting is formal, thereby causing them to lower their voices (Hoffman and Turley, 2002).

Bitner (1992, p. 67) affirms that a *"total configuration of environmental dimensions"* is responsible for the constitution of the servicescape. This view follows from earlier environmental psychology research postulations that customers respond to environments in a holistic manner – after assessing the effects of all the discrete stimuli present (see for instance, Holahan, 1982). The notion of stimuli

congruency is also reflected in the conceptualization of servicescapes as originally advanced by Bitner (1992).

Hoffman and Turley (2002, p. 35) suggest that both tangible and intangible components *"are essential in creating service experiences"*. Similarly, Kotler (1973, p. 50-51) states that *"the atmosphere of a particular set of surroundings is describable in sensory terms"* which include perceptions that are visual, aural, olfactory, and tactile. Based on this categorisation, a review of pertinent literature reveals that several scholars have advanced broadly similar yet distinct environmental components which, they argue, comprise the servicescape and so should be applied in servicescape analysis. For instance, Westbrook (1981) advances the use of *layout, spaciousness, organization, cleanliness,* and *attractiveness*; Booms and Bitner (1982) employ the cues of *architecture, lighting, temperature, furnishings, layout,* and *colour*; Baker (1987) advises the application of *ambient factors, design factors,* and *social factors*; Bitner (1992) recommends the use of *ambient conditions, spatial layout and functionality,* and *signs, symbols and artefacts*; Berman and Evans (1995) suggest the use of *store exterior, general interior, layout and design,* and *point-of-purchase and decoration variables.*

In their study, Turley and Milliman (2000) adopt Berman and Evans' (1995) classification but, like Baker (1987), also consider *social factors* to be essential. Consequently, Turley and Milliman (2000) include *human variables* as a fifth category, arguing that doing so makes for a more robust typology (see Table 3.1).

Table 3.1: Atmospheric Variables

External Variables	General Interior Variables	Layout and Design Variables	Point-of-Purchase and Decoration Variables	Human Variables
Exterior signs	Flooring and Carpeting	Space Design and Allocation	Point-of-Purchase Displays	Employee Characteristics
Entrances	Colour Schemes	Placement of Merchandise	Signs and Cards	Employee Uniforms
Exterior Display Windows	Lighting	Grouping of Merchandise	Wall Decorations	Crowding
Height of Building	Music	Workstation Placement	Degrees and Certificates	Customer Characteristics
Size of Building	P.A. Usage	Placement of Equipment	Pictures	Privacy
Colour of Building	Scents	Placement of Cash Registers	Artwork	
Surrounding Stores	Tobacco Smoke	Waiting Areas	Product Displays	
Lawns and Gardens	Width of Aisles	Waiting Rooms	Usage Instructions	
Address and Location	Wall Composition	Department Locations	Price Displays	
Architectural Style	Paint and Wall Paper	Traffic Flow	Teletext	
Surrounding Area	Ceiling Composition	Racks and Cases		
Parking Availability	Merchandise	Waiting Queues		
Congestion and Traffic	Temperature	Furniture		
Exterior Walls	Cleanliness	Dead Areas		

Adapted from: Turley and Milliman (2000, p. 194).

The importance of a particular servicescape component is likely to vary across different service organizations (Bitner, 1992; Kotler, 1973). However, *"relevant dimensions of the servicescape can be isolated and general patterns can be explored"* (Bitner, 1992, p. 65). Therefore, as this thesis aims to evaluate the effect of servicescape cues on customers leading to their formation of loyalty intentions, Baker's (1987) typology of ambient factors, design factors, and social factors is particularly relevant to this analysis (and so is further examined below) because of its sociological bent which acknowledges the influence of human characteristics in shaping the service experience. Furthermore, categorisations of servicescape components by scholars who propose a human element have generally drawn from Baker's (1987) typology.

Table 3.2: Components of the Physical Environment

Ambient Factors	Background conditions that exist below the level of our immediate awareness	Air Quality • Temperature • Humidity • Circulation/Ventilation Noise (Level, Pitch) Scent Cleanliness
Design Factors*	Stimuli that exist at the forefront of our awareness	<u>Aesthetic</u> <u>Functional</u> Architecture Layout Colour Comfort Scale Signage Materials Texture, Pattern Shape Style Accessories
Social Factors	People in the Environment	<u>Audience (Other Customers)</u> Number Appearance Behaviour <u>Service Personnel</u> Number Appearance Behaviour

* Interior and Exterior

Adapted from: Baker (1987, p. 80).

3.4.2.1 Ambient Factors

Customer awareness of ambient factors is low because they usually exist on a subconscious level. In other words, they are only discernable when they are on an extreme level (Aubert-Gamet, 1997). The literature reveals an abundance of studies on ambient factors. For instance, numerous studies have been carried out on the elements of music (see for example, Andrus, 1986; Areni and Kim, 1993; Baker *et al.*, 1992; Chebat *et al.*, 1993; Dube *et al.*, 1995; Hui *et al.*, 1997; Mattila and Wirtz, 2001; Milliman, 1982, 1986; Smith and Curnow, 1966; Yalch and Spangenberg, 1988, 1990, 1993), lighting (see for example, Areni and Kim, 1994; Baker *et al.*,

1992; Baker *et al.*, 1994; Golden and Zimmerman, 1986; Lewison, 1997; Summers and Hebert, 2001), scent (see for example, Bone and Jamtrania, 1992; Fiore *et al.*, 2000; Hirsch, 1995; Mattila and Wirtz, 2001; Mitchell *et al.*, 1995; Spangenberg *et al.*, 1996), temperature (see for example, Booms and Bitner, 1982; Baker, 1987), and cleanliness (see for example, Baker, 1987; Bitner, 1990; Wakefield and Blodgett, 1994, 1996). However, these ambient factors do not directly motivate purchase decisions when at an acceptable level (which is when customers are *unaware* of their presence). Thus, their influence is usually neutral but can also be negative (Aubert-Gamet, 1997). As Baker (1987) contends, the awareness of ambient factors by customers will lead to negative reactions causing the display of avoidance behaviour. An extreme ambient factor level which may lead to the display of avoidance behaviour is very high or very low temperature within the servicescape. Nevertheless, there are some exceptions to this condition such as the strong delicious smells emanating from a bakery or delicatessen which can possibly encourage customers to display approach behaviour (Baker, 1987; Bitner, 1992), and very loud music at a nightclub frequented by young people. Therefore, although usually below the consciousness of customers, ambient factors can affect customer evaluation of the service experience and lead to the exhibition of either approach or avoidance behaviour (Mattila and Wirtz, 2001).

3.4.2.2 Design Factors

Baker (1987) affirms that design factors can be either aesthetic or functional. Functional factors include elements such as layout, signage, and comfort. Wakefield and Blodgett (1994) advise that care should be taken in the design of these functional elements so they can facilitate customers' exploration and stimulation

within the servicescape. Aesthetic factors refer to the physical elements which customers view to evaluate their artistic quality (Wakefield and Blodgett, 1994). Examples of aesthetic elements are colour, architecture, style, materials, scale, and décor. According to Baker (1987, p. 81), these elements *"are the extras that contribute to a customer's sense of pleasure in experiencing a service"*.

Although aesthetic and functional factors are closely related, Aubert-Gamet (1997) states that aesthetic factors promote sensory pleasure in the service experience while functional factors facilitate the behaviour of customers. Customers can evaluate these design factors because they are more perceptible than ambient factors and so have a greater tendency to produce customer perceptions of the service (Aubert-Gamet, 1997; Baker, 1987). Indeed, several studies have drawn conclusions in favour of the impact of design factors on customer behaviour in the servicescape (see for example, Belizzi *et al.*, 1983; Belizzi and Hite, 1992; Bitner, 1992; Crowley, 1993; Donovan and Rossiter, 1982; Iyer, 1989; Kotler, 1973; Park *et al.*, 1989; Smith and Burns, 1996).

3.4.2.3 Social Factors

Baker *et al.* (1992) assert that environmental psychology made significant contributions to the study of the role of the servicescape on behaviour but failed to integrate completely the role of human factors in the servicescape. This view follows from Baker's (1987) consideration of the servicescape as not only a material stimulus but also a social construct containing humans who play a significant role in influencing behaviour. Upholding the position of Baker (1987), Schneider (1987) expresses the equation: $E = f(P, B)$, to signify that environments are a function of people behaving in them, and these behaviours make organizations what they are.

Stated otherwise, the people in an environment determine the kind of human environments they are because people and human settings are inseparable (Schneider, 1987). Contrastingly, Bitner (1992) argues that it is the servicescape that influences the interaction between customers and service staff through the use of seating arrangements for instance. A point of convergence in the literature seems to be that this servicescape category includes the people component elements of service personnel number, appearance, and behaviour (Baker *et al.*, 1992; Baker *et al.*, 1994; Bitner, 1990; Gardner and Siomokos, 1986; Kotler, 1973; Schneider, 1987; Turley and Milliman, 2000) and the number, appearance, and behaviour of the service audience (other customers) as well (Bateson and Hui, 1992; Eroglu and Machleit, 1990; Grossbart *et al.*, 1990; Hui and Bateson, 1991; Machleit *et al.*, 1994; Wakefield and Blodgett, 1994), all of which denote the human facet of the servicescape (Aubert-Gamet, 1997; Baker, 1987; Turley and Milliman, 2000). It is further postulated that the performance of these social factors within the servicescape can serve to either enhance or inhibit the service experience, thereby leading to the display of either approach or avoidance behaviour by customers (Aubert-Gamet, 1997; Baker, 1987; Bitner, 1992).

Hutton and Richardson (1995, p. 59) affirm that service personnel are particularly important because they form the major portion of an organization's image and so need to display *"a pleasing physical demeanour through clean and colourful uniforms and proper personal grooming"*. Similarly, Kotler (1973) notes that airline personnel are chosen for their ability to create confidence in customers and divert their attention from the fact that they are thousands of feet in the air. This according to Kotler (1973) is achieved through staff image – based on both the

physical attributes (such as attractiveness of pilots and cabin crew) of selected staff, and the competence exuded by staff uniform.

Interestingly, Aubert-Gamet (1997) contends that although material and human factors are taken into consideration in Baker's (1987) typology, the typology fails to recognise the role of the customer as a constructor of the environment itself. Advancing the process of *diversion*, Aubert-Gamet (1997) in her constructivist approach to the servicescape argues that the customer can create new meanings or hitherto unknown functions that can have either a positive or negative effect. Where the effect is negative, management can discourage it because it will hinder the service activity but where positive, it can serve as the impetus to management to improve the service process. For example, Aubert-Gamet (1997) draws attention to the fact that the first shopping trolleys used in supermarkets did not have child seats. This has largely changed and child seats are now more or less standard in shopping trolleys, with some trolleys even having more than one child seat. The change is attributed to the observation of many housewives putting their children in the trolleys while they shopped, possibly because they wanted to both relieve themselves of carrying them and also be able to keep a constant watch over them while they busied themselves with shopping.

In conclusion, *"a pleasing servicescape...may determine to a large extent the degree of overall satisfaction and re-patronage"* (Wakefield and Blodgett, 1994, p. 69). Thus, it is imperative for service organizations to ensure that the intended servicescape composition, that is *"...the set of sensory qualities that the designer of the artificial environment sought to imbue in the space"* (Kotler, 1973, p. 51), is congruent to the servicescape as perceived by customers, making necessary

provision for differences in tastes and needs if more than one segment of customers is targeted. According to Hutton and Richardson (1995, p. 49), *"...managers have to understand the communicative power of environmental cues from the customer's point of view, rather than from the architect's or manager's point of view"*. Indeed, as Donovan and Rossiter (1982) point out, experimentation is required to ascertain the various combinations of servicescape components as perceived by customers, which would result in the display of approach or avoidance behaviour. Wakefield and Blodgett (1994) mirror Mehrabian and Russell's (1974) assertion that based on the perception of servicescape stimuli by customers, they would experience emotional and physical thoughts and feelings which ultimately lead them to display approach-avoidance behaviours.

3.4.3 The Impact of Emotions

Wakefield and Blodgett (1994) affirm that the servicescape is important because it can enhance or suppress emotions. Gainer (1995) states that this capacity is due to the high levels of emotional intensity and experience during the service encounter, which are arrived at through personal interaction, rites, and creations of communal relationships in the servicescape. This position receives support from Wakefield and Blodgett (1994, p. 69) who maintain that *"the servicescape can set the mood for these emotions"* which can be either positive or negative. Providing a much needed description of emotions within a marketing context, Donovan and Rossiter (1982) assert that these emotional reactions are (1) difficult to verbalise, (2) transient and thus difficult to recall, and (3) influence behaviours within the store.

In their seminal study, Mehrabian and Russell (1974) stated that the measures of pleasure, arousal and dominance (or PAD dimensions) adequately

capture the emotional context of servicescapes. Stated otherwise, these emotional dimensions were presented as the three primary emotional reactions related to customer behaviour. Below each dimension is briefly described.

Pleasure is assessed in terms of customers' verbal assessments of their responses to the servicescape as:

> Happy as opposed to Unhappy
> Pleased as opposed to Annoyed
> Satisfied as opposed to Dissatisfied
> Contented as opposed to Melancholic
> Hopeful as opposed to Despairing
> Relaxed as opposed to Bored

Donovan and Rossiter (1982) state that servicescapes that are perceived by customers to be pleasurable are likely to attract them and make them willing to spend time and money; while servicescapes perceived to be unpleasant will be avoided.

Arousal is verbally assessed as the extent to which customers report their feelings. It comprises the verbal reactions to the servicescape which may involve the individual feeling:

> Stimulated as opposed to Relaxed
> Excited as opposed to Calm
> Frenzied as opposed to Sluggish
> Jittery as opposed to Dull
> Wide-Awake as opposed to Sleepy
> Aroused as opposed to Unaroused

Donovan and Rossiter's (1982) study concluded that the elements of pleasure and arousal enable the prediction of loyalty intentions because they account for a variance in behaviour ranging from between 12 to 50 percent.

Dominance is reflected in verbal assessments and indicated by respondents' reported feelings of being:

Controlling as opposed to Controlled
Influential as opposed to Influenced
In-Control as opposed to Cared-For
Important as opposed to Awed
Dominant as opposed to Submissive
Autonomous as opposed to Guided.

Bitner (1992) suggests that servicescape stimuli such as good ventilation, clear signage and adequate space may increase customers' perception of personal control. This perception of increased personal control is positively related to increased pleasure (Hui and Bateson, 1991).

However, dominance is not as commonly used by servicescape scholars as pleasure and arousal in empirical studies (see for example, Sweeney and Wyber, 2002) as Donovan and Rossiter's (1982) study showed it *not* to have a significant impact on behaviour. A divergent view is held by Machleit and Eroglu (2000) who affirm that the dominance dimension will be appropriate for use in studies on elements such as retail crowding and waiting time, where personal control of the servicescape is perceived to be important.

In conclusion, several studies (for example, Aubert-Gamet, 1997; Dawson *et al.*, 1990; Hutton and Richardson, 1995) have corroborated the link between emotions and approach-avoidance behaviour. It has been argued that arousal interacts with pleasure thereby increasing approach behaviours in pleasant servicescapes, and increasing avoidance behaviours in unpleasant servicescapes (Donovan and Rossiter, 1982; Donovan *et al.*, 1994). Similarly, Baker *et al.* (1992) found that pleasure and arousal were both related to willingness to buy. Gardner

(1985) even proposes that small changes in the servicescape can lead to changes in customers' moods at the point of purchase because affective stimulation is responsible for cases of impulse purchasing. Evidently, as Aubert-Gamet (1997, p. 27) identifies, the components of the servicescape *"affect the emotional state of individuals, and therefore their behaviour"*. This mirrors the view of Hutton and Richardson (1995, p. 57) who state that *"perceptions of atmospheric factors influence internal states, and internal states shape behaviour"*. As described above, these behaviours take the form of either approach or avoidance.

3.4.4   The Approach-Avoidance Theory

Customers react to the servicescape by displaying one of two diametrically opposed forms of behaviour – approach or avoidance (Aubert-Gamet and Cova, 1999; Baker, 1987; Bitner, 1990, 1992; Donovan and Rossiter, 1982; Eroglu *et al.*, 2000, 2001, 2003; Hoffman and Turley, 2002; Hutton and Richardson, 1995; Kotler, 1973; Mattila and Wirtz, 2001; Mehrabian and Russell, 1974). Approach behaviours comprise all the positive behaviours such as desire to stay, explore, affiliate and work, that are directed at a particular servicescape (Mehrabian and Russell, 1974). Conversely, avoidance behaviours are composed of all the negative behaviours such as desire *not* to stay, explore, affiliate or work, that are directed at a servicescape (Mehrabian and Russell, 1974).

Donovan and Rossiter (1982) hypothesize that approach and avoidance behaviours possess four aspects. These are:

(1) Physical approach and avoidance relating to store patronage intentions at a basic level.

(2) Exploratory approach and avoidance relating to in-store search and exposure to offerings.

(3) Communication to approach and avoidance relating to sales personnel and floor staff.

(4) Performance and satisfaction approach and avoidance relating to repeat shopping frequency plus reinforcement of time and money expenditures.

Thus, customers make buying decisions based on the total service offering which involves everything that surrounds the service. Hutton and Richardson (1995) state that the servicescape surrounds the service offering and is therefore part of this evaluation process. Similarly, Parasuraman *et al.* (1985) note that quality evaluations by customers are not restricted to the outcome of the service but also involve an evaluation of the process of service delivery. These evaluations which are based on emotional prompts from servicescape stimuli can also influence customers to spend more time and money than originally intended (Donovan and Rossiter, 1982; Donovan *et al.*, 1994). Since the displayed approach and avoidance behaviours of customers are influenced by customers' perception of servicescape stimuli, the servicescape can be constructed and designed to attract a favoured target market (Kotler, 1973). In the same way, the servicescape can be constructed and designed to deter certain customers from approaching the servicescape. For instance, Bitner's (1992) study provides the example of a 7-11 store whose owners played 'elevator music' in order to discourage patronage by a youthful market segment which they (store owners) believed was detracting from the store's image.

Another area of the service experience that is related to servicescapes is the electronic marketplace. Cronin (2003, p. 335) identifies that *"e-commerce organizations are beginning to evaluate the value-added attributed to the interactive environment created for shoppers and browsers"*. With the growing importance of online transactions, the servicescape of online retailers requires a brief review. This is conducted in the next section.

3.4.5   E-Scapes: The Electronic Servicescape

Kotler (1973, p. 64) posits that the issue of servicescapes is *"present in every buying situation"*. This position is quite visionary when juxtaposed with both the industry expert prediction report in Eroglu *et al.* (2003, p. 148) which states that *"in the near future, most of the major players in the retail industry will maintain at least an online and offline presence"*, and with Koernig's (2003, p. 152) assertion that the physical environment has now been redefined due to the dawn of the internet, which has created the 'E-scape', *"a new type of retail establishment based in cyberspace"*. Koernig (2003) argues that even though some service processes specifically require the presence of the customer (airlines for instance), the benefits of the internet now enable service organizations to influence customers before they visit the organization's servicescape. Furthermore, Eroglu *et al.* (2003, p. 141) assert that online shopping has entered *"the commercial scene as the most rapidly growing form of retailing"*. Koernig (2003, p. 154), in support of this assertion, maintains that this rapid growth has certainly *"changed the nature of the physical environment"*.

In an effort to determine if the significant role of traditional servicescapes applies in an online context, Eroglu *et al.* (2001) developed a model to test the S-O-R relationship in online settings. The model is analysed below:

Figure 3.2: An S-O-R Model of Consumer Response to Online Shopping

Stimulus   Organism   Response

Online Environmental Cues . High Task Relevant . Low Task Relevant	**Involvement** **Atmospheric Responsiveness**	**Internal States** . Affect . Cognition	**Shopping Outcomes** . Approach . Avoidance
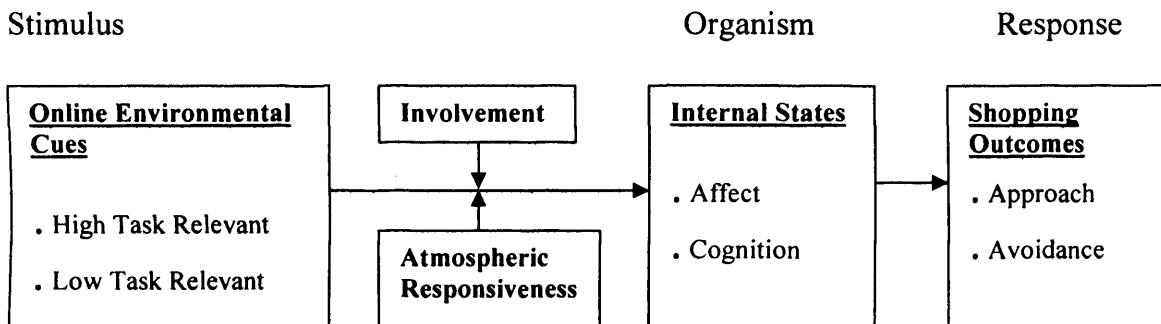
Adapted from: Eroglu *et al.* (2001).

The preceding study conducted by Eroglu *et al.* (2000) found support for use of the online environmental cues of high and low task relevance to represent various online servicescape cues. On the one hand, *high task relevant* cues include merchandise description, pictures of merchandise, price, delivery and return policies, terms of sale, and navigational aids to ease movement around the site. Eroglu *et al.* (2000, p. 180) state that high task relevant cues comprise *"all the site descriptors (verbal or pictorial) that appear on the screen which facilitate and enable the consumer's shopping goal attainment"*. On the other hand, *low task relevant* cues consist of all *"site information that is relatively inconsequential to the completion of the shopping task"* (Eroglu *et al.*, 2000, p. 180). Examples of these cues are background patterns, colours, web counters, animation, music, pictures (other than that of the merchandise on sale) for decorative purposes and site awards.

Introducing the personality characteristics of *involvement* and *atmospheric responsiveness* (extent to which servicescape characteristics influence shopping decisions) as moderators in the relationship between the servicescape and emotions, Eroglu *et al.* (2003, p.144) propose that where these two personality traits are high, it becomes *"likely that the store atmosphere will lead to the affective states it is designed to produce"*. Eroglu *et al.* (2003) further propose that these affective states of customers will then lead to shopping outcomes or, in other words, the display of approach-avoidance behaviours.

Eroglu *et al.* (2003) arrived at the conclusion that generally, the type of E-Scape an organization has will make a difference in customer response. Eroglu *et al.* (2003) call for further development of the emotional schemes to capture fully, the effects of online site atmosphere on customers' approach-avoidance behaviours.

3.5   Limitations to Servicescapes Literature

Consistently over the last four decades, marketing scholars have continued to highlight the insufficiency of conceptual and empirical research in the area of servicescapes (see for example, Becker, 1981; Bitner, 1992; Cronin, 2003; Donovan and Rossiter, 1982; Hoffman and Turley, 2002; Hutton and Richardson, 1995; Kotler, 1973). This need for further research on servicescape dynamics was first identified in the 1970s by Kotler (1973) who in his seminal article drew attention to the *"great need for further research into the subject of optimal atmosphere"* (p. 64) because servicescapes *"may [in the future] become the chief form of competition"* (p. 61).

Kotler's (1973) position was reaffirmed in the 1980s by Becker's (1981, p. 130) contention that *"the ways a physical setting is created in organizations has barely been tapped as a tangible organizational resource"*, and by Donovan and Rossiter's (1982, p. 35) assertion that *"store atmosphere has been poorly conceptualised and narrowly related to shopping behaviours of relevance to retailers"*.

Emphasis on the need for further research in the area of servicescapes continued in the 1990s through Bitner's (1992, p. 57) identification of the *"surprising lack of empirical research or theoretically based frameworks addressing the role of physical surroundings in consumption settings"*, and by Hutton and Richardson's (1995, p. 53) clear statement that an *"overview of the literature...regarding atmospherics ...points to the glaring lack of empirical work in the area"*.

More recently in the new millennium, the critical importance of servicescapes to services marketing has been confirmed by Hoffman and Turley (2002, p. 33) who assert that *"clearly the interaction of the inanimate environment, contact personnel and other customers is an important area of study"*. This is based on the rationale that it is these *"variables that will greatly comprise 'compelling experiences'"* (p. 40). However, concerns about the paucity of servicescape research first identified in the 1970s have remained, and calls for further study have intensified. For instance, Hoffman and Turley (2002, p. 33) have questioned the lack of empirical development in the area, stating that *"to date little empirical research has been conducted that investigates the impact of atmospherics as they relate to the customer's service experience"*. In the same way, Cronin (2003, p. 335) declares

that *"very little effort has been devoted to a critical examination of the service environment's impact in the explanation of consumers' purchase decisions"*.

Based on the review of pertinent literature, three major limitations to servicescape study are identified. Firstly, conceptual literature universally agrees with the proposition that elements of the servicescape affect behaviour (see for instance, Berry and Clark, 1986; Bitner, 1990, 1992; Cronin, 2003; Kotler, 1973; Turley and Milliman, 2000) yet there has been a significant lack of conceptual development (Bitner, 1992; Donovan and Rositter, 1982), thus necessitating calls for further study (see for instance, Becker, 1981; Bitner, 1990, 1992; Cronin, 2003; Donovan and Rossiter, 1982; Hoffman and Turley, 2002; Hutton and Richardson, 1995; Kotler, 1973).

Secondly, although there have been minimal conceptual advances, there remains even less empirical research addressing the role of servicescapes in consumption settings (Bitner, 1992) and its impact on customers' purchase decisions (Cronin, 2003).

Thirdly, most of the studies (both empirical and conceptual) that have been carried out on the influence of servicescape elements on purchase decisions have tended to focus on single servicescape elements such as music (see for example, Areni and Kim, 1993; Milliman, 1982, 1986; Sweeney and Wyber, 2002; Yalch and Spangenberg, 1990), scent (see for example, Fiore *et al.*, 2000; Hirsch, 1995; Spangenberg *et al.*, 1996) and light (see for instance, Areni and Kim, 1994; Summers and Hebert, 2001), to the extent that little is known about the global configurations of aspects of the servicescape (Everett *et al.*, 1994). Only very few studies have incorporated the influence of more than one servicescape element (see

for example, Chebat *et al.*, 1993; Mattila and Wirtz, 2001; Wakefield and Blodgett, 1996) and of these, none has gone further to investigate the potential moderating effects of the personal and environmental factors of importance to customers, the possible effects of these factors on customers' evaluation of servicescapes, as well as their impact on approach-avoidance behaviour. These issues indicate that additional conceptual work and empirical research is needed on the nature and dynamics of servicescapes using multiple servicescape elements. It is expected that such integration of multiple elements will increase the scant knowledge base on the global configurations of servicescapes.

Although the servicescape concept draws from other broadly similar perspectives on the physical environment as advanced in psychology (see Maslow and Mintz, 1956; Mintz, 1956), landscaping, architecture and interior design (Donovan and Rossiter, 1982), commentators have argued that a more rigorous conceptualization would be beneficial (see Bitner, 1992; Donovan and Rossiter, 1982; Kotler, 1973; Turley and Milliman, 2000; Hoffman and Turley, 2002). In this regard, it is believed that to produce such a conceptualization, wider literature which combines the interaction of human and inanimate variables during the service experience such as organizational climate and organizational culture may prove useful lenses through which servicescapes can be explored, conceptualized and rigorously tested. However, prior to a review of the organizational climate and organizational culture literatures, it is prudent to provide a further rationale for this view. The remainder of this section is therefore dedicated to explicating the conceptual rationale for utilizing the organizational climate and organizational culture constructs in the conceptualization of servicescapes.

Taking an organizational climate perspective, the literature reveals that solid parallels can be drawn between organizational climate and servicescapes. For instance, Sells and James (1987, p. 915) define organizational climate as *"the 'ambience' of an organization . . . [which possesses] various patterns of influence on employee (member) behaviour, generated by prevailing environmental conditions in an organization"*. Similarly, Litwin and Stringer (1968, p. 1) define organizational climate as *"a set of measurable properties of the work environment, perceived directly or indirectly by the people who live and work in this environment and [is] assumed to influence their motivation and behaviour"*. These definitions which highlight the effect of organizational climate on behaviour clearly echo the preceding review on the influence of servicescape elements on approach-avoidance behaviour (see Section 3.4.4) albeit from an employee perspective.

Taking an organizational culture perspective, it has been argued that *"an appropriate corporate culture can significantly add to the market effectiveness of a service firm's operations"* (Parasuraman, 1987, p. 46). Indeed, Alvesson (2002, p. 80) recognises the explanatory role of organizational culture in marketing by stating that issues such as market orientation, services marketing and internal marketing *"are well illuminated through a culture concept"*. Similarly, Webster (1995, p.7) argues that *"due to the unique characteristics of services, the nature of the culture of a service firm is particularly important and worthy of attention"*. This is because organizational culture, *"given its relationship to profitability and marketing effectiveness, may be a key ingredient for success"* (Webster, 1995, p. 17). Webster's (1995) position is supported by Lam and Woo (1997) who assert that with competition getting fiercer, the need for an organizational culture oriented to the market is surely an indispensable way of building a competitive edge.

Harris (1998, p. 360) defines an organizational culture oriented to the market as *"the dominant, dynamic segment of an organization whose orientation, attitudes and actions are geared towards the market"*. This orientation towards the market (customers, competitors and internal functions) is particularly relevant in service industries, as there appears to be consensus of a direct link between a market-orientated culture and performance (Ogbonna and Harris, 2002b). Furthermore, Parasuraman (1987, p. 41) maintains that *"in a market crowded by competitors claiming to be concerned about customer satisfaction, the real winners will be the ones with a truly customer-oriented corporate culture"*.

These sentiments on the importance and insufficiency of servicescape research are aptly summed up by Chebat and Dube (2000, p. 89) who categorically state that:

> *"Complex decisions on the design and management of retail atmospherics are frequently made on the basis of a dearth of information that in other domains would be unimaginable."*

Therefore, further study of servicescapes is advised and a complete understanding of servicescape dynamics may be garnered from an *"application of the full range of organizational methods and theories"* (Bitner, 1992, p. 69). Thus, the following sections will briefly review the literatures on organizational climate and organizational culture.

3.6 The Study of Organizational Climate

Glick (1985, p. 601) states that *"climate research has a prominent, if not glorious history in organizational science"*. Acknowledged by Guion (1973, p. 120) as *"one of the most important [concepts] to enter the thinking of industrial-organizational psychologists in many years"*, the concept of organizational climate originates from studies in industrial and organizational psychology and is based on research attempts to understand the environmental factors that best explain influences on individual motivations and behaviours (Field and Abelson, 1982; Reichers and Schneider, 1990). Findings of these research attempts demonstrate that organizational climate has an effect in diverse areas. For instance, studies have shown that climate can affect the motivation and behaviour of individuals (DeCotiis and Summers, 1987; Lafollette and Sims, 1975; Pritchard and Karasick, 1976; Schneider and Snyder, 1975), significantly influence organizational performance (Franklin, 1973, 1975; Likert, 1967; Mudrack, 1989), and even impact the academic achievements of students in a school environment (Goddard *et al.*, 2000; Hoy and Sabo, 1998).

Following these observations, it is necessary to obtain a deeper understanding of organizational climate. This is attempted in the subsequent sections through an outline of advanced definitions of the organizational climate concept and an examination of approaches through which it has been studied.

3.6.1　Definitions of Organizational Climate

Organizational climate researchers have advanced several definitions since the inception of the concept. A selection of some of these wide-ranging definitions (which enjoy a widely-referenced status) are presented in historical order below.

Organizational climate has been variously defined as:

1. *"...the set of characteristics that describe an organization and that (a) distinguish the organization from other organizations, (b) are relatively enduring over time, and (c) influence the behaviour of people in the organization. "* (Forehand and Gilmer, 1964, p. 362).

2. *"A set of measurable properties of the work environment, perceived directly or indirectly by the people who live and work in this environment and [is] assumed to influence their motivation and behaviour"* (Litwin and Stringer, 1968, p. 1).

3. *"...a relatively enduring quality of the internal environment of an organization that (a) is experienced by its members, (b) influences their behaviour, and (c) can be described in terms of the values of a particular set of characteristics (or attributes of the organization). "* (Tagiuri, 1968, p. 27).

4. *"... a set of attributes which can be perceived about a particular organization and/or its subsystems, and that may be induced from the way that organization and/or its subsystems deal with their members and environment"* (Hellriegel and Slocum, 1974, p. 256).

5. *"...an empiricist substitute for the richer term culture...but appears to be a feature of rather than a substitute for culture"* (Poole, 1985, p. 84).

6. *"The 'ambience' of an organization . . . [which possesses] various patterns of influence on employee (member) behaviour, generated by prevailing environmental conditions in an organization"* (Sells and James, 1987, p. 915).

7. *"A relatively enduring characteristic of an organization which distinguishes it from other organizations: and (a) embodies members' collective perceptions about their organization with respect to such dimensions as autonomy, trust, cohesiveness, support, recognition, innovation and fairness;*

(b) is produced by member interaction; and (c) serves as a basis for interpreting the situation; (d) reflects the prevalent norms, values and attitudes of the organization's culture; and (e) acts as a source of influence for shaping behaviour" (Moran and Volkwein, 1992, p. 20).

8. *"...including organizational structure, strategy, goals, culture, employee emancipation, change management and business improvement initiative"* (Moffett *et al.*, 2002, p. 240).

9. *"...a descriptive construct, reflecting consensual agreement amongst members regarding key elements of the organization in terms of its systems, practices and leadership style"* (McMurray, 2003, p. 1).

3.6.2 Approaches to the Study of Organizational Climate

Following the presentation of proffered definitions for organizational climate, a review is conducted below on three dominant perspectives in organizational climate literature as advanced by Thomas and Volkwein (1992). These are the structural approach (or structural argument), the perceptual approach (or perceptual measurement-individual approach), and the interactive approach.

3.6.2.1 The Structural Approach

The structural approach regards climate as an attribute belonging to the organization which exists independently of the perception of individual organizational members (Thomas and Volkwein, 1992). Schneider and Reichers (1983, p. 32) argue that *"it places the meaning that individuals attach to events, practices and procedures within the events themselves"*.

Schneider and Reichers (1983) propose that organizational climates arise from certain objective aspects of the work context. These aspects include organizational size, the de/centrality of decision making authority, the number of

levels in the authority hierarchy, the type of technology used in production, and the degree to which rules and policies constrain behaviour. In other words, the structural approach locates the emergence of organizational climates in organizational properties, further stating that organizational climate is produced complete with its own properties, which individual members of the organization can perceive.

The structural approach has not been free of criticism. For instance, Schneider and Reichers (1983) argue that the approach has empirical and conceptual weaknesses. Empirically, they argue, there is no evidence of the relationship claimed to exist between structural elements and climates as proposed by the structural approach. Indeed, the inconsistency in reported results from various studies raises questions as to the efficacy of the structural approach as an explanatory concept (Berger and Cummings, 1979). Conceptually, the structural approach has been criticised for its treatment of organizational climate in a unitary manner. For example, structuralists assume that similar contexts within organizations will lead organizational members to arrive at the same perception. In this regard, it has been argued that the structural approach does not take the divergent climates between work groups even in the same organization into consideration (Schneider and Reichers, 1983; Thomas and Volkwein, 1992).

3.6.2.2   The Perceptual Approach

The perceptual approach to the study of organizational climate places the basis for the origin of climate within the individual (Thomas and Volkwein, 1992). In other words, it is contended that in trying to understand situational variables, individuals will interpret and respond in a manner that is psychologically meaningful to them (James *et al.*, 1978). Thomas and Volkwein (1992) argue that there are at least two

methods in which the perceptual approach yields aggregate climate. The first method as advanced by Schneider and Reichers (1983) is the Selection-Attraction-Attrition (SAA) cycle which argues that since organizations are made up of a relatively homogenous group of workers (through the use of organizational selection processes and other individual processes such as personal attraction to the organization), this similarity between workers will lead them to have similar situational perceptions.

The second method in which the perceptual approach yields aggregate climate is that of *collective climates* as advanced by Joyce and Slocum (1984). These collective climates are arrived at through the classification of individuals based on agreement regarding perceptions of the organization's climate.

Thomas and Volkwein (1992) argue that the major problem with the perceptual approach is the reliance of the approach on the individual as the source of climate. They further argue that this reliance on individuals not only weakens the possibility of a composition theory but also, the interpretation and meaning of organizational processes and events are imposed by each individual member rather than through the interaction of organizational members.

3.6.2.3 The Interactive Approach

The interactive approach to the study of organizational climate maintains that organizational climate is an abstract representation produced through the interaction of individuals who respond to their situation and thereby create the shared agreements which form climate (Thomas and Volkwein, 1992). Climate in this sense

can be understood from an interactive perspective using the sources of phenomonology and symbolic interactionism (Thomas and Volkwein, 1992).

Phenomonology is based on the concept of intersubjectivity which is the manner through which a supra-individual linkage of organizational members' perspectives, values, interpretations and beliefs are constituted (Thomas and Volkwein, 1992). This is achieved through the formation of individual consciousness by an organizational member, replicated from the observation/awareness of other organizational members who have similar experiences, thereby enabling the establishment of a meaning of self which is linked or related to those already held by other organizational members (Thomas and Volkwein, 1992).

Symbolic interactionism involves the attempt by organizational members to obtain meaning of an event, practice or procedure through their interaction with each other, implying that *ultimate meaning* is not characterised by a collectively or historically situated entity but is derived by individuals in their search for *meaning* (Thomas and Volkwein, 1992).

The interactive approach to the study of organizational climate has been criticised for failing to acknowledge the influential role of organizational culture in shaping interaction through previously held cultural beliefs, values and norms (Thomas and Volkwein, 1992), especially since the existence of climates within cultures has been observed to be empirically verifiable (see for example, Drexler, 1977; O'Driscoll and Evans, 1988; Paolillo, 1982). Correspondingly, it has been argued that organizational culture is a critical concept because it helps to illuminate servicescape issues (Alvesson, 2002; Lam and Woo, 1997; Webster, 1995).

Although a cultural approach is also advanced by Thomas and Volkwein (1992), this study is bound to benefit from a review of the role of the wider study of organizational culture. This role is examined in the sections following.

3.7 The Study of Organizational Culture

Organizational culture has its roots in the wider study of the culture of human beings in anthropology (Berthon *et al.*, 2001; Hatch, 1993; Hofstede *et al.*, 1990; Smircich and Calas, 1987) dating back to writings published in the late nineteenth century (see for example, Taylor, 1871). Anthropologist Mary Douglas (1985) presents culture as being dynamic and fluid - something that is constantly evolving, affirmed and expressed by everyone. Developing this view, Hofstede (1991) suggests that culture is the collective programming of the minds of members of a group. These groups, he explains, can take the form of *"a nation, an occupation, a type of business, or a corporation"* (p. 139).

The concept of corporate culture – later designated under the broader label of organizational culture - became a popular business subject in the early 1980s, attracting the attention of both academics and practitioners (Adler and Jelenik, 1986; Deal and Kennedy 1982; Minzberg, 1990; Ouchi, 1981; Peters and Waterman, 1982) and this popularity has since shown *"no signs of abating"* (Ashforth, 1985, p. 841). Indeed, Ogbonna and Harris (2002b) note that the number of major academic journals that dedicated special issues to the concept of organizational culture in the 1980s and 1990s is testament to the concept's acceptability.

It is generally believed that the acceptance of the concept as a *bona fide* topic of organizational study and management was triggered by the release of four seminal best-selling books in the early 1980s. These were:

(1)   *Theory Z: How American Business Can Meet the Japanese Challenge* (Ouchi, 1981).

(2)   *The Art of Japanese Management: Applications for American Executives* (Pascale and Athos, 1981).

(3)   *Corporate Cultures: The Rites and Rituals of Corporate Life* (Deal and Kennedy, 1982).

(4)   *In Search of Excellence: Lessons from America's Best-Run Companies* (Peters and Waterman, 1982).

All four books suggested that the performance of an organization was largely due to its culture, with the books by Pascale and Athos (1981) and Ouchi (1981) specifically presenting the case of the culture of Japanese companies (partly societal and partly organizational) as the principal explanatory variable for their growing success in the 1970s and 1980s. Several culture scholars have mirrored this view of organizational culture. For instance, Hofstede (1998) equates the importance of organizational culture to *strategy*, *structure* and *control*; Weick (1985) argues that culture and strategy are partly overlapping constructs; Schein (1992) suggests that organizational culture has become even more important now because of the increase in factors such as competition, globalisation, mergers, acquisitions, alliances and various workforce developments; while Schneider (2000) contends that organizational culture is a neglected power whose impact on organizational performance supersedes all other organizational factors.

With this growing importance of organizational culture, a complete understanding of the concept becomes necessary especially since it is usually

"misunderstood and confused with other concepts" (Schein, 1985, p.24) and is increasingly used to denote any aspect of the study of organizations that is particularly difficult to understand (Ogbonna, 1993). A logical starting point would be its definition. This is addressed in the next section.

3.7.1   Definitions of Organizational Culture

There is no consensus on the definition of organizational culture. Organizational culture researchers disagree vehemently about this most fundamental of issues (Martin, 1992). A generally accepted definition remains problematic (Furnham and Gunter, 1993) because there are as many definitions of organizational culture as there are experts on the subject (Ogbonna, 1990). For instance, Kroeber and Kluckhohn (1952) in their classic review of culture report 164 different definitions. The definition a researcher adopts it seems, is dependent on the particular researcher's view of the world and preferred methodology (Smircich, 1983).

As a single definition of organizational culture has proven to be very elusive, a list (in historical order) is presented below which shows the conceptual differences of various scholars, some of whom have themselves advanced more than one definition for organizational culture (see for example, Pettigrew, 1979 and Veiga *et al.*, 2000):

Organizational culture has been variously defined as:

1. 'Symbols, language and art' (Hayakawa, 1953).
2. 'Physical arrangements' (Edelman, 1971).
3. 'Symbols, language, ideologies, rituals and myths' (Pettigrew, 1979).
4. 'Behaviour, actions and values that people are expected to follow' (Pettigrew, 1979).
5. 'Patterns of cognitive processes' (Weick, 1979).

6. 'Organizational philosophy guiding organizational policy' (Ouchi, 1981).

7. 'Something holistic, historically determined, related to the things anthropologists study, socially constructed, soft and difficult to change' (Smircich, 1983).

8. 'Patterns of basic assumptions – invented, discovered, or developed by a given group; helping it cope with problems of external adaptation and internal integration' (Schein, 1985).

9. 'Patterns of values and ideas in organizations that shape human behaviour and its artefacts' (Zammuto and Krakower, 1991).

10. 'A collective programming of the mind distinguishing the members of one human group from the members of another' (Hofstede 1991).

11. 'A constitution of the varied interpretations cultural members obtain from the observance of cultural manifestations such as stories, sagas, rituals, jargon and jokes only understood by insiders' (Martin, 1992).

12. 'Set of values that are often taken for granted which help organization members understand which actions are considered acceptable and those which are unacceptable' (Moorhead and Griffin, 1992).

13. 'Set of norms, beliefs, principles and ways of behaving that give each organization a distinctive character' (Brown, 1995).

14. 'The shared collection of relatively uniform and enduring beliefs, values, customs, traditions and practices – transmitted from one generation of employees to the next' (Buchanan and Huczynski, 1997).

15. 'The collective sum of beliefs, values, meanings and assumptions that are shared by a social group and that help to shape the ways in which they respond to each other and to their external environment' (Ogbonna and Harris, 2000).

16. 'An imperfectly shared system of interrelated understanding shaped by the shared history and expectations of members' (Veiga et al., 2000).

17. 'The shoulds and oughts of organizational life' (Veiga et al., 2000).

18. 'The personality of an organization – defined collectively by the people who work there' (Larson, 2002).

The common thread that runs through the definitions is one that shows organizational culture to be applicable to groups of people collectively and not to individuals. Organizational culture is similarly described in terms of shared meanings, patterns of beliefs, symbols, rituals and myths that evolve over time and function as some sort of social glue (Krefting and Frost 1985). It is also shown to be a source of uniqueness, rich in history, boundary setting and an influence on the actions of organizational members in the way they deal with internal and external forces. However, the assortment of provided definitions for organizational culture and the various perspectives they are based upon have added to the complexity of the concept within organizational theory rather than help with its comprehension (Ogbonna and Harris, 2000).

In the absence of a widely-accepted definition, researchers have resorted to other ways of delineating the research domain of organizational culture. For instance, it has been argued that organizational culture can be viewed either as something an organization *has* or something an organization *is* (Smircich, 1983). An exploration of these conflicting paradigms forms the basis of the following section.

3.7.2   Organizational Culture Paradigms

Organizational paradigms can be said to be self-consistent ideas and beliefs that influence how we perceive and how we make sense of the world (Seel, 2000) or as defined by Capra (1997, p. 6), a paradigm is:

> "...a constellation of concepts, values, perceptions and practices shared by a community, which forms a particular vision of reality that is the basis of the way a community organises itself".

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Just as there are differing perspectives on the definition of organizational culture, there are differing perspectives regarding how it functions. The debate on which organizational culture paradigm is the best for viewing culture has been identified as *"a fundamental debate in organizational culture"* (Buchanan and Huczynski, 1997, p. 513).

A review of the organizational culture literature reveals that diverse paradigm classifications have been advanced. For instance, Schultz (1995) uses the classifications of *rationalists, functionalists* and *symbolic* perspectives; Barley *et al.* (1988) use the terms *academics* and *practitioners*; Alvesson (1992) proposes the use of *culture metaphor, organizational symbolism* and *post-modernism* paradigms; and Martin (1992) advances the *integration, pluralist* and *fragmentation* paradigms. Of all these advanced perspectives, the Martin (1992) typology has received the most attention in the literature. Thus, the following sections will examine each of Martin's (1992) perspectives in relation to their explanatory power of organizational culture.

3.7.2.1 The Integration Paradigm

The integration paradigm takes the view that the formation of organizational culture is not dependent on employees, but instead is pre-existing and imposed upon them. The paradigm portrays a strong or desirable culture as one where there is organization-wide consensus and consistency (Deal and Kennedy, 1982; Martin, 1992; Peters and Waterman, 1982; Schein, 1985) in the form of people sharing one set of common values and basic assumptions (Buchanan and Huczynski, 1997). Consequently, this paradigm ignores any evidence of dissent or non-conformity among employees, or ambiguity in the workplace as culture is seen as an integrating mechanism or ideology that holds a potentially diverse group of organizational

employees together (Buchanan and Huczynski, 1997). This ideology, Collins and Porras (1994) argue, is almost religiously preserved, seldom changing if ever.

The integrationist paradigm has been hailed for increasing commitment and productivity due to its clarity of expectations, but proponents of this view have been criticised for arguing that organizations have a single consistent culture at any one time which permeates the whole organization (see for example, Meyerson and Martin, 1987).

3.7.2.2   The Pluralist Paradigm

The pluralist paradigm acknowledges difference and diversity in organizations (Martin, 1992; Buchanan and Huczynski, 1997). Proponents of this paradigm emphasise that rather than consensus being organization-wide, it can occur only within the boundaries of a subculture. These subcultures, Martin (1992) argues, coexist *"sometimes in harmony, sometimes in conflict, and sometimes in indifference to one another"* (p. 83). Martin (1992) goes on to describe each company sub-culture as *"a 'fenced-in island' of localized consensus, beyond which ambiguity reigns"* (p. 103). Particular attention is paid to cultural manifestations that are inconsistent with each other, thus reducing the complexity of understanding culture to a series of dichotomies. In conflict situations for instance, things are clear enough for cultural members to know that they disagree on particular issues or interpretations.

There is no agreement among pluralists as to whether a particular cultural arrangement improves organizational effectiveness. Typically, pluralists examine the inconsistencies at the organizational level (Buchanan and Huczynski, 1997),

recognising that subcultures are formed within organizations arising from factors such as professional affiliation, status, and social or divisional interactions (Fischer and Dirsmith, 1995; Handy, 1985; Hofstede *et al.*, 1990; Ogbonna and Wilkinson, 1990).

3.7.2.3 The Fragmentation Paradigm

The fragmentation paradigm bears some relation to the pluralist paradigm in that it also emphasises inconsistency rather than consistency. However, the paradigm further suggests that there can be no company or sub-cultural set of shared or integrated values. Rather, proponents of the paradigm uphold the shared awareness of ambiguity (Martin, 1992). This ambiguity (an internal state in which an individual feels confused) within organizations prevents any on-going agreement on values or basic assumptions. Ambiguity occurs when there are several interpretations which employees can get from what they see in the organization. Hence, the fragmentation paradigm doubts that an organizational culture can exist at all. Proponents argue that companies lack clear centres (owing to decentralization and delegation) and employ temporary and part-time workers who interact with changing contractors and customers. These actions, it is asserted, blur distinctions between insiders and outsiders (Buchanan and Huczynski, 1997). Consensus thus fails to coalesce on an organization-wide or sub-cultural basis, except in transient, issue-specific ways (Frost *et al.*, 1991).

In conclusion, it has been demonstrated above that there are divergent views on the best way to study organizational culture. Additionally, Schein (1985) proposes that an examination of the levels of culture is necessary to increase our

understanding of organizational theory. Thus, a review of Schein's (1985) organizational culture levels forms the basis of the next section.

3.7.3 Conceptualizing Levels of Organizational Culture

It has been argued that organizational culture operates at both conscious and subconscious levels. That is, some aspects of culture are visible and tangible while others are intangible and invisible (Schein, 1985, 1992). By way of qualitative data generation methods, Schein (1985) conceptualized and described the widely-accepted notion that culture is a multi-layered construct containing three levels. According to Schein (1985, 1992), artefacts are manifestations of values, which in turn are engendered by basic assumptions. Each of these levels is briefly examined below.

Figure 3.3: The Levels of Culture and Their Interaction

Artefacts & Creations Technology Art Visible and Audible Behaviour Patterns	Visible but Often Not Decipherable
Values	Greater Level of Awareness
Basic Assumptions Relationship to Environment Nature of Reality, Time & Space Nature of Human Nature Nature of Human Activity Nature of Human Relationships	- Taken for Granted - Invisible - Preconscious
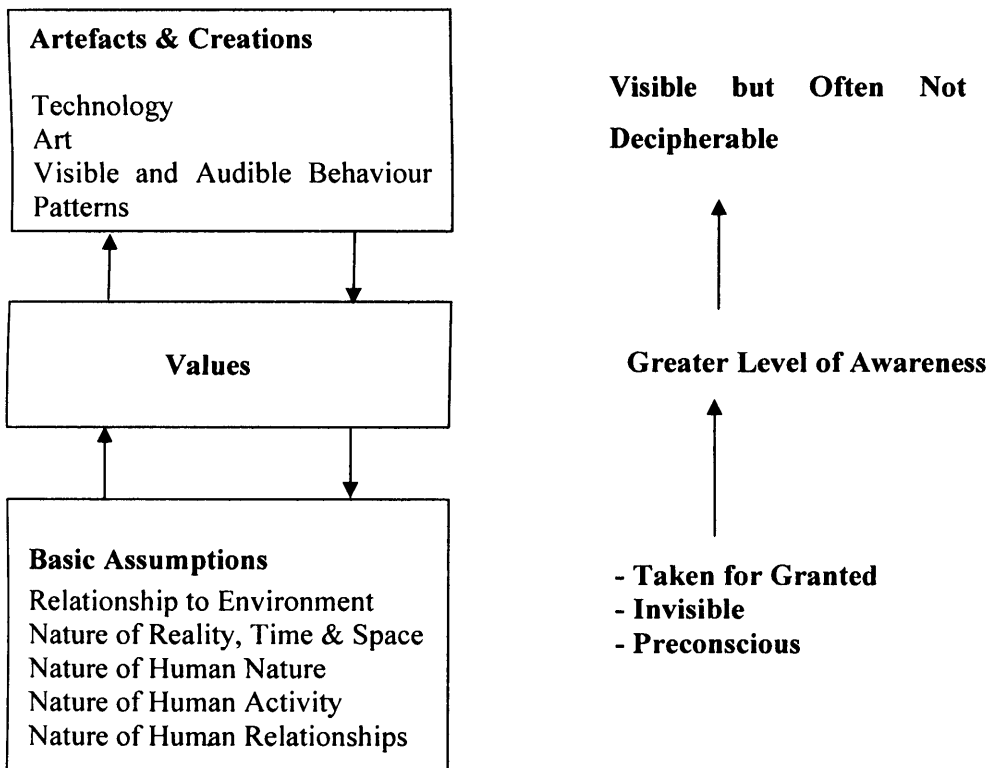
Adapted from Schein (1985, p. 14).

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3.7.3.1 Artefacts

Schein (1985) argues that on a conscious and more tangible level, culture in organizations is represented by artefacts. This is the most obvious level, having the most visual impact. Made up of observable daily features of organizational life (for instance organizational structures and processes) which are both visible and invisible, artefacts communicate information about an organization's beliefs and its ways of doing things (Buchanan and Huczynski, 1997; Ott, 1989). Artefacts have beed defined by Schein (1984, p. 3) as involving:

> *"the constructed environment of the organization, its architecture, technology, office layout, manner of dress, visible or audible behaviour patterns, and public documents such as charters, employee orientation materials [and] stories."*

These informal cultural transmitters in the form of symbols, stories, legends, dress, architecture, décor, organizational processes and structures, myths, ceremonies, rituals and patterns of tribal behaviour (Morgan 1986) that are constantly in the presence of organizational members and customers, are visible or audible enough to be grasped immediately (Buchanan and Huczynski, 1997; Schein, 1984, 1985). Other concrete manifestations of culture in the form of artefacts are found in commonly used logos, brochures, company slogans, cars, value statements, jargon and language. Language has been shown to have particular significance in the transmission of organizational culture. For instance, Buchanan and Huczynski, (1997) note that a number of organizations avoid the use of the term "workers" when referring to employees. For example, Wal-mart has *associates*, McDonald's has *crew members*, Disney has *cast members*, while (from the perspective of customer service), British Rail has "changed" from having passengers to having *customers*. An outsider can often spot these artefacts easily upon entering an

organization while these artefacts often become part of the background for insiders (Bate, 1984). However, these artefacts that decorate the surface of organizational life merely give clues to the existence of a much deeper and all-pervasive system of meaning (Morgan, 1986).

3.7.3.2 Values

The values or *middle* level is generally said to be both conscious and subconscious (Schein, 1983) and *"is distinguished by goals, ideals, and standards that represent members' preferred means of resolving everyday problems* (Mohan, 1993, p. 16). For instance, avoidance of conflict is a value that may have a major influence on the organization but is frequently unconscious. While these concepts normally prompt certain behaviours, they may remain only 'espoused' (Argyris and Schon, 1978), in which case there will be a discrepancy between what the organization and/or its members claim to value and how they actually behave.

3.7.3.3 Basic Assumptions

Schein (1985) argues that the core or essence of culture is represented by the basic underlying assumptions, which are difficult to discern because they exist at a largely unconscious level, yet provide the key to understanding why things happen the way they do. In other words, they are the unconscious underpinnings that discern the more explicit system of meanings (Lundberg, 1985). These basic assumptions form around deeper dimensions of human existence such as the nature of humans, human relationships and activity, reality, and truth.

On this unconscious and abstract level where reality is taken for granted, the basic assumptions that guide the organization are very deeply rooted in its members

to the extent that they (organizational members) become 'blind' to them. It often requires those not living 'inside' the culture to see it more objectively (for example customers, new employees, consultants, and vendors).

According to Schein (1985), basic assumptions underlie and determine meaning systems in the organization. Schein (1985) goes on to state that one can only understand a group's culture when there is some understanding of this paradigm by which the members of a group perceive, think about, feel about, and judge situations and relationships. This position is supported by Hofstede *et al.* (1990) whose empirical study found shared perceptions of daily practices to be the core of an organization's culture. Based on this, Seel (2000) has argued that organizational culture is the emergent result of the continuing negotiations about values, meanings and properties between the members of an organization and its environment.

3.7.4 Studies in Organizational Culture Management

Barley *et al.* (1988, p. 42) summarise the promise of the management of organizational culture as follows:

> *"culture enhances social integration, social integration increases performance and productivity; therefore if one can enhance social integration by manipulating culture, then, substantial increments in performance and productivity should ensue."*

As indicated by Barley *et al.* (1988), the issue of the management of culture in organizations has been responsible for a significant amount of literature in organizational theory primarily because of its assumed link to business performance (Ogbonna and Harris, 2002b). However, researchers vary in their views about the

possibility of a managed organizational culture. There are those who argue that culture resides in the unconscious and so cannot be managed within organizations (for instance, Alvesson, 1992; Krefting and Frost, 1985; Martin, 1985, 1992), and those who argue that it is possible for culture to be managed by top management (for instance, Deal and Kennedy, 1982; Meek, 1988; Ouchi, 1981; Pascale and Athos, 1981; Peters and Waterman 1982). These researchers with differing views have been grouped in various ways to enable easy compilation of related views. For instance, Legge (1995, p.191, 198) groups the collection into *protagonists* and *detractors*; Martin (1985, p. 95) uses the terms *purists* and *pragmatics*; while Ogbonna and Harris (2002a, p. 35), developing on Smircich's (1983) typological schema, advance the terms *optimists*, *pessimists* and *realists*. It is based on the final grouping by Ogbonna and Harris (2002a) that the remainder of this review on organizational culture management will be conducted.

3.7.4.1 The Optimists

The management of organizational culture has been an area of great interest since the so-called *trait writers* (or *functionalists* according to Smircich [1983]) identified organizational culture as the principal explanatory variable in the functioning of organizations. These writers (see for example, Deal and Kennedy, 1982; Ouchi, 1981; Pascale and Athos, 1981; Peters and Waterman 1982; Pettigrew, 1979; Sarros, 2002; Schein, 1983, 1985) view organizations as the carriers of a single and unique culture which explains the difference in competitive effectiveness, especially in cases where there are only small differences in structural characteristics between organizations. Trait writers also argue that organizational culture is a variable that can be manipulated by top management. Aycan *et al.* (1999, p. 501) advise that:

> *"Managing organizational culture requires an understanding of the impact of both the internal (work culture) and external (market characteristics, nature of industry, sociocultural etc) environments."*

Consistent with the position of Aycan *et al.* (1999), it is argued that the three factors of industry characteristics, values and behaviours of founders and/or early leaders, and the wider social or community values which are held by employees, are responsible for the formation of culture in organizations (Schein, 1985; Ott, 1989). Of these three factors, leadership has received the most attention from optimists. According to Schein (1985, p. 2), *"culture and leadership are two sides of the same coin"*. Similarly, Hofstede *et al.* (1990) argue that an organization's culture is created unconsciously based on the values of its top management or founders. These views reflect those of the many studies that have expressed a link between organizational culture and leadership style (see for example, Hickman and Silva, 1984; Schein, 1985; Sergiovanni and Corbally, 1984; Smith and Peterson, 1988; Peters and Waterman, 1982; Tichy and Cohen, 1997; Trice and Beyer, 1993). Further support for the link between organizational culture and leadership style is provided by Kimberly (1979) who states that:

> *"The background characteristics of organizational founders have long term effects on the structure, balance of power and values of the organization."* (cited in Euske and Roberts, 1987, p. 56).

This interest in style of leadership is based on instances where inspirational leaders have managed to turn around failing organizations. For instance, House *et al.* (1991) present examples of successful leaders (such as Herb Kellerher of Southwest Airlines; Lee Iacocca of Chrysler; Alfred P. Sloan of General Electric; and General Robert E. Wood of Sears, Roebuck & Co.) each of whom they argue was the

motivational force behind the transformation of the culture in the organizations they led, resulting in an improvement in economic performance. Similarly, findings from a study of U.S. Presidents conducted by House *et al.* (1991) confirmed that charismatic presidents performed better on a variety of dimensions including economic and social performance.

Although several studies have expressed a link between organizational culture and performance (especially due to the influence of leadership style or quality), a further review of the literature reveals that other empirical studies have *not* shown this direct link. For example, Kotter and Heskett's (1992) longitudinal study reveals a weak positive correlation between an organization's culture strength index and its economic performance. Furthermore, Kotter and Heskett (1992) argue that strong-culture firms are as likely to fail as weak-culture firms because culture manipulation of any kind becomes tougher as organizations become more established and successful. This contention is seemingly buttressed by the subsequent failure of several companies earlier identified by Peters and Waterman (1982) as excellent companies, based on their success and strong culture traits. Paradoxically, it seems that the very bases for an organization's earlier success can be hindrances to needed changes under new and different scenarios from those which existed previously. Based on this, Kotter and Heskett (1992) assert that the belief that organizational culture determines economic performance is wrong. However, Schein (1984, 1985) argues against this assertion by stating that culture is a learning process capable of being unlearned. This view is similar to Lewin's (1951) proposed three stage *unfreeze-change-refreeze* procedure for organizational culture change. Indeed, Schein (1992) maintains that just because an organization has a fairly stable, strong culture does not mean that the organization will be resistant to

change (especially if economic gains and/or the organization's continued existence are possible fallouts of such change). Welch and Welch (1997) support this view and argue that the articulation and promotion of corporate values by top management would ensure that the majority of organizational members will at least overtly engage in appropriate behaviour especially if reward and punishment systems are in place. This view is echoed by Ogbonna and Harris (1998) whose study of the change effort in a top UK food retailing organization found that staff expressed overt behavioural compliance to top management's espoused values. However, Ogbonna and Harris (1998, p. 285) classify this behaviour as *"resigned compliance"* as opposed to the management preferred *"authentic willingness"* to change.

3.7.4.2   The Pessimists

The pessimists generally approach organizational culture issues from theoretical perspectives (Ogbonna and Harris, 2002a) and are of the opinion that organizational culture resides too deeply within the consciousness of organizational members for it to be controlled or managed at will by top management (see for example, Gagliardi, 1986; Krefting and Frost, 1985; Martin, 1985, 1992). Applying Smircich's (1983) classification, pessimists argue that organizational culture is something an organization *is* rather than something an organization *has*. Stated otherwise, organizational culture is identified as a root metaphor which was created at the inception of the organization and operates as a self-checking mechanism which is dynamic and fluid. Therefore, pessimists contend that culture cannot possibly be likened to a variable at the disposal of management for manipulation. According to Krefting and Frost (1985, p. 156):

"If organizational culture is funnelled through the unconscious and is therefore not always orderly, then it is unlikely that efforts to manage such a culture can be precisely predicted or tightly controlled."

Furthermore, pessimists criticise optimists for their unitarist view of organizational culture on which their proposition that leaders can influence culture rests. They argue that cultural consensus is not organization-wide but can only occur within the boundaries of a subculture. This general recognition of the existence of subcultures within organizations arises from the strength of factors such as professional affiliation, status and social or divisional interactions (Fischer and Dirsmith, 1995; Handy, 1985; Hofstede *et al.*, 1990; Ogbonna and Wilkinson, 1990). These subcultures, it is argued, coexist sometimes in harmony, sometimes in conflict, and sometimes in indifference to one another (Martin, 1992), thereby making the claim of organization–wide control of culture by top management impossible.

3.7.4.3 The Realists

Although researchers in the *realist* category are difficult to identify (Ogbonna and Harris, 2002a), they include organizational theorists who have tried to find some sort of middle ground between the two extreme stances. Ogbonna and Harris (2002a) explain that realists are neither for nor against the possibility of a managed organizational culture but rather hold the view that more research should be carried out to enable the comprehension of the dynamics of organizational culture change.

However, confirmed pessimists such as Martin (1985) have conceded that it may indeed be possible for culture to be managed in organizations under specific conditions. The conditions advanced are at the formation of the organization, during periods of crises, and when the leadership is changed (Martin and Meyerson, 1988).

Based on this it can be argued that Martin may no longer be a pessimist (going by the strict definition of the term) rather, her acknowledgement of the possibility (however remote) of culture being influenced in some way arguably paints her as a realist. Similarly, Schein (1996a, 1996b) seems to have abandoned his earlier unitarist view (see Schein, 1983, 1985) of organizations by his study's focus on the dysfunctional interaction between three generic occupation groupings within organizations. These are the operator culture, the engineer culture, and the executive culture. By acknowledging the simultaneous existence of multiple cultures in organizations which often work at cross-purposes with each other and lack mutual understanding, Schein (1996a) concedes that *"the organization as a unit may not ever be able to be a reliable learning system"* (p. 238) until the conflict in the interaction between subcultures is addressed (Schein, 1996a, 1996b, 1999).

In conclusion, multiple perspectives and theoretical positions have been advanced for both organizational culture and organizational climate. The two organizational constructs are closely related and indeed, both terms have been used interchangeably in research. Based on this close relation, there is a need to delineate the two constructs clearly. In doing this, a review of their differences and similarities is of major importance. The next section addresses this issue.

3.7.5   Delineating Organizational Culture and Organizational Climate

Organizational culture and organizational climate have been important constructs in organizational theory for several decades (Fey and Beamish, 2001; Koys and DeCotiis, 1991; McMurray, 2003; Moran and Volkwein, 1988; Porter *et al.*, 1978; Schein, 1992; Schneider and Rentsch, 1987). The culture and climate constructs have been increasingly united in research because their nature enables the

understanding of the expressive, communicative and human dimensions of organizations, and the effect of these on the shape taken by organizational life (Mumby, 1988; Smircich, 1985). Studies in culture and climate have no doubt enriched our understanding of organizational theory but a distinction between the two has been difficult to make because:

> "...belief systems, which are regarded as central to organizational climate, are ultimately derived from prevailing value systems and therefore, must somehow be associated with organizational culture"(McMurray, 2003, p. 1).

Ashforth (1985, p. 841) argues that the concepts of organizational climate and organizational culture share the same continuum with *"climate being more grounded in individual consciousness whereas culture is largely preconscious or more to do with tacitly held beliefs"*. Similarly, Hughes *et al.* (2002) have argued that the two concepts may be viewed as being distinct, a function of, or reaction to one another. This confirms Ashforth's (1985, p. 841) argument that *"it is not a large conceptual step from shared assumptions (culture) to shared perceptions (climate)"*, or what Yeap (1986, p. 11) calls the *"thin grey line"* which separates the two constructs.

Following the need for a proper delineation of the constructs, organizational theorists have suggested a variety of ways in which the distinction between culture and climate can be made. For instance, Denison (1996) proposes that the most significant difference between culture and climate lies not in the nature of the phenomenon or the methods of study but in the theoretical traditions that have been borrowed from other social science branches. Denison (1996) argues that while the literature on culture developed from the symbolic interaction and social construction

perspectives, climate literature developed from field theory as advanced by Lewin (1951). Alternatively, Schwartz and Davis (1981) contend that the best way to separate the two constructs is to concentrate on the issue of focus. They assert that climate measures the fulfilment of previously held expectations while culture measures the *"nature of the expectations themselves"* (p. 33). An assortment of other differing yet mostly convergent views based on an in-depth comparison by McMurray (2003) is presented below:

1. Falcione and Kaplan, (1984, p. 301) suggest that organizational culture is likely to *"persist over time, while climate is the assessment of these elements at any given moment"*.
2. Due to the reciprocal nature of their relationship, *"climate, as well as being influenced by culture, is simultaneously capable of shaping culture"* (McMurray, 2003, p. 2).
3. 'Climate refers to what happens in organizations while culture refers to the reason(s) why things happen in organizations' (Schneider and Rentsch, 1987).
4. 'Climate concentrates on the overt (artefacts) to the detriment of deeper level assumptions (genuine culture)' [Schein, 1985].
5. 'Organizational climate is a quantifiable concept whereas organizational culture is more qualitative by nature and therefore less tangible' (Turnipseed, 1988).

Confidence in the proposition that organizational culture and organizational climate are distinct constructs stem from the arguments reviewed above. Based on these, organizational culture can be said to include the intangible elements of organizational life while organizational climate gives these intangibles a tangible form. This position informs the reason why organizational climate researchers place greater emphasis on observable practices of the organization, while organizational

culture researchers are more focused on the values of the organization which lead to these observable practices (Fey and Beamish, 2001). This clarification is significant for the study of servicescapes because as has been previously reviewed (see Tables 3.1 and 3.2), tangible (or climatic) elements such as décor and signage, as well as the intangible (or cultural) elements such as staff behaviour in the servicescape are both evaluated by customers before they make decisions on their future purchase habits or, more specifically, their loyalty intentions towards a particular providing organization's servicescape. Consequently, this thesis will take the view that the two constructs are distinct from each other.

3.8   Concluding Remarks

As suggested in the literature review conducted in Chapter Two, this chapter set out to review the literatures on servicescapes, organizational climate and organizational culture with a view to highlighting the different theoretical bases on which each construct rests. The chapter began with an analysis of the servicescape literature, covering a review of proposed definitions, domain, stimuli and limitations. Thereafter, the literatures on organizational climate and organizational culture were reviewed and a delineation of the two constructs was conducted.

A critical finding that emerges from this review is the important role the servicescape plays in the delivery of services and its effect on customers' perceptual processes, which determine their loyalty intentions towards the servicescape. A related critical finding is the influence the climate and culture of an organization have in determining the structure, layout and cues present in these physical environments and indeed, the attitudinal and behavioural responses of customer contact-employees at the interface. While the effect of an organization's marketing

culture on its marketing effectiveness has been studied (see for example, Webster, 1995), as has the effect of climatic cues on customer responses (see for example Bitner, 1992), a review of pertinent literature reveals no specific attempt to test both climatic and cultural cues empirically in relation to their effect on customers' loyalty intentions. Furthermore, no attempt has been made to integrate both personal and environmental factors into the same model structure to determine the degree of their moderating roles (if any) on customers' evaluation of a servicescape, leading to displayed approach-avoidance behaviour.

To address the above findings, the climatic and cultural cues in the servicescape in addition to the personal and environmental factors that may moderate customer loyalty intentions will need to be conceptualized. Chapter Four provides such a conceptualization.

Chapter Four: A Servicescape

Conceptualization

4.1 Introduction

The previous chapter dealt with a review of the existing body of knowledge on the influence of servicescapes on human behaviour. In examining this influence, Chapter Three also investigated the general relationship between servicescapes and the organizational constructs of climate and culture. Pertinent literature demonstrates that organizational culture and organizational climate may be influential in the determination of staff performance, and the placement of tangible cues – all of which are stimuli which form the basis of customer evaluation of the received service. As a result of these theoretical links and in response to calls for a better conceptualization of servicescapes, this chapter covers the modification of the stimulus-organism-response model via the incorporation of nine stimulus variables (reflecting both organizational climate and organizational culture) as opposed to the conventional mono-variable or dual-variable studies predominant in servicescape research. This multivariate approach was adopted because it may be useful to scrutinize relationships previously unexamined so as to obtain a much deeper and broader perspective of the influence of servicescape variables on loyalty intentions. Furthermore, as stated in Chapter Three, it is proposed that certain moderating personal and environmental factors may also influence the linear relationships between servicescape variables and loyalty intentions. Consequently, in order to verify proposed linkages, these factors were inserted into the conceptual model to determine the extent to which their effects would hold up in the face of rigorous empirical testing.

Thus, the central themes of this chapter relate to the development of a conceptual model and the construction of specific hypothesized relationships between the variables.

4.2 A Conceptual Model of Servicescapes: Consequences and Moderating Effects

"That human behaviour is influenced by the physical setting is essentially a truism" (Bitner, 1992, p. 59). As far back as the 1950s, environmental psychologists identified the influential role of the environment in predicting and explaining human behaviour (see for instance, Maslow and Mintz, 1956; Mintz, 1956). This identification has encouraged further research on the manner in which human beings respond to built environments. More recently, studies have confirmed the ability of the servicescape to create an image of the organization in the mind of the customer, leading to approach-avoidance behaviours directed at the service stream of the organization (see for example Bitner, 1992; Donovan and Rossitter, 1982; Hoffman and Turley, 2002; Mehrabian and Russell, 1974; Sweeney and Wyber, 2002; Turley and Milliman, 2000; Webster, 1995). Therefore, marketers in service industries should continue to show an interest in ascertaining both the cues used and those ignored by customers in perceptual formation (Baker, 1987; Bitner, 1992; Zeithaml, 1988).

The effect of servicescape cues on customers leading to their display of approach-avoidance behaviour is mentioned in virtually all marketing, retailing, and organizational behaviour texts, and is recognised by managers (Bitner, 1992). However, although there are few empirical studies in the area (Bitner, 1992; Chebat and Dube, 2000; Cronin, 2003; Hoffman and Turley, 2002), this lack of extensive empirical insight into servicescapes presents a significant opportunity to increase extant knowledge. Indeed, Bitner (1992, p. 68) asserts that *"the fact that there is relatively little empirical work in any field to draw on allows for true pioneering research to be done"*.

Therefore, to guide subsequent discussion and reinforce the direction of the study established in Chapter Three, this thesis defines the servicescape as *"the design of the physical environment (with or without customer input) housing the service encounter, which elicits internal reactions from customers leading to the display of approach-avoidance behaviours"*.

Further, to aid research efforts towards obtaining a global configuration of the servicescape, a conceptual model is developed. The model depicts the proposed linear relationships between nine servicescape elements (representing both organizational climate and organizational culture) and loyalty intentions (see Figure 4.1). In addition, four factors have been positioned in the model to act as moderators of these proposed linear relationships. These moderators are split into personal and environmental factors. The two personal moderators tap into the personality to the individual customer which may have an influence on future behaviour. The other two moderators are environmental factors representing the macro environment which is also believed to exert an influence on customers' loyalty intentions. The insertion of moderating factors into the model was premised by the need to obtain a deeper and better conceptualization of servicescapes, and in particular, the restaurant service environment. It is believed that with such an approach, a more complete understanding of customers' loyalty intentions towards restaurant settings can be obtained.

Figure 4.1 evinces the developed conceptual model. Thereafter, the variable composition of the model will be reviewed, beginning with the outcome variable of loyalty intentions to which all other variables are proposed to impact either linearly or via interaction effects.

Figure 4.1: A Conceptual Model of Servicescapes: Consequences and Moderating Effects

SERVICESCAPE VARIABLES

Organizational Climate Elements

- *Ambient Conditions* –
  Music
  Scent
  Cleanliness

- *Design Factors* –
  Implicit Communicators
  Furnishing

Organizational Culture Elements

- *Staff Behaviour* –
  Customer Orientation
  Credibility

- *Staff Image* –
  Competence
  Physical Attractiveness

PERSONAL FACTORS

- Variety-Seeking Behaviour

- Perceived Sacrifice

ENVIRONMENTAL FACTORS

- Perceived Economic Turbulence

- Perceived Competitive Intensity

LOYALTY INTENTIONS

⟶ Main Effect

┅┅▶ Moderating Effects

4.3 Loyalty Intentions: The Outcome Variable

Loyalty intentions are defined as the 'disposition of customers to either repurchase a product/service from a providing organization, or go to a competitor' (Jacoby and Chestnut, 1978). Wong *et al.* (1999, p. 54) state that *"understanding the behaviours and conditions that foster repeat patronage is an important part of marketing endeavour"*.

Loyalty intentions became a very popular area in marketing research when studies discovered the immense benefits available to organizations through the retention of just one customer. For instance, a study by Reichheld *et al.* (2000a) revealed that a five-percentage point shift in customer retention consistently resulted in 25-100% profit swings. Based on this, Zins (2001, p. 288) contends that *"loyalty management is a key concern in marketing"*. Similarly, Pritchard *et al.* (1999, p. 333) postulate that, *"understanding how or why a sense of loyalty develops in customers remains one of the crucial management issues of our day"*. Surprisingly however, as Gremler and Brown (1996) point out, there has been a primary focus on customer loyalty in product-related or brand loyalty while loyalty to service organizations has remained underexposed.

In a concerted drive to illuminate loyalty in service organizations, several theories have been advanced on how customers form judgements about service organizations and how these judgements go on to affect their subsequent behaviour (Boulding *et al.*, 1993). Most of these theories stem from studies conducted in the areas of service quality, attitudes, and satisfaction, many of which advance scale measures for assessing loyalty intentions in services marketing. Of these measures, those which have drawn significant attention are the (1) SERVQUAL scale

(Parasuraman *et al.*, 1985), (2) SERVPERF scale (Cronin and Taylor, 1992), and (3) The Behavioural-Intentions Battery (Zeithaml *et al.*, 1996).

The 22 item paired Service Quality (SERVQUAL) scale was developed to measure the gap or perceived judgement between customers' expectations of service performance (that is, pre-trial beliefs) and their perceptions of actual service experiences, via the dimensions of *tangibility, empathy, reliability, responsiveness*, and *assurance* (see Section 2.7.2.1 for a review). Svensson (2001) asserts that the popularity of the SERVQUAL scale in marketing research is due to its contribution to the strength of interpersonal, intra-organizational and inter-organizational service encounters. However, a major limitation of the SERVQUAL scale is that it consists of 22 items which are paired to measure both customer expectations and perceptions, bringing the total number of scale items to 44. This large number of items for a single measure may be considered too time consuming by respondents and so impact negatively on response rate. Additionally, Babakus and Boller (1992) argue that the use of both expectation and perception items does not provide additional information to that which would be obtained by using perception items alone.

The appropriateness of utilizing only one set of items measuring customers' perceptions forms the basis of the scathing critique of the SERVQUAL scale by Cronin and Taylor (1992). They maintain that the gap theory of service quality is supported by little theoretical or empirical evidence and so the use of two sets of items to measure service quality is therefore questionable. Thus, Cronin and Taylor (1994) assert that service quality should instead be measured as an attitude, and they advice the use of a performance-based service quality measurement scale called the Service Performance (SERVPERF) scale which has the primary aim of evaluating

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the impact of service quality and customer satisfaction on loyalty intentions. Scale items number 22 (half the number in the SERVQUAL scale) reflecting a concentration on only the measurement of customers' perceptions.

The Behavioural-Intentions Battery advanced by Zeithaml *et al.* (1996) was developed as a multi-company measure for appraising the impact of service quality on the particular behaviours which signal whether customers will remain with or defect from a previously patronised organization. The battery specifically measures behavioural intentions through the dimensions of *loyalty, switch, pay more, external response,* and *internal response,* all of which are believed to be directly related to repatronage intentions. These dimensions and their corresponding scale items allow for a comprehensive evaluation of the relational impact between service quality and specific types of loyalty intentions at the individual customer level rather than the organization or industry level. In addition, the measure investigates changes in the strength of the service quality – behavioural intentions relationship which may occur as a result of the potential moderating effects of different levels of service relative to customers' expectation levels. Comprising only 13 items (*loyalty* – 5, *switch* – 2, *pay more* – 2, *external response* – 3, and *internal response* – 1), the items in the measure are not so many as to discourage respondent participation. This ensures that response rates would not be adversely affected due to a large number of scale items. Based on the above stated merits, this study's output variable of loyalty intentions was operationalized by adapting scale items drawn from the Behavioural-Intentions Battery as further illustrated in Chapter Five.

4.4 An Organizational Climate and Culture Conceptualization

Aubert-Gamet (1997, p. 26) notes that *"although customers cannot see a service per se, they can see various tangibles associated with the service, which are clues for the 'invisible' service"*. Consequently, customers' appraisal of the cues present in the servicescape may exert an influence on their expectations of the level of service to be received, and ultimately, their behaviour towards the servicescape. Therefore, with the joint aims of obtaining a global configuration and developing a deeper conceptualization of servicescapes, the organizational constructs of climate and culture have been incorporated into this study. This approach is undertaken because servicescapes can be viewed as having both tangible (climate) and intangible (culture) levels. Consequently, the servicescape elements are presented below through the lenses of these organizational constructs beginning with servicescape organizational climate elements, followed by servicescape organizational culture elements.

4.5 Organizational Climate Elements

Reflective of earlier work by Bitner (1992), the servicescape organizational climate elements selected for study in this thesis are broadly grouped into the categories of ambient conditions and design factors. These are addressed below in the order of ambient conditions (comprising elements of music, scent and cleanliness) and design factors (represented by the elements of implicit communicators and furnishing).

4.5.1 Ambient Conditions

Ambient conditions include the variables which form the background characteristics of the servicescape such as weather, air quality, noise, music, cleanliness, temperature, scent and lighting (Baker, 1987; Bitner, 1992). It is argued that ambient conditions are important within a servicescape because they *"affect the five senses"* (Bitner, 1992, p. 66), usually go unnoticed except in extreme conditions (Koernig, 2003), and generally have an effect on the subconscious of customers (Baker, 1987). The ambient conditions selected for analysis in this study are music, scent and cleanliness. These are discussed in turn below.

4.5.1.1 The Ambient Condition of Music

Music is defined by Brunner (1990, p. 94) as *"a complex chemistry of controllable elements...rather than a generic sonic mass"*. Therefore, music consists of a sequence of tones, whose perception depends on a grasp of relationships between sounds (Weinberger, 2004). Although no definitive taxonomy of music has been developed, Brunner (1990) advances the components of *time* (music with a fast tempo is considered more happy or pleasant than slow music), *pitch* (music with a high pitch is considered more exciting or happy than low pitched music), and *texture* (related to volume, loudness suggests animation or proximity while low volume implies tranquillity or distance). This ability of both background and foreground music to affect moods has been demonstrated throughout history by poets, playwrights and composers (Brunner, 1990) and is reflected extensively in servicescape study (see for instance, Areni and Kim, 1993; Baker *et al.*, 1992; Dube *et al.*, 1995; Mattila and Wirtz, 2001; Milliman, 1982, 1986; North *et al.*, 1999; Yalch and Spangenberg, 1988, 1990). This is because the music played in a

servicescape is capable of not only stimulating emotions and therefore mood states (Chebat *et al.*, 1993; Dube *et al.*, 1995; Yalch and Spangenberg, 1990), but also communicating with customers nonverbally (Brunner, 1990). For instance, a study by Dube *et al.* (1995) revealed that music played in banks does not only influence customers' intention to affiliate with bank personnel but also impacts on the subsequent nature of buyer-seller relationships. Similarly, Bitner's (1992) study highlights the use of 'elevator music' in a store to discourage patronage by a youthful market segment which store owners believed was detracting from the store's image. Likewise, Fried and Berkowitz (1979) identified soothing classical music to be capable of creating positive moods leading to greater helping behaviour. In addition, a study by Chain Store Age (2004) indicates that the majority of surveyed retailers (54.9%) strongly believed music to have an impact on in-store atmosphere. This belief was found to be most prevalent among department stores (80%), bookstores (77.8%), large stores (66.7%) and apparel stores (52.6%). Similarly, based on customer feedback obtained from these surveyed retailers, music was found to be more directly linked to positive customer responses than negative ones. Thus, both empirical and conceptual studies on the element of music suggest that *"music has become a major component of consumer marketing, both at the point of purchase and in advertising"* (Brunner, 1990, p. 94). Therefore, it is hypothesized that:

H₁: The greater customers' perception of music appropriateness, the greater the intentions of customers to be loyal.

4.5.1.2 The Ambient Condition of Scent

Scent is defined as 'a distinctive smell, especially one that is pleasant' (Oxford English Dictionary, 2005). The suggestion that scent affects moods is an ancient one (Hallett and Silver, 2004). This is reflected in the extensive use of scent in organizational settings as has been widely-itemised in extant scent/odour literature (see for instance, Fiore *et al.*, 2000; Hirsch, 1995; Spangenberg *et al.*, 1996; Mattila and Wirtz, 2001). Scent can be differentiated along three major dimensions (Spangenberg *et al.*, 1996). These are the *affective quality* of the scent (how pleasant it is), its *arousing nature* (how likely it is to evoke a physiological response), and its *intensity* (how strong it is). On the basis of these dimensions and due to its far-reaching effects, organizations have attempted to manipulate scent in different ways to achieve the desired customer behaviour. Indeed, Morrin and Ratneshwar (2003, p. 21) assert that *"environmental fragrancing is now becoming a common practice in retailing, restaurants, and other service-oriented businesses"* because *"pleasant scents encourage customers to spend more time in the servicescape"*. This is due to the reason that respiration deepens in the presence of a pleasant scent (Takagi, 1989) whereas an unpleasant scent halts breathing and even causes physical withdrawal (Levine and McBurney, 1986). For instance, Hallett and Silver (2004, p. D2-D3) in their study on the activities of a popular Chicago restaurant state:

> *"Tree twigs were ablaze in Grant Achatz's kitchen, just as the Chicago chef had planned. Capturing the smoke in glasses, the waiters then brought out plates of prime rib-eye of beef and smoked tongue to hungry diners and released the trapped air as the food was served. 'It smells like a roasting fire, and it punches that smoked-meat flavor forward,' says Achatz, winner of the James Beard Foundation's 2003 Rising Star Chef of the Year award.... 'Customers love it .... They're eating food that's delicious but also emotional'".*

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Correspondingly, Arndt and Gutner (2005, p. 106) affirm that *"chefs have long understood the importance of aroma to enhance taste "*. They proffer the example of the pouring of hot water over lilac petals (to evoke a fragrance of spring), in accompaniment to a serving of turbot.

The powerful influence of food-inspired scents has also been transferred to other areas of retailing such as in the sale of cleaning products. For instance, products such as Colgate's fabric softener 'Suavitel' which comes in a vanilla scent are effective because food scents encourage positive emotions through non-overt means (Neff, 2000). Similarly, a test on the effect of lavender on sleep patterns found that a lavender scent can increase the amount of time both men and women spend in the most restorative stage of sleep. A related test also indicated that peppermint scents can invigorate exercisers (Hallett and Silver, 2004).

Other instances where scent has been used as a means to affect human behaviour have been identified by Morrin and Ratneshwar (2000) who list the use of scent in hospitals to calm cancer patients during medical procedures (see Owen, 1994); corporations where scents are emitted through air ducts to energise office workers (see Baron and Thomley, 1994); and cabs of 18-wheelers to keep drowsy truck drivers from falling asleep (see Bounds, 1996). Additionally, Bone and Ellen (1999) itemise the use of scent to positively impact human behaviour in shoe stores to increase the desirability of Nike athletic shoes (see Hirsch and Gay, 1991); jewellery stores to increase time spent in the servicescape by customers (see Knasko, 1989); and in bakeries where the systematic use of scent increased sales by 300% (see Hirsch, 1991).

In sum, even though the power of scent is often underestimated because it is not readily perceived or spoken about in the same way that visual cues are (Milotic, 2003), the consensus seems to be that *"smell sells"* (Bone and Ellen, 1999, p. 243). On this basis, the following hypothesis is developed:

H₂: The greater customers' appreciation of servicescape scent, the greater the intentions of customers to be loyal.

4.5.1.3 The Ambient Condition of Cleanliness

Cleanliness is defined as 'the absence of dirt; including dust, stains and bad smells' (Wikipedia, 2005). The importance of cleanliness within the service environment has been highlighted extensively in literature (see for instance, Berta, 2005; Fitzsimmons, 2003; Stern and Stern, 2000; Wakefield and Blodgett, 1996). Indeed, Marinucci (2002, p. 7) contends that *"marketing-wise, cleanliness makes perfectly good sense"*. More specifically, Wakefield and Blodgett (1996, p. 49) assert that *"cleanliness is an important part of the servicescape"*. The importance of cleanliness is manifested in the high number of studies which directly link cleanliness to customers' evaluation of the servicescape and hence, their future behaviour. For instance, a study by FoodService Director Magazine (2000, p. 5) revealed that *"fast-food customers care more about cleanliness...than they do friendly servers, speedy service and healthy food"*. Similarly, a hospital study by Blizzard (2002) showed that patients believed that hospitals which couldn't maintain high levels of cleanliness couldn't be trusted to perform well on other attributes which they (patients) were unequipped to notice.

While most restaurants tend to focus their cleaning efforts in the main dining area, a frequently neglected yet critical part of restaurant cleanliness has been

identified to be the restrooms. Berta's (2005) customer preference study revealed that the top three reasons given for the selection of a particular restaurant were (1) the cleanliness of the dining areas and tables, (2) the cleanliness of the kitchen, and (3) the cleanliness of the restrooms. Similarly, Fitzsimmons (2003, p. 100) in his recommendation to restaurateurs states: *"...customers will judge your entire operation on how clean and well-maintained your restrooms are"*. The importance of clean restrooms in a servicescape is perhaps best highlighted by the measures employed in Amsterdam's Schipol Airport. In the gents' toilet of the airport, a small fly is painted in individual urinals at a particular angle. The reason for this is as simple as it is effective. By virtue of its placement, the painting is able to encourage men to 'aim' for it when urinating. Additionally, because of the angle at which it is placed in the bowl, urine is subsequently directed squarely at the drain. The resultant effects of this are that the restroom stays clean for longer thus reducing overall cleaning costs, and generally promotes a pleasing environment. This is critical because of the potential negative effect of an unclean restroom on the overall service experience. Thus, Fitzsimmons (2003, p. 100) contends that *"successful establishments must address guests' concerns by meeting or exceeding their expectations about the* cleanliness *of restrooms"*.

It is important at this stage to point out that customers' evaluations of cleanliness are based on their perceptions which may be incongruent with those held by service staff. For instance, in the study of hospital cleanliness levels by Blizzard (2002), patients' perception of cleanliness differed significantly from the perception held by nurses and managers. Correspondingly, Stern and Stern (2000, p. 28) assert that *"although most people in the foodservice business know that cleanliness is a fundamental requirement of success, pride in prophylaxis is not something we*

consumers see too often any more ". Thus, a gap in perceptions exists which needs to be narrowed, and eventually eliminated. Efforts in this regard have included the increasing use of plastic gloves, hair nets and even beard nets by staff involved in food preparation, and *"stashes of antibacterial wipes in restrooms"* (Stern and Stern, 2000, p. 28). As restaurants continue in their attempt to meet or exceed growing cleanliness expectations, Stern and Stern (2000, p. 28) posit that it will not be long before (in response to a question about the dining experience) customers will reply *"Oh, it was wonderful. It couldn't have been more sanitary"*. Accordingly, it is hypothesized that:

H_3: *The greater customers' perception of servicescape cleanliness, the higher the intentions of customers to be loyal.*

4.5.2 Design Factors

Baker (1987) defines design factors within a servicescape as 'the factors which are either aesthetic or functional'. Functional factors include elements such as layout, signage, and comfort. These functional elements are important because they facilitate the behaviour of customers within the servicescape (Wakefield and Blodgett, 1994). Aesthetic factors refer to the tangible cues which customers 'view to evaluate their artistic quality' (Wakefield and Blodgett, 1994). Examples of these cues include architecture, style, materials, and décor. According to Baker (1987, p. 81), these elements *"are the extras that contribute to a customer's sense of pleasure in experiencing a service"*. Quite unlike ambient condition elements, design factors are more perceptible and so have a greater tendency to produce customer perceptions of the service (Aubert-Gamet, 1997; Baker, 1987).

The two design factors selected for further attention in this study are implicit communicators and furnishing. The implicit communicators element was positioned to represent the aesthetic feature of design factors, while the element of furnishing embodies the factor of functionality and is thus conceptualized on that basis.

4.5.2.1   The Design Factor Element of Implicit Communicators

Implicit communicators are 'visual elements related to aesthetic appeal' (Bitner, 1992) or 'the tangible cues which communicate information about an organization's beliefs and its *ways of doing things*' (Buchanan and Huczynski, 1997; Ott, 1989). In other words, they are used to convey and enhance a certain image or mood (Wakefield and Blodgett, 1996).

Bitner (1992) highlights that implicit communicators like décor (for instance the quality of materials used in construction, artwork and floor coverings) give implicit cues to customers on the norms and expectations for behaviour in the servicescape. Stated otherwise, décor is a visual symbol used to create an appropriate atmosphere within the servicescape (Nguyen and Leblanc, 2002). Bitner (1992) further notes that customers use implicit communicative cues such as décor to categorise service provision. For instance, Oakes (2000) observes that restaurants, through a customer assessment of interior décor, can be categorised as either fast-food provider (due to décor comprising plastic furnishing, bright lights and counter service) or upscale sit-down restaurant (due to décor comprising subdued lighting, ornate furnishing and spotless white tablecloths). Similarly, décor can influence a customer's belief about whether a firm is trustworthy or untrustworthy, expensive or affordable (Bitner, 1992) and successful or unsuccessful (Bitner, 1992; Nguyen and Leblanc, 2002); thereby providing the customer with an intrinsic cue on which to

form beliefs about the organization's effectiveness (Bitner, 1992), and thereafter develop their loyalty intentions. Using the influence of aesthetic factors, successful retailers have learned to structure their internal environments to create a positive customer experience (Fottler *et al.*, 2000). Therefore, it is advanced that:

H₄: The greater customers' evaluation of servicescape aesthetic appeal, the greater the intentions of customers to be loyal.

4.5.2.2 The Design Factor Element of Furnishing

Furnishing is defined as 'the element which directly affects the comfort and performance of both customers and employees in the servicescape' (Baker, 1987; Bitner, 1992). This is highlighted in commercial service settings such as restaurants where physical barriers are erected to separate smokers from non-smokers (Hoffman and Turley 2002). Likewise, Wakefield and Blodgett (1996, p. 54) affirm that seating comfort becomes very important *"when customers remain in the same seat for extended periods of time"*.

The layout of a servicescape, moulded by the types and sizes of the furnishing present, is always included in lists of salient attributes in store image determination (see for instance, Hook, 1989). This is because layout will determine the manner in which customers react in many given situations. For example, Aubert-Gamet (1997, p. 28) states that *"the internal layout of buildings may either ease or restrict movement, thereby evoking a sense of crowding or spaciousness"*. Similarly, restaurant customers will have different expectations and thus react differently on entering the restaurant depending on whether the first thing they see is a cash register counter or a host/hostess (Hoffman and Turley, 2002). Therefore, a layout that is pleasant and easy to use will be positively related to favourable customer

loyalty intentions (Wakefield and Baker, 1998). Conversely, a layout that is not pleasant or easy to use will be negatively related to favourable customer loyalty intentions. This view is confirmed by the bankruptcy of the Aladdin Hotel in Las Vegas whose central problem was traced to its poor layout design (Berns, 2001; Simpson, 2002). In addition, findings from Mayer and Johnson's (2003) casino study reveal that from the perspective of a slot player, layout aligned closely with the concept of a casino atmosphere.

However, although the influence of furnishing in service settings is generally acknowledged, there remains a dearth of research on its effects on customers in commercial service settings (Bitner, 1992). Therefore, as the restaurant setting is the focus of this study, it is believed that by virtue of the amount of time customers spend in this servicescape that should be designed to promote relaxation, the comfort of furnishings will be an element under constant evaluation by customers and so may impact on their future intentions towards the servicescape. Specifically, physical and psychological comfort may be compromised if seats are too close together because *"it affects the ease with which customers may exit their seats to use ancillary service areas (i.e. restrooms, concession areas, etc)"* [Wakefield and Blodgett, 1996, p. 48]. Consistent with the findings of the studies identified above, it is hypothesized that:

H_5: *The greater customers' evaluation of servicescape furnishing, the greater the intentions of customers to be loyal.*

4.6 Organizational Culture Elements

The servicescape organizational culture variables selected for further examination in this study are related to elements representing both the behaviour and image of staff in the servicescape. The selection of elements denoting staff behaviour and staff image is based on categorisations drawn from related studies (see for instance, Baker, 1987; Solomon, 1985; Webster, 1993, 1995). The selected staff behaviour elements are customer orientation and credibility; while staff image is measured by way of the elements of competence and physical attractiveness. It was deemed necessary to employ a host of variables in testing the direct contributions of service staff to the explanation of loyalty intentions because *"customers' evaluation of retail salespeople is based on multiple criteria"* (Sharma and Stafford, 2000, p. 184).

4.6.1 The Staff Behaviour Element of Customer Orientation

The concept of customer orientation is widely-believed to have been popularised by Levitt (1976) as a means of focusing the aims of competitive organizations on achieving customer objectives. Defined by Brown *et al.* (2002, p. 111) as *"an employee's tendency or predisposition to meet customer needs in an on-the-job context"*, a customer oriented organization is geared towards a strong emphasis on both internal collaboration and customer familiarity (Ambler, 1999; Bitner *et al.*, 1990; Deshpande *et al.*, 1993; Noble *et al.*, 2002). Furthermore, Day (1994) affirms that through customer orientation measures, organizations can elevate their marketing activities to the level of a competitive weapon; due to the creation of a mutual relationship between the organization and its customers. Correspondingly, the first empirical customer orientation study which was conducted by Saxe and

Weitz (1982) using the dimensions of customer orientation and selling orientation, indicated that customer orientation is related to sales performance. Similarly, Brown *et al.* (2002) advance two major dimensions of customer orientation. These are the needs dimension (staff beliefs about their ability to satisfy customer needs), and the enjoyment dimension (the degree to which staff find interaction with customers enjoyable). These dimensions are congruent with the widely-believed criticality of service staff in the delivery of highly satisfying service experiences to customers.

Customer orientation is therefore *"an individual-level construct that is central to a service organization's ability to be market oriented"* (Brown *et al.*, 2002, p. 110). This position is shared by Kohli and Jaworski (1990) who assert that due to the high involvement of staff in creating an organization oriented towards customer needs, customer orientation is best viewed within the context of market orientation. This perspective suggests the salience of an organization-wide focus on the collation and distribution of customer and market information. This is because organizational success is dependent on the satisfaction of customer needs (Jaworski and Kohli 1993; Kotler, 1997; Narver and Slater 1990) through the *"personal interaction component of services"* (Rust *et al.*, 1996, p. 391), directly implemented by individual service workers (Brown *et al.*, 2002).

The significance of staff behaviour as a product of market orientation is related to organizational culture (Deshpande and Webster, 1989; Harris, 1998), which promotes shared values and a strong sense of camaraderie (Jaworski and Kohli 1993), thus implicitly orchestrating the behaviour of staff in the servicescape. Surprisingly however, despite the identified strong link between customer orientation and the implementation of the marketing concept, research in the area

remains limited (Brown *et al.*, 2002; Strong and Harris, 2004). Therefore, this study will attempt to add to the literature in the area by empirically evaluating the influence of customer orientation on customers' loyalty intentions as hypothesized below:

H_6: *The greater customers' perception of staff customer orientation, the greater the intentions of customers to be loyal.*

4.6.2   The Staff Behaviour Element of Credibility

Goldsmith *et al.* (2000a, p. 43) assert that *"the concept of credibility has been and will continue to be of interest to scholars and practitioners in marketing and advertising"*. Credibility is defined as 'the degree to which a source is perceived as trustworthy and competent' (Rogers and Shoemaker, 1971) or 'the extent to which a source is perceived to possess the necessary expertise and can be trusted to provide an objective opinion' (Ohanian 1990).

Once *"the corner stone of product brand"* (Maathuis *et al.*, 2004, p. 333), source credibility has become especially important in the provision of services due to the reason of service intangibility; because customers are generally suspicious of salesperson motivations (Friestad and Wright, 1994) and without credibility, organizational messages become ineffective (Dholakia and Sternthal (1977). Therefore, customers who perceive an organization to be credible are more likely to patronise the organization and evaluate the organization's advertisements favourably (Keller, 1998) because credibility is critical in effective personal selling (Krapfel, 1985).

The need for organizations to project their credibility to customers has encouraged a lot of research in the area of corporate credibility which has been revealed to have the ability to influence customers' attitudes and purchase intentions (Goldsmith *et al.* 2000a, 2000b; Lafferty and Goldsmith 1999). This is key to organizational success (Fombrun 1996; Goldberg and Hartwick 1990) because the message provided by a credible salesperson representing the organization *"is processed deeply"* (Sharma, 1990, p. 71) by customers. Therefore, if the salesperson is perceived to be credible, this credibility will extend to the organization as a whole, leading customers to become more receptive of organizational messages (Sharma, 1990). For instance, sales research literature suggests that the process of customer persuasion is positively affected by increased salesperson credibility (see for instance, Harmon and Coney, 1982; Sharma, 1990). Similarly, extant servicescape literature indicates that customers' general perceptions of the retail setting is able to influence their beliefs about the salespeople representing the organization, with well designed service environments being subconsciously linked to more credible service staff (Bitner, 1992). Thus, customers are more likely to *"affiliate with salespeople working in nicer retail environments – which should lead to an increase in the perceived level of credibility for the salesperson"* (Sharma and Stafford, 2000, p. 184).

On the whole, *"peoples' readiness to buy products, services or stocks, to accept a job, to trust someone or to vote for a political party depends on credibility"* (Maathuis *et al.*, 2004, p. 333). Hence, pertinent literature suggests that it is possible to advance that:

H7: The greater customers' perception of staff credibility, the greater the intentions of customers to be loyal.

4.6.3 The Staff Image Element of Competence

Over many years, the concept of staff competence has become a *"central concept for competitive strategy"* (Bogner *et al.*, 1999, p. 275). Competence can be defined as 'the expertise of service staff derived from knowledge of the subject' (Goldsmith *et al.*, 2000a). The importance of staff competence is all the more emphasised within a service environment because the intangibility of the delivered service accentuates the dependence of customers on service staff to *"solve their problems"* (Sharma and Stafford, 2000, p. 185). To underpin this, a study by Cooper and Summer (1990) identified the ability of salespeople to solve customer problems during and after the selling process to be among the highest ranked issues of importance to customers. Furthermore, strong links have been found to exist between the competence of service staff and competitive advantage because *"most successful strategies are built firmly on inimitable competence"* (Bogner *et al.*, 1999, p. 276).

It should be noted that the competence of staff within the service environment can be largely subjective as it follows from the perception of customers who constantly search for cues on which to base their assessment of the service. Therefore, it becomes important for service organizations to use tangible cues like staff uniform in transmitting the desired image (Daniel *et al.*, 1996) because it *"affords an indication of...pecuniary standing to all observers at the first glance"* (Veblen, 1953, p. 119). Similarly, staff uniform can accord service staff authority from the customer's perspective (Singer and Singer, 1985) because it legitimizes the service staff in the eyes of the customer (Rafaeli and Pratt, 1993). As a result, the concept of competence has become so useful that many scholars have incorporated it in their work (Bogner *et al.*, 1999), many of which reveal interesting findings. For instance, it is believed that the colour and intensity of attire worn by service

providers will have an overall effect on customers' perceptions of friendliness, competence and credibility (Sundaram and Webster 2000). Similarly, a study by Singer and Singer (1985) revealed that police officers were perceived to be more competent, reliable and intelligent when they were in uniform as opposed to when they were dressed in 'civilian' clothes. Correspondingly, Solomon (1985) affirms that service staff who wear uniforms are perceived as being more intelligent, more competent and more interactive. Therefore, for service organizations operating more than one servicescape, staff uniform can facilitate image perceptions of consistent performance from one site to the next as well as from one employee to the next (Hoffman and Turley, 2002).

The significance of staff competence perceptions is further highlighted by Hill *et al.* (1989) whose study found staff competence to be the most important criterion applied by customers in their subsequent selection of service providers. Thus, it is possible to hypothesize that:

H_8: *The greater customers' perception of staff competence, the greater the intentions of customers to be loyal.*

4.6.4   The Staff Image Element of Physical Attractiveness

'Physical attractiveness is the perception of the physical traits of an individual human person or group, race, or type of people, as attractive or beautiful' (Wikipedia, 2006). Literary evidence suggests that the physical attractiveness of the service personnel at the interface with customers can *"greatly enhance the service experience"* (Baker, 1987, p. 81) and serve as motivation for approach behaviour (Bitner, 1992). This position is supported by the assertion of Appiah-Adu, *et al.* (2000) that elements of an organization's marketing culture may be observed from

the emphasis placed on the appearance of staff. This is because staff appearance carries a hidden message which imparts meaning through object language (Ruesch and Kees 1956), thereby helping customers form judgements about the service before and after it has been consumed.

Hutton and Richardson (1995, p. 59) maintain that staff physical attractiveness forms the major portion of a service organization's image and so the need arises for the display of *"a pleasing physical demeanour through clean and colourful uniforms and proper personal grooming"*. This is because customers are more likely to cooperate with those they find physically attractive (Mulford *et al.*, 1998). Similarly, Kotler (1973) highlights that airline personnel are specifically selected for their ability to either create confidence in customers or divert their attention from the fact that they are thousands of feet in the air. This is achieved through staff appearance – based on both physical attributes (such as attractiveness of pilots and cabin crew) and staff uniform. The importance of staff appearance during the service encounter is aptly encapsulated by Darvick (2004, p. 20) who states that *"next time I see a stud glinting in my server's tongue as she recites the specials of the day, I'll likely stifle a shudder or two"*. Conversely, *"simply interacting with a physically attractive person might be seen as a benefit, perhaps substantial enough to offset any costs anticipated from the interaction"* (Mulford *et al.*, 1998, p. 1570). Overall, socially desirable characteristics are more often ascribed to attractive people than to unattractive ones, suggesting a 'beautiful-is-good' halo effect (Feingold, 1992). It is therefore hypothesized that:

H₉: The greater customers' evaluation of staff physical attractiveness, the greater the intentions of customers to be loyal.

4.7   Moderating Personal and Environmental Factors

Four factors have been positioned in the model to act as moderators of the proposed linear relationships. These moderators are split into personal and environmental factors. The two personal moderators (variety-seeking behaviour and perceived sacrifice) tap into the personality of the individual customer which may have an influence on future behaviour. The other two moderators are environmental factors (perceived economic turbulence and perceived competitive intensity) representing the macro environment which is also believed to exert an influence on customers' loyalty intentions. The insertion of moderating factors into the model was premised by the need to obtain a wider and deeper conceptualization of servicescapes, and in particular, the restaurant service environment. Hall and Rosenthal (1991, p. 447) assert that:

> *"If we want to know how well we are doing in the biological, psychological, and social sciences, an index that will serve us well is how far we have advanced in our understanding of the moderator variables of our field".*

Consequently, it is believed that this approach to the study of servicescapes (which not only acknowledges but also allows for the measurement of interaction effects) will provide a more complete understanding of customers' loyalty intentions towards restaurant settings.

The selection of these moderating variables over possible alternatives was predicated on two reasons. First was the very high level of variable importance to customer loyalty intentions as identified by extant literature (see for instance, Baker *et al.*, 2002; Cronin *et al.*, 2000; Evanschitzky and Wnderlich, 2006; Jaworski and Kohli, 1993; McIntyre and Pencavel, 2004; Parasuraman *et al.*, 1988; Slater and Narver, 1994). The second reason was the guidance on variable selection provided

by services marketing experts. Further, while additional moderating variables could have been inserted into the model, it was considered that this exploratory study would make a contribution to servicescape literature through the measurement of these four distinct moderating variables. Additionally, the researcher was advised that the insertion of more variables may severely affect response rate.

As this thesis centres on the effects of the servicescape on loyalty intentions, the variables positioned as servicescape (exogenous) variables are those housed within the servicescape. That is, both the tangible and intangible cues which compose the service environment and form the basis of customers' evaluation of the service (see Section 3.4.2). This selection method is in keeping with the accepted approach by servicescape experts where only servicescape variables are extracted and positioned as exogenous variables for subsequent testing (see for instance, Baker, 1987; Berman and Evans, 1995; Bitner, 1992; Donovan and Rossiter, 1982; Eroglu et al., 2000, 2001, 2003; Hoffman and Turley, 2002; Koernig, 2003; Mattila and Wirtz, 2001; Mehrabian and Russell, 1974; Sundaram and Webster, 2000; Sweeney and Wyber, 2002; Turley and Milliman, 2000; Zeithaml, 1981). Specifically, servicescape researchers have tended to demarcate servicescape stimuli into the three broad categories of: (1) Background conditions that exist below the level of our immediate awareness (ambient conditions); (2) Stimuli that exist at the forefront of our awareness (design factors); and (3) Social factors (people in the environment). This caegories form the bedrock to servicescape study and are considered by servicescape scholars to be the appropriate way of conceptualizing and testing the servicescape. Indeed, Kotler (1973, p. 50-51) states that *"the atmosphere of a particular set of surroundings is describable in sensory terms"*. That is, they *"affect the five senses"* (Bitner, 1992, p. 66). Furthermore, Bitner

(1992, p. 67) affirms that this *"total configuration of environmental dimensions"* is responsible for the constitution of the servicescape. Therefore, for the purposes of the current study, the variables selected to provide a holistic appraisal of the servicescape are grouped under the categories of Ambient Conditions, Design Factors, Staff Behaviour and Staff Image. However, while maintaining strong links to the established servicescape conceptualization and measurement approach, this study goes further by grouping the servicescape variables into Organizational Culture and Climate elements (see Figure 4.1), in order to make a distinct interdisciplinary contribution to extant literature.

According to Singh (2004, p. 93), *"a pure moderating effect implies that the moderator modifies the form of relationship between predictor and criterion variables"*. It does this by enabling the slope of one or more of the independent variables to vary across its values (Hair *et al.*, 1992, 1995, 1998), thereby facilitating the investigation of an extensive range of relationships and function forms (Goode and Harris, 2005). Therefore, in testing for the effects of moderation, Y is not only regressed on X_1 and X_2, but also on a third variable which is calculated by multiplying X_1 and X_2 (Gelderman, 2000). Hence, the selected factors positioned as moderators are expected to either attenuate or reinforce direct determinants of loyalty intentions. Stated otherwise, the personal (variety-seeking behaviour and perceived sacrifice) and environmental (perceived economic turbulence and perceived competitive intensity) moderators are all factors which are able to either encourage or discourage customers from returning to a previously visited restaurant – depending on the level to which customers perceive them to be significant – by affecting the linear relationships between servicescape variables and loyalty intentions. The adoption of this method is in accordance with influential marketing

studies which employed the use of moderators in a bid to obtain a total assessment of phenomena under study. For example, Jaworski and Kohli (1993) measured the effect of environmental moderators (market turbulence, competitive intensity and technological turbulence) on the association between market orientation and business performance; Greenley (1995) also assessed the relationship between market orientation and performance but employed the use of market turbulence, technological change and market growth as moderators; Matsuno and Mentzer (2000) evaluated the moderating effect of business strategy type on the market orientation – performance relationship; Seiders *et al.* (2005) proposed that the linear relationship between satisfaction and repurchase behaviour is moderated by customer, relational and market characteristics; Goode and Harris (2005) tested the interaction effects of switching costs and switching inducements on the relationship between six online antecedents and online behavioural intentions; and Evanschitzky and Wnderlich (2006) measured the moderating effects of personal (age, gender, education and income) and situational (expertise, price orientation, critical incident recovery and loyalty card membership) characteristics on the four-stage loyalty model initially proposed by Oliver (1997).

A further aim of inserting these factors as moderators was to determine how much of a mitigating influence the servicescape variables can bring to bear on customers' propensity to defect despite these moderating influences. For instance, whereas a customer may not ordinarily consider returning to a restaurant located far away from his/her home (perceived sacrifice), the same customer may be drawn to the restaurant because of the type of music played. In other words, customers may be willing to endure a certain level of perceived sacrifice in order to listen to music they find enjoyable. When it is considered that a considerable amount of time is

spent within the restaurant setting, the ambience of the servicescape (to which music contributes) is expected to play a significant role in customer enjoyment of the service experience. Similarly, in cases where the customer perceives a high level of economic turbulence, aside from the quality of the food, factors within the servicescape such as implicit communicators (that is, the visual cues related to aesthetic appeal) may be used to project a high level of quality and serve to reassure the customer that s/he is getting value for money, thereby addressing any cognitive dissonance.

Therefore, it is expected that overall, exogenous variables which may be proved insignificant in their direct relationship with loyalty intentions, may be shown to be of greater significance when their linear relationships with loyalty intentions is moderated by another or other variables. Due to the complexity of associations leading to customer loyalty within service environments, it is expected that the insertion of moderating factors into the conceptual model will enable the detection of these associations (some of which would otherwise have remained hidden) and help to provide a more complete picture of the elements of key importance within the restaurant servicescape. Primarily, it is believed that this approach will highlight how servicescape variables may work (alone and/or in conjunction with moderators) in the encouragement of customers to develop loyalty intentions towards a previously patronised restaurant, thereby allowing for the full effects of the proposed moderating personal and environmental factors to be properly gauged and their explanatory power adequately established. This will allow a delineation of the conditions under which servicescape cues are more or less likely to be related to personal and environmental factors as perceived by customers.

As stated above, it is expected that the selected personal and environmental moderating variables will act in tandem either to increase or decrease the significance of the servicescape variables on loyalty intentions. Stated differently, it is expected that the moderating factors will affect the direction and/or strength of servicescape linear relationships with loyalty intentions. A positive direction value will signify that the moderating variable contributes to or enhances the linear relationship between a servicescape variable and loyalty intentions, while an obtained negative value indicates that the relationship between a servicescape variable and loyalty intentions is negated by the moderating variable. This means that the higher the level of the moderating factor, the lesser the effect of the servicescape variable on loyalty intentions. Further, the strength of the direction (whether positive or negative) specifies the level of significance which the moderating factor has on any one linear relationship.

4.7.1 Moderating Personal Factors

The developed hypotheses for the servicescape variables discussed in preceding sections suggest strong links with loyalty intentions. In the same way, a review of extant literature indicates that certain variables particular to the individual customer may have a moderating effect on the relationship between the servicescape variables and loyalty intentions. Thus, two personal factors were selected for insertion into the model for further testing. These are the factors of variety-seeking behaviour and perceived sacrifice (see Figure 4.1). These personal factors are analysed below.

4.7.1.1 The Moderating Personal Factor of Variety-Seeking Behaviour

Variety–seeking behaviour is defined as 'low customer involvement with a particular brand which typically leads to defection out of boredom rather than due to dissatisfaction' (Mitchell, 1992), sometimes regardless of switching costs. These switching costs are defined by Porter (1980, p. 10) as *"one time costs facing the buyer of switching from one supplier's product [or service] to another"*. To prevent the display of variety-seeking behaviour by customers, Dick and Basu (1994) note that switching costs are sometimes deliberately developed into the products and/or services of organizations. For instance, some information technology organizations oftentimes sell software packages that can only run on mainframe computers that they support. Similarly, the promise of frequent flyer miles offered by most airlines not only guarantees that most customers will have a pre-dispositional commitment towards a particular airline, but also largely ensures that customers will 'action' this commitment through repatronage because going to a different service provider may mean the loss of accumulated flier miles (Dick and Basu, 1994). Dick and Basu (1994) also assert that aside from the potential monetary risks involved, switching costs may also be psychological in nature. For instance, the frustration customers may face when attempting to learn the layout of a new store.

Therefore, customers are sensitive to both the probability and extent of potential loss associated with a purchase (Taylor, 1974). In order to reduce the risk of a wrong product or service choice, customers are motivated to either perform a more extensive search for alternatives to assess risk levels (see Beatty and Smith, 1987; Cox 1967) or remain loyal to current providing organizations (Howard, 1965; Locander and Herman, 1979). The two basic types of risk assessments have been identified by Dowling and Staelin (1994) to be *category risk* (the perceived risk

associated with a product or service category) and *specific risk* (the risk associated with a specific brand or service provider). On the one hand, category risk possesses two distinct elements (Macintosh, 2002). Firstly, category risk does not relate to a specific alternative available to the customer but rather to the risk associated with the class of products and services to which the alternative belongs, as some services are more risky than others. Secondly, category risk involves the variability of service quality among providers in the same category. A high category risk will therefore result in a high risk of switching as customers will seek out, develop and maintain relationships with any organization *"that can deliver the desired or at least satisfactory level of service"* (Macintosh, 2002, p. 145).

On the other hand, specific risk is both the result of and a motivation to engage in relationships (Macintosh, 2002). This desire by customers to engage in relationships with their service providers is attributed to their need to gain experience which leads to greater confidence in the service provider (Sheth and Parvatiyar, 1995). Therefore, Macintosh (2002) hypothesizes that customers in interpersonal relationships with service providers perceive less risk than customers whose relationships are less personal.

As a result of supporting conceptual and empirical studies, it becomes possible to hypothesize that:

H_{10}: *The variety-seeking nature of customers moderates the relationships between customers' perception of the individual servicescape elements of: (a) music, (b) scent, (c) cleanliness, (d) implicit communicators, (e) furnishing, (f) customer orientation, (g) credibility, (h) competence, and (i) physical attractiveness; and intentions of customers to be loyal.*

4.7.1.2 The Moderating Personal Factor of Perceived Sacrifice

The literature reveals the study of a number of constructs believed to capture the sacrifices made by customers in their bid to acquire a service. For example, several studies have identified the influence of *distance* on store choice (see for instance, Desmet and Volle, 1996; Fotheringham and Trew, 1993; Kumar and Leone, 1988). However, Volle (2001) argues that although store choice patronage largely depends on size and distance (gravitational attraction), or individual preference for store attributes (attitudinal attraction), neither the gravitational nor the attitudinal theory of attraction is able to account for short-term variations in patronage behaviour. Based on this identification, other closely related constructs concerning the non-monetary costs incurred by customers have been incorporated in this study under the banner of perceived sacrifice, in a bid to obtain an explanation of both short and long-term variations in customer purchase behaviour. This is because these non-monetary costs influence customers' perceptions of what they have had to give up in an exchange (Becker, 1965). Therefore, constructs such as *psychic cost* which represents customers' mental stress or emotional labour during the shopping experience (Baker *et al.*, 2002), *convenience* which is the trade-off between what is delivered and the effort required to obtain it (Butcher *et al.*, 2002), and *time/effort* costs which involves customers' perceptions of the time and effort they are likely to expend at a store (Baker *et al.*, 2002), relate directly to the broad construct of perceived sacrifice. Baker *et al.* (2002) note that although these constructs are conceptually related, for example crowding (*time/effort cost*) can trigger both perceptions of physical density and a negative emotional reaction to physical density *(psychic cost)*, researchers in marketing and economics have treated them as distinct (see for instance, Bender, 1964; Zeithaml, 1988). For the purposes of this study therefore, all

three distinct constructs shall be combined in order to provide a generic representation of the degree of perceived personal sacrifices made by customers in order to acquire a service. In other words, perceived sacrifice within the context of this servicescape study shall encompass all the non-monetary costs of service acquisition.

On this basis, perceived sacrifice is therefore defined as 'what is given up in order to obtain a service' (Cronin *et al.*, 2000; Heskett *et al.*, 1990; Zeithaml, 1988). Reichheld and Schefter (2000) assert that online sales are not increasing because of the competitive pricing on offer but because of the convenience presented to customers. The same can be said of fast-food outlets which are conveniently located and so enjoy high patronage even though they are low in relationship importance (Hurley, 1998). This view is mirrored by Butcher *et al.* (2002, p. 505) who state that *"customers seeking convenience are willing to pay a premium for that convenience [because the] availability of the service at a time when desired is paramount"* to them. Therefore, time and effort expended has an economic value to customers (Marmorstein *et al.*, 1992; Schary, 1971), causing them to sometimes *"be critical of service employees 'chatting' to customers at the checkout, even if the exchange of pleasantries only takes a few seconds"* (Butcher *et al.*, 2002, p. 504). Consequently, the following hypothesis is advanced:

H_{11}: The level of customers' perceived sacrifice moderates the relationships between the individual servicescape elements of: (a) music, (b) scent, (c) cleanliness, (d) implicit communicators, (e) furnishing, (f) customer orientation, (g) credibility, (h) competence, and (i) physical attractiveness; and intentions of customers to be loyal.

4.7.2 Moderating Environmental Factors

The environmental factors incorporated in this study are perceived economic turbulence and perceived competitive intensity. Similar to the expected effects of the personal factors introduced above, the environmental factors are believed to moderate the servicescape – loyalty intentions relationship and are addressed below.

4.7.2.1 The Moderating Environmental Factor of Perceived Economic Turbulence

Economic turbulence can be defined as 'the volatility of the aggregate economy in terms of activity changes in employment, wage levels, interest rates, price levels, inflation, and overall customer buying power' (Ercel, 1998; McIntyre and Pencavel, 2004). In their study on the wage structure in Brazil from 1981-1999, McIntyre and Pencavel (2004, p. 681) assert that *"wage levels have occupied a key position in macroeconomic models of the economy"* since the *General Theory of Employment, Interest and Money* treatise by John Maynard Keynes in 1936. Keynes' (1936) piece advanced theories on the consumption function, aggregate demand, multiplier effects, marginal efficiency of capital, liquidity preference, and expectation. Specifically, Keynes' aggregate demand theory proposes that if demand and consumption are lowered through reduced buying power or careful consumer spending (Fitz-Gerald, 1997), overall economic activity will inevitably decline. This is because *"macroeconomic turmoil can have major consequences for the level of real wages"* (McIntyre and Pencavel, 2004, p. 712) due to increasingly volatile capital flows, nervous and unstable investor sentiment, and higher risk premiums on loan interest rates (Ercel, 1998). Under this set of conditions, Mazur (2002) contends that even though business leaders cannot single-handedly control economic activity,

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with strong leadership they can influence the performance of their individual organizations. Indeed, Ezeh (1998, p. 31) affirms that *"converting turbulence into opportunity is a task of gargantuan proportions. But it is precisely what corporate management is all about"*. This suggests that it is unwise for business leaders to depend on the government to institute sound, prudent macroeconomic policies which prompt greater consumer participation in the form of increased demand. While such an outcome is desirable, services should rather be tailored specifically to targeted consumers on the basis of their perception of the degree of economic turbulence in the country, and the organization's servicescape should be representative of this chosen positioning. This is at the core of service provision founded on the projection of value because due to the high level of credit card and loan usage in the UK, customers are relatively knowledgeable about matters relating to interest rates and prevailing inflation levels. Therefore, the developed hypothesis is expressed thus:

H_{12}: The perceived level of economic turbulence by customers moderates the relationships between the individual servicescape elements of: (a) music, (b) scent, (c) cleanliness, (d) implicit communicators, (e) furnishing, (f) customer orientation, (g) credibility, (h) competence, and (i) physical attractiveness; and intentions of customers to be loyal.

4.7.2.2 The Moderating Environmental Factor of Perceived Competitive Intensity

Competitive intensity is defined as 'the degree of competition in an industry' (Jaworski and Kohli, 1993; Slater and Narver, 1994) or 'the abilities, resources and actions of competitors' (Jaworski and Kohli, 1993). Stated otherwise, the competitive intensity in an industry reflects the availability of substitutes or

switching opportunities open to customers. The importance of the construct in marketing is highlighted in related studies where the competitive environment has been identified as being capable of playing a moderating role in the relationship between market orientation and organization performance (see for instance, Greenley, 1995; Kohli and Jaworski, 1993). Following from this, Houston (1986) argues that the greater the substitutes or switching opportunities available to customers, the more important it is for an organization to be market oriented. Thus, organizations must monitor and respond to customers' changing needs to ensure that customers select their service offering over competing alternatives. As Smith and Swinyard (1988) observe, in markets that are highly competitive, there is a greater possibility that customers will have unfavourable loyalty intentions towards providing organizations because of the allure of cheaper products and/or services from competing organizations. Particularly, as customers' perception is reality, the level of competitive intensity within an industry or sector need only be perceived to be high for customers to display avoidance behaviour. Accordingly, it is hypothesized that:

H_{13}: *The perceived level of competitive intensity by customers moderates the relationships between the individual servicescape elements of: (a) music, (b) scent, (c) cleanliness, (d) implicit communicators, (e) furnishing, (f) customer orientation, (g) credibility, (h) competence, and (i) physical attractiveness; and intentions of customers to be loyal.*

The hypotheses developed for each of the variables of interest in this study are listed in Table 4.1 for easy reference. Thereafter, the concluding remarks of this chapter are presented.

Table 4.1: List of Hypotheses

H_1	*The greater customers' perception of music appropriateness, the greater the intentions of customers to be loyal.*
H_2	*The greater customers' appreciation of servicescape scent, the greater the intentions of customers to be loyal.*
H_3	*The greater customers' perception of servicescape cleanliness, the higher the intentions of customers to be loyal.*
H_4	*The greater customers' evaluation of servicescape aesthetic appeal, the greater the intentions of customers to be loyal.*
H_5	*The greater customers' evaluation of servicescape furnishing, the greater the intentions of customers to be loyal.*
H_6	*The greater customers' perception of staff customer orientation, the greater the intentions of customers to be loyal.*
H_7	*The greater customers' perception of staff credibility, the greater the intentions of customers to be loyal.*
H_8	*The greater customers' perception of staff competence, the greater the intentions of customers to be loyal.*
H_9	*The greater customers' evaluation of staff physical attractiveness, the greater the intentions of customers to be loyal.*
H_{10}	*The variety-seeking nature of customers moderates the relationships between customers' perception of the individual servicescape elements of: (a) music, (b) scent, (c) cleanliness, (d) implicit communicators, (e) furnishing, (f) customer orientation, (g) credibility, (h) competence, and (i) physical attractiveness; and intentions of customers to be loyal.*
H_{11}	*The level of customers' perceived sacrifice moderates the relationships between the individual servicescape elements of: (a) music, (b) scent, (c) cleanliness, (d) implicit communicators, (e) furnishing, (f) customer orientation, (g) credibility, (h) competence, and (i) physical attractiveness; and intentions of customers to be loyal.*
H_{12}	*The perceived level of economic turbulence by customers moderates the relationships between the individual servicescape elements of: (a) music, (b) scent, (c) cleanliness, (d) implicit communicators, (e) furnishing, (f) customer orientation, (g) credibility, (h) competence, and (i) physical attractiveness; and intentions of customers to be loyal.*
H_{13}	*The perceived level of competitive intensity by customers moderates the relationships between the individual servicescape elements of: (a) music, (b) scent, (c) cleanliness, (d) implicit communicators, (e) furnishing, (f) customer orientation, (g) credibility, (h) competence, and (i) physical attractiveness; and intentions of customers to be loyal.*

4.8 Concluding Remarks

Following a review of the literature on servicescapes, organizational climate, and organizational culture in Chapter Three, this chapter developed a conceptual model and constructed hypotheses within the context of this thesis. The model depicts a global configuration of the service environment through the proposed linear relationships between nine servicescape elements and loyalty intentions. On the basis of literary evidence, five of these elements were positioned as being representative of organizational climate while the remaining four characterized organizational culture. Additionally, in order to ensure that a more complete explanation for customers' loyalty intentions towards restaurant settings is obtained, moderating personal and environmental factors were introduced to determine the extent of their effects on the proposed linear relationships. Overall, thirteen hypotheses linking the constructs in the developed model were advanced. These hypotheses will undergo empirical testing in Chapter Seven, following a discussion of the research design and methodology to be employed in Chapter Five, and principal component analyses, scale indices construction, and descriptive statistics results in Chapter Six.

Chapter Five: Methodology

5.1 Introduction

In Chapters Two and Three a review of the literature central to this study was conducted. This review covered literatures in the areas of services marketing, servicescapes, organizational culture, and organizational climate; and presented the theoretical and practical interface between services marketing and the organizational constructs of culture and climate.

Chapter Four concerned itself with the development of the conceptual model and the formulation of hypotheses. Chapter Five will focus on the research methodology adopted to test these hypotheses and by extension, the extent to which the data conform to reliability and validity requirements. The principal themes to be covered in this chapter are research epistemology, data generation sources, research design, questionnaire and research instrument development, survey methodology, and data analysis methods.

5.2 Epistemological Considerations

Epistemology is a branch of philosophy which studies the theory of knowledge; that is, what knowledge is and the methods employed to obtain knowledge. This reflects the two fundamental problems faced by researchers in the sciences: "What is (or should be) acceptable knowledge?" and "How is this knowledge acquired?" (Bryman, 2004; Carson *et al.*, 2001; Creswell, 2003; De Vaus, 2002; Gill and Johnson, 2002).

Several key approaches can be adopted in epistemological research. These include: (1) Positivist, (2) Post-Positivist, (3) Interpretivist, and (4) Critical Theory. Following from these are several perspectives such as feminism, ethical models of

inquiry and cultural theory. However, there are generally considered two dominant and diametrically opposed theoretical perspectives in epistemological research. These are *interpretivism* and *positivism*. While positivism highlights the importance of imitating the natural sciences in principles, procedures and ethos, interpretivism offers an alternative to positive orthodoxy with the postulation that the bent of the social sciences (owing to its focus on people and institutions) is fundamentally different from the natural world. These perspectives are examined in greater detail below.

5.2.1 Interpretivism

Interpretivism rests on the idealistic view that as the world is a creation of the mind, the world should be interpreted through the mind (Bryman, 2004). Therefore, interpretivists do not believe in a universal truth as there is a strong reliance on interviews and subjective observation in the description of perceived truth – each researcher interpreting from his or her own frame of reference (Creswell, 2003; Carson *et al.*, 2001) . In other words, the approach posits that meaning exists in our interpretations of the world, thus placing a strong emphasis on the researcher's perspective and the interpretative nature of social reality. Consequently, obtained knowledge is suggestively based on the interpretations of different people at different times. This relative and subjective worldview informs the research methodologies employed by interpretivists who often lean towards qualitative analysis, exploratory analysis, induction, field experiments, and idiographic experiments (Fitzgerald and Howcroft, 1998). In the same way, research undertakings of an interpretivist nature *"are developed with the goal of*

understanding phenomena by analyzing the meaning that individuals associate with the phenomena" (Pratt *et al.*, 2005, p. 283).

With measures which are *"often predominantly semi-structured, or sometimes entirely unstructured"* (Carson *et al.*, 2001, p. 64), interpretivism accesses reality through the assumption that meaning can only be derived from social constructions and classifications. An often cited example is the classification of animals into such groupings as mammals, birds and reptiles. Thus, believing that uncommitted neutrality is impossible and realism of context is important, interpretivists postulate that the understanding of phenomena is predicated upon the meanings that people ascribe to them; because these phenomena have no independent existence from our thoughts. Further, as a result of its theory-building aims, interpretivism methodologies tend to place careful emphasis on the theory building phase of a research project (Carson *et al.*, 2001).

Critics of the interpretivist approach to investigation fault its central postulates which hold that reality is not separate from the individual who observes it and accepted truth is a construct determined or influenced by the observer. While the nature of the interpretivist approach allows for the collection of a vast amount of information which is central to the human experience, researcher influence in analysis prevents results from being easily replicable.

5.2.2   Positivism

Positivism upholds true knowledge as that which is obtained objectively, through methods of value-free discovery. Thus, using this approach, obtained knowledge from the research exercise is an accurate reflection of the world as it is (Bryman,

2004; Carson *et al.*, 2001; Creswell, 2003). Stated otherwise by Neuman (1997, p. 63), positivism involves *"precise empirical observations of individual behaviour in order to discover . . . probabilistic causal laws that can be used to predict general patterns of human activity"*.

Positivism is widely-believed to be the traditional approach of the natural sciences (Bryman, 2004; Carson *et al.*, 2001; Creswell, 2003; Neuman, 1997). Referred to as "the scientific method" (Creswell, 2003), the key postulate of positivism is that all knowledge is contained within the boundaries of science and only through scientific methods can knowledge be acquired. Therefore, positivism is based on the *"presupposition that natural science is the benchmark against which all cognitive endeavours should be measured"* (Carson *et al.*, 2001, p. 1). This informs the positivist philosophy that truth exists concretely independent of the observer and that reality is separated from the individual who observes it. Consequently, positivism relies on experiments and empirical evidence to discover truth.

Anchored on the ontological position of realism (that is, only one reality is assumed to exist), positivism is believed to have originated with the writings of Auguste Comte on human phenomena in the late nineteenth and early twentieth centuries (Polkinghorne, 1983). Positivism advocates an abandonment of speculation, myth and fiction through the implementation of rigorous scientific and positive methods in analyses involving human phenomena. High value is thus placed on *"objective precision in measuring outcomes"* (Carson *et al.*, 2001, p. 63). To this end, there is an emphasis on theory testing with theory adopted as the framework for developing and testing hypotheses in a specific research context (Carson *et al.*,

2001, Creswell, 2003). This allows positivist methods to prove or disprove proposed causality by inserting at least one independent and one dependent variable (both measurable constructs) into testing models. Therefore, positivist methods should contain formal propositions, quantifiable experiments or quantifiable questionnaires as researchers who adopt a positivist approach assert an emphasis on objectivity, measurement and repeatability (Pratt *et al.*, 2005). This adherence to such rigid and rigorous scientific methods of measurement has been criticised for ensuring that quite a significant amount of information would be submerged or generally overlooked.

Although contrasting in nature, positivism and interpretivism are believed to occupy opposite ends of the methodological continuum (Carson *et al.*, 2001). Thus, several studies while of a largely positivist persuasion, tend also to borrow from interpretivist influences (Creswell, 2003). The same can be said of this study which seeks to engage in theory-building by way of adding to servicescape literature, but more so attempts to ensure that obtained results are free from subjectivity, based on empirically justifiable, repeatable outcomes. Due to the relatively structured nature of positivist research, the method not only promotes rigour and validity but also allows the researcher to maintain the required distance perspective of objectivity. This, according to Carson *et al.* (2001, p. 63), can be achieved through *"a very structured, forced choice, self-completion questionnaire..."*. Furthermore, Bryman (2004) states that a positivist approach is particularly suited under the following five circumstances:

1) When only phenomena (in other words, knowledge) confirmed by the senses can be ascribed knowledge (that is, the principle of *phenomenalism*);

2) When the purpose is to generate hypotheses for testing, allowing explanations of laws to be assessed (the principle of *deductivism*);

3) When knowledge is to be gained through the gathering of facts that provide the basis for laws (the principle of *inductivism*);

4) When scientific methods are applied in a value-free manner (in other words, *objective*); and

5) When scientific statements and normative statements are clearly delineated, with scientific statements being the domain of the researcher.

Given the above and in consideration of overall research objectives which aim to explain and enable the prediction of customers' behaviour through the development of hypotheses for statistical and econometric testing, a positivist approach is considered better-suited to the current study.

5.3   Data Sources and Generation Technique

Data sources are generally classified as either primary or secondary, both of which are extensively employed in marketing studies (Chisnall, 1986; Green *et al.*, 1988). Primary data are those generated *"for the first time through observation, experimentation and questionnaires"* (Chisnall, 1986, p. 26), and are specifically related to the research problem under consideration (Silver, 1997). Secondary data refer to *"existing information which may be useful for the purpose of specific surveys"* (Chisnall, 1986, p. 26). In other words, secondary data are those that have been previously collected for some purpose other than a current research inquiry

(Tull and Hawkins, 1993) and may be obtained within the organization(s) under study (in the form of in-company data) or externally from other sources such as statistics and reports issued by governments, trade associations, and other reputable organizations (Chisnall, 1986). Thus, secondary data generation or *"desk research"* (Basya, 1994, p. 81) involves data already available to the investigator(s) through printed matter and other records.

The major advantage of secondary sources of data generation over primary sources is that they offer cost and time economies. However, secondary data inevitably present the major problem of fit and accuracy (Churchill, 1991). To obtain data specifically related to the research problem, primary sources of data generation would have to be employed (Tull and Hawkins, 1993) because these sources are objective and accurate (Churchill, 1991). As this study aims to test the interrelationships between variables previously untested within the context of servicescapes, primary data generation is the more appropriate form of data generation as it alone can fully capture the objectives of the study.

Churchill (1995) suggests that primary data generation sources can be further divided into the two broad types of *observation* and *communication*. On the one hand, *observation* involves gathering data by recording the occurrence of facts, actions and behaviour relevant to the research issue without any interaction between the researcher and the respondent. On the other hand, *communication* involves obtaining data through surveys by questioning respondents using research instruments such as personal interviews, telephone interviews and questionnaires (Churchill, 1995; Tull and Hawkins, 1993).

Personal interviews can be either structured or unstructured in form. *Unstructured informal interviews* are those which by definition are highly informal, not controlled by a specific set of questions (but a set of broad issues), and are conducted primarily to generate ideas for further testing. Conversely, *structured standardised interviews* are those which follow a detailed set of questions, answers to which are recorded on a standardised questionnaire form in order to ensure no variation between interviews. The major advantages of personal interviews are that they tend to elicit favourable response rates, enable spontaneous and rich information to be obtained, and allow complex questions to be explained to respondents that have comprehension difficulties. However, personal interviews are by their nature plagued by the problems of being very expensive, likely to suffer from interviewer bias, less likely to assure respondent anonymity, and highly dependent on respondent and interviewer convenience (Bailey, 1994; Kinnear and Taylor, 1991).

Telephone interviews offer the significant advantages of being highly flexible, relatively cheap, and less time consuming to administer than personal interviews. In addition, telephone interviews enable the interviewer to change the sequence of questions in response to the answers provided by interviewees. However, the disadvantages of this method are that the researcher has minimal control over the interview process, interview duration is typically short, and the sample size is biased towards telephone holders (Churchill, 1995; Dillman, 1978).

Questionnaires are increasingly used in quantitative marketing research because they display a high level of standardisation and require low levels of administration (Churchill, 1991). Questionnaires are plagued by the problems of low

response rates, absence of researcher control over the completion process, and potential bias in the sampling frame (Dillman, 1978; Mangione, 1995). However, questionnaires offer the key advantages of (1) cost-effectiveness, (2) low levels of demand in administration, (3) reliability in the protection of respondent anonymity (usually a principal requirement for ensuring an adequate response rate), (4) ability to be completed at respondents' convenience, (5) geographical flexibility, (6) lacking any source of interviewer bias, and (7) capacity to generate a large amount of information from a large sample (Dillman, 1978; Mangione, 1995).

On the strength of these advantages and based on the recommendation of Carson (2001), a structured, forced choice, self-completion questionnaire survey was considered the most appropriate research tool for primary data collection. This is because of the study's need to generate a large dataset for systematic measurements leading to empirical variable analysis. Similarly, Stone (1978) affirms that the questionnaire technique is the most effective and commonly used method of data collection.

The use of surveys in exploratory studies may be either longitudinal or cross-sectional in nature. Longitudinal studies involve a fixed sample of respondents which remains relatively consistent through multiple observation steps across time (Churchill, 1995). However, not atypical to the majority of exploratory studies, this study was cross-sectional in nature involving the use of a particular sample of respondents at only one point in time. This is because although a longitudinal questionnaire survey would undoubtedly provide more information on the phenomena under study, the cost and time constraints involved in the conduct of such a survey proved it to be impractical for present purposes. Based on this, a

cross-sectional survey design was adopted instead. This is an acceptable course of action because cross-sectional surveys only constrain the conclusions that can be drawn rather than compromise the integrity of the research. The benefits of practicality and acceptability of cross-sectional surveys in research have also been highlighted by Churchill (1995) who contends that the constraints imposed by longitudinal surveys have made cross-sectional surveys more attractive to researchers.

5.4 Research Design

Green *et al.* (1988, p. 44) define a research design as *"the specification of methods and procedures for acquiring the information needed"*. Similarly, Churchill (1995) asserts that a research design is the framework for a study that is employed as a guide in the collection, analysis, and interpretation of data. Additionally, it is contended that the research design is the detailed blueprint used to steer a research study towards the achievement of its objectives (Aaker *et al.*, 1995) and is thus a critical methodological area in empirical research (Kinnear and Taylor, 1991).

Creswell (2003) advances four central questions which show the interrelated and progressive decisions which should be made in the selection of an appropriate research design. These are: (1) What epistemology drives the research exercise (such as objectivism or subjectivism); (2) What theoretical perspective or philosophical stance determines the methodology in questions (for example, positivism or interpretivism); (3) What methodology best links to outcome (for instance, experimental research, ethnography or survey); and (4) What methods or techniques should be utilized (for example, questionnaire, interview or focus group). Answers have been provided to these questions in preceding sections. As previously stated,

this study seeks to obtain an objective view of the world through methods of value-free discovery. This preference necessitated the adoption of a positivist approach. Furthermore, given the overall objectives of the study, a survey methodology was shown to be best-suited for the collection of primary data. In particular, due to the highly structured nature of positivist research, the questionnaire method was recommended as an appropriate tool for study purposes (see Carson, 2001). Following from this, the different research designs will be reviewed and a selection made based on fit to study objectives.

There are three dominant classifications of research designs in the social sciences. These are causal, descriptive and exploratory (Chisnall, 1986; Churchill, 1995; Ghauri *et al.*, 1995). Causal or experimental research designs are defined by Chisnall (1986, p. 22) as those that *"attempt to identify factors which underlie market behaviour and... evaluate their relationships and interactions"*. In causal designs the independent variable(s) is manipulated so as to determine its effect on the dependent variable(s). Thus, the causal research design aims to isolate causes to phenomena and identify the extent to which said causes are related to effects. However, the concept of causation is *"notoriously difficult to deal with realistically and objectively"* (Chisnall, 1986, p. 22) because the high demand for proof of causality requires the research questions and relevant hypotheses to have a high degree of specificity (Aaker *et al.*, 1995).

Descriptive research designs are defined as those that *"stem from substantial prior knowledge of marketing variables"* (Chisnall, 1986, p. 22) and their interrelationships. Therefore, descriptive designs should only be applied based on a significant amount of prior understanding of the constructs under study. On this

basis, research questions are developed to gain a deeper understanding of specific aspects of the study topic(s). Kinnear and Taylor (1991) affirm that descriptive research is primarily concerned with determining the frequency of occurrence of a certain phenomena or the nature of the relationship between two variables. Correspondingly, Churchill (1995) advices the use of descriptive research when a study aims to describe the features of certain groups, estimate the proportion of a population that behave in a certain way, and generate specific predictions.

Exploratory research designs are defined as those which focus on *"identifying the real nature of research problems and... formulating relevant hypotheses for later tests"* (Chisnall, 1986, p. 21). The selection of an exploratory design is imperative when the need exists to generate new ideas and insights into vague or broadly defined research problems that require further deconstruction (Ghauri *et al.*, 1995). Therefore, exploratory research designs involve the measures used to identify the characteristics of a research problem. Furthermore, according to Churchill (1995), exploratory designs are best suited to formulating a problem for more precise investigation, developing hypotheses, establishing priorities for further research, gathering information about the practical problems of conducting research, increasing familiarity with the research problem, and clarifying concepts. Correspondingly, Green *et al.* (1988, p. 97) indicate that exploratory studies have a major purpose that covers the *"identification of relevant variables"*, thereby serving as a pre-cursor to casual or descriptive designs (Churchill, 1991).

As an objective of this study is the empirical investigation of concepts in the servicescape – loyalty intentions relationship previously untested within the context of servicescapes, the employment of an exploratory research design was considered

essential to gain a more precise understanding of key issues. Similarly, given the

structural nature of the research problem and the availability of sufficient theoretical

evidence on which to formulate hypotheses for testing, an exploratory design was

the most suitable for this study. This position is supported by Chisnall (1986, p. 21)

who states that:

> "exploratory research gives valuable insight, results in a firm
>
> grasp of the essential character and purpose of specific research
>
> surveys, and encourages the development of creative, alternative
>
> research strategies".

In furtherance of the selection of a research design, an appropriate research strategy

was required to conduct the exploratory study. Table 5.1 illustrates the factors which

determine the most appropriate research strategy based on the choice of research

design (see Yin, 1994, p.17).

Table 5.1: Determining the Appropriate Research Strategy

Strategy	Form of Research Question	Requires Control Over Behavioural Events?	Focuses On Contemporary Events?
Experiment	How, Why	Yes	Yes
Survey	Who, What, Where, How many, How much	No	Yes/No
Archival Analysis	Who, What, Where, How many, How much	No	Yes/No
History	How, Why	No	Yes
Case study	How, Why	No	Yes

Adapted from: Yin (1994, p. 17).

Following Yin's (1994) insight above, the research strategy best suited to the conduction of this exploratory study is the survey strategy. As explicated in the table above, the suitability of this strategy is due to the reasons that a survey strategy allows for a focus on the contemporary issue of the relationship between variables, and ensures that there is no researcher control over the behaviour of respondents. Furthermore, the survey strategy is an investigation where systematic measurements can be made, resulting in an analysis of variables to see if they reveal patterns of meaning (Marsh, 1982). This tabular contribution by Yin (1994) provides further support for the adoption of a survey strategy earlier identified in Section 5.3.

5.5   Questionnaire Development

As supported by extant methodological literature and based on earlier work by Kornhauser and Sheatsley (1976), Churchill's (1991) questionnaire development model provides a comprehensive nine-step process which facilitates the rigorous and effective development of the questionnaire. Furthermore, the adoption of Churchill's (1991) model (see Figure 5.1) is in keeping with the identification of the self-administered questionnaire survey as the most suitable technique for this phase of the research study.

Figure 5.1: Procedure for Developing a Questionnaire

Step 1	Specify What Information Will Be Sought
Step 2	Determine Type of Questionnaire and Method of Administration
Step 3	Determine Content of Individual Questions
Step 4	Determine Form of Response to Each Question
Step 5	Determine Wording of Each Question
Step 6	Determine Sequence of Questions
Step 7	Determine Physical Characteristics of Questionnaire
Step 8	Re-examine Steps 1-7 and Revise if Necessary
Step 9	Pre-test Questionnaire and Revise if Necessary

Adapted from: Churchill (1991, p. 360).

5.6 Step 1 – Specification of Information Sought

This first step in the nine step process advanced by Churchill (1991) entails defining

the precise information sought by the questionnaire, by way of the identification of

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the boundaries that surround the study. The selection of variables on which this study is based was dictated by the theoretical frameworks reviewed in Chapters Two and Three. Similarly, Chapter Four covered the conceptualization of variables and development of research hypotheses, involving the identification and review of constructs which collectively define the scope of this study. These constructs are organizational climate (*ambient conditions* and *design factors*), organizational culture (*staff behaviour* and *staff image*), personal factors (*variety-seeking behaviour* and *perceived sacrifice*), environmental factors *(perceived economic turbulence* and *perceived competitive intensity*), and loyalty intentions. As hypotheses not only specify the relationships to be investigated (information sought) but also the type of questions and the form of response to be used in data collection (Churchill, 1991), they serve a key function and were thus developed for each variable in Chapter Four, prior to empirical testing in Chapters Six and Seven.

5.7 Step 2 – Determination of Questionnaire Type and Method of Administration

Following the identification and definition of sought information, the next step involves the method required for information gathering. As discussed in Section 5.3, the method selected for the data collection purposes of this study was the self-administered structured questionnaire. It was also decided that the questionnaire be made available to respondents on a face-to-face basis rather than through mail shots. This is because face-to-face administration of the instrument allows for personable interaction with respondents which tends to lead to a higher response rate than questionnaires sent by mail. Also, interaction with likely respondents enabled the identification of respondents suited to the study as described in Section 5.14.4. The

nature of questions (structured and undisguised) further validates the selection of this method of data collection over others, as does the discussion in subsequent sections which demonstrates that this method proved the most suitable means of achieving study objectives.

5.8 Step 3 – Determination of Content of Individual Questions

Step 3 concerns itself with the operationalization of constructs in the study. The sections below expound significant considerations concerning the adopted operationalization approach for each construct.

5.8.1 Construct Operationalization and Scaling

Constructs form the basis of academic research and their operationalization is the manner in which the attributes of a specific construct are measured. This measurement, according to Aaker *et al.* (1995, p. 773), is the *"assignment of numbers by rules to objects in order to reflect quantities of properties"* based on *"the amount of the measured characteristics they possess"* (p. 255). The assignment of numbers to events is widely-employed in marketing literature because it is a salient process that enables the linking of abstract concepts in the mind of the researcher with empirical indicants (Bagozzi, 1984; Carmines and Zeller, 1980).

There are numerous scaling methods in use in business research for the assignment of numbers to events. Some of the most widely-utilized ones are the Thurstone, Guttman, Semantic Differential, and Likert scaling methods. The *Thurstone scale* was originally developed by Thurstone and Chave (1929) and is believed to be the first formal calibration technique developed specifically for measuring attitudes. The scale aims to measure the nature of a core attitude when

there are multiple dimensions surrounding that attitude. For instance, concerning attitudes to mobile phone usage, a person may have one part of their attitude related to convenience of communication, another part of their attitude related to phone design, and yet another related to the fear of a possible causative link between mobile phone usage and brain cancer. To determine which part of the person's attitude leads to the core of the matter under examination, that is, mobile phone usage, the researcher selects a panel and questions them on all matters relating to mobile phone usage by administering a questionnaire. Responses are then analysed for inter-item agreement amongst the respondents, with heterogeneous items being excluded from the study whilst homogenous items are retained for further analysis.

Guttman scaling (also known as *scalogram analysis* or *cumulative scaling*) was developed in 1944 by Louis Guttman as a comparative scaling technique for measuring the strength of attitudes towards specific issues. The scale achieves this by mixing up study related questions (that is, items which constitute a unidimensional series) with unrelated ones in a manner that respondents do not immediately discern that several questions are related, so as to free their responses from bias. During questionnaire analysis, responses to study related questions are scored based on how well respondents follow a pattern of ever-hardening attitude towards the issue under examination. To enable this sequential scoring, related items are ranked in order from least extreme to most extreme. Respondents who agree with the most extreme item therefore implicitly agree with the less extreme items preceding it because respondents who answer an item in the affirmative must also answer less difficult items (in the same series) in the affirmative. For instance, if a research enquiry centres on attitudes towards email spamming, a series of items can be developed in the following order:

(1) Email spammers should be fined (least extreme)

(2) Email spammers should be heavily fined

(3) Applying heavy fines alone to email spamming is too lenient an approach

(4) Email spammers should be incarcerated

(5) Email spammers should be heavily fined and incarcerated (most extreme).

After responses are collated, scaling of the rating is subsequently conducted by summing up all positive responses in the list of related items. Although this scaling approach has the core advantage of an ability to filter responses, it has been criticised for being too stringent and deterministic.

The *Semantic Differential* was developed by Charles Osgood (1952) as a technique for connecting the scaled measurement of attitudes with the connotative meaning of words. The technique aims to measure emotions and feelings and is based on the premise that people generally think in terms of polar opposites such as *'right or wrong'*, *'strong or weak'*, and *'good or bad'*. Therefore, in this scaling method, respondents are required to indicate the degree to which they feel closer to one anchored adjective (for instance, more *'strong'* than *'weak'*) in relation to the question, by placing a slash or tick closer to that anchor than the other. Responses are later quantified through the use of a Likert-type scale where original anchors take up the form of extremes (such as *'very strong'* to *'very weak'*) and items that do not correlate strongly enough are excluded from further analysis. Despite the advantages of the semantic differential, the scaling approach has been criticised for its dependence on the selection of bipolar adjectives which can be tedious. Also, the scoring of responses without an optical scan can be very time-consuming.

Likert summated rating scales were first developed by Rensis Likert (1932) in a five-point bipolar format to measure the attitudes of individuals systematically. These attitudes can be measured on scales anchored on ranging extreme values such as *'strongly disagree'* to *'strongly agree'*, *'strongly approve'* to *'strongly disapprove'*, and *'strongly believe to be true'* to *'strongly believe to be false'*. These anchor points and the points between them are then assigned numbers in relation to their position on the scale. For instance, on a five-point *'strongly disagree'* to *'strongly agree'* scale, values may be weighted in the order of 1 for *'strongly disagree'*, 2 for *'disagree'*, 3 for *'neutral'*, 4 for *'agree'*, and 5 for *'strongly agree'*. Likewise, on a similar seven-point scale, values may be weighted in the order of 1 for *'strongly disagree'*, 2 for *'disagree'*, 3 for *'moderately disagree'*, 4 for *'neutral'*, 5 for *'moderately agree'*, 6 for *'agree'*, and 7 for *'strongly agree'*. In cases where certain items are reversed in meaning from the overall direction of the scale, these items would also have to be reverse-scored. For example, in a seven-point scale where a response of *'strongly agree'* (7) is obtained, the response is recorded as *'strongly disagree'* (1). Similarly, where a response of *'moderately disagree'* (3) is obtained, the response is recorded as *'moderately agree'* (5). The same applies to all other values except the *'neutral'* (4) response which will always remain the same. The obtained responses are then summed and measured on an interval scale enabled by the assignment of numbers, which places equal distance between the response options. Furthermore, the equal spacing of response options permits respondents to assign equal psychological distance between each of the response options, thereby facilitating the employment of the options as reference points. Aside from this benefit which enables each respondent to provide the researcher with two vital pieces of information with regard to how they feel about a particular issue and how

strong those feelings are, odd-numbered Likert-type scales also offer the significant advantages of a neutral point which allows for the expression of indifference, reduces acquiescent response bias, and does not oblige an answer unlike forced choice scales, thereby making odd-numbered Likert-type scales empirically more valid.

Of all the examined scaling methods, the *Likert scaling* method was deemed the most suitable for this study because of its popularity in marketing research, the ease with which it can be adapted to a variety of research settings, and its long-standing familiarity with large sections of the population from which samples are drawn. In addition, a Likert-type summated rating scale approach allows for *"the expression of intensity of feeling"* (Churchill, 1991, p. 425). A key element of differentiation in the use of Likert-types scales is the number of scale points utilized. Although the original scaling format introduced by Likert (1932) involved the use of a five-point scale, the seven-point scale has been endorsed in marketing research as the superior scale because of its ease of response and administration (Malhotra, 1993), and its reliability and validity (Churchill and Peter, 1984) since wider scales induce greater sensitivity to measures. It was on this basis that the seven-point scale format with standard scale anchors of 'Strongly Disagree' (1) and 'Strongly Agree' (7) was adopted in all relevant sections of the survey instrument as the appropriate Likert-type scaling format for this study.

5.8.2 Servicescape Variables

The servicescape elements selected for testing in this study are divided into the variables of organizational climate and organizational culture. The organizational climate variables are grouped into *ambient conditions* (music, scent and cleanliness) and *design factors* (implicit communicators and furnishing). The organizational culture variables comprise *staff behaviour* (customer orientation and credibility) and *staff image* (competence and physical attractiveness). Likewise, the factors believed to moderate the relationship between the servicescape variables and loyalty intentions are grouped into *personal factors* (variety-seeking behaviour and perceived sacrifice) and *environmental factors* (perceived economic turbulence and perceived competitive intensity). The above categorisations form the basis of the operationalization review that follows below. Additionally, in the construction of scale items, multiple indicators were utilized in order to avoid the measurement error that is prevalent in single item measures (Churchill, 1979). To this end, measures employed were sourced from several previous studies, albeit adapted to suit the context of servicescape research. However, scale items for perceived economic turbulence were developed on the basis of an understanding of the phenomenon, a thorough review of pertinent literature, informal interactions with restaurant managers, and consultations with economics scholars; all of which established a clear linkage between developed items and the theoretical domain of economic turbulence. This led to the generation of a large pool of acceptable items which were subsequently purified through pre-testing.

Initial measures for all constructs contained a minimum of three and a maximum of thirteen scale items because just as single item measures may be unreliable, very long measures may induce respondent fatigue and by extension,

possible response error. However, due to reliability analysis and in keeping with established empirical research traditions (see for instance, Anderson and Gerbing, 1988; Wakefield and Baker, 1988), certain scale items were deleted resulting in measures containing a minimum of 2 and a maximum of 6 items.

5.8.2.1   Servicescape Climatic Elements

The servicescape organizational climate elements are presented in the sections following, in the order of *ambient conditions* (music, scent and cleanliness) and *design factors* (implicit communicators and furnishing).

5.8.2.1.1   Ambient Conditions

The effect of ambient conditions on customers' approach-avoidance behaviour is extensively documented in servicescape literature. However, as identified in Chapter Three, servicescape literature suffers from a dearth of empirical studies. Furthermore, most empirical servicescape studies on ambient condition effects have scopes limited to the evaluation of only one or two ambient elements (see for instance, Areni and Kim, 1993; Fiore *et al.*, 2000; Summers and Hebert, 2001; Sweeney and Wyber, 2002). As a major objective of this study is the incorporation of a wider set of servicescape elements into the conceptual model for empirical testing, three ambient condition variables were selected. These are *music, scent*, and *cleanliness*.

The influence of both background and foreground music on customer behaviour is acknowledged in servicescape literature (see for instance, Areni and Kim, 1993; Baker *et al.*, 1992; Dube *et al.*, 1995; Mattila and Wirtz, 2001; Milliman, 1982, 1986; North *et al.*, 1999; Yalch and Spangenberg, 1988, 1990)

because music stimulates emotions which determine approach-avoidance behaviour (Chebat *et al.*, 1993; Dube *et al.*, 1995; Yalch and Spangenberg, 1990). For instance, results of a study by Dube *et al.* (1995) provided evidence that music played in banks not only influences customers' intention to affiliate with bank personnel, but also impacts on the subsequent nature of buyer-seller relationships. On the basis of the established link between music and loyalty intentions proposed by pertinent literature, music scale items for this study were adapted from both Wakefield and Baker's (1998) study of customers' excitement at a mall, and Mattila and Wirtz's (2001) research on the effect of music stimuli on customers' approach and impulse buying behaviour (see Table 5.2).

The increasing use of scent in organizational settings is reflected widely in the ambient scent/odour literature (see for instance, Fiore *et al.*, 2000; Hirsch, 1995; Spangenberg *et al.*, 1996; Mattila and Wirtz, 2001). Instances where scent has been used to affect human behaviour have been identified by Morrin and Ratneshwar (2000) who list the use of scent in hospitals to calm cancer patients during medical procedures (see Owen, 1994); in cabs of 18-wheelers to keep drowsy truck drivers from falling asleep (see Bounds, 1996); and in organizations where scents are emitted through air ducts to energise office workers (see Baron and Thomley, 1994). As depicted in Table 5.2, scale items were adapted from the study by Spangenberg *et al.* (1996) on the effects of scent on customers' evaluations and behaviours towards a servicescape; and the Mattila and Wirtz's (2001) study which measured the effect of scent on customers' approach and impulse buying behaviour.

Wakefield and Blodgett (1996, p. 49) assert that *"cleanliness is an important part of the servicescape"* and is especially salient in restaurant settings (Berta,

2005). This is because *"keeping a restaurant clean from the lobby to the alley is often a thankless, far-from-glamorous job, but it is critical to the success of the business"* (Berta, 2005, p. 122). Indeed, a study of customer preferences revealed that the top three reasons given for the selection of a particular restaurant were (1) the cleanliness of the dining areas and tables, (2) the cleanliness of the kitchen, and (3) the cleanliness of the restrooms (in Berta, 2005). Significantly, in the same study, the taste and quality of the food served only managed a fourth position. Consequently, devoting greater attention to cleanliness (especially in restaurant settings) will go a long way to ensuring customer satisfaction (Wakefield and Blodgett, 1996) which can translate to the development of favourable loyalty intentions. Scale items for cleanliness were adapted from the study by Wakefield and Blodgett (1996) which measured customers' approach-avoidance behaviour towards three leisure service settings – a major college football stadium, a minor league baseball stadium, and a casino (see Table 5.2).

Table 5.2: Ambient Conditions Construct

Items	Adapted From
Music The music played in the restaurant was appropriate	Wakefield and Baker, 1998
The music in the restaurant was played at an appropriate volume	Wakefield and Baker, 1998
The music played in the restaurant was pleasant	Mattila and Wirtz, 2001
The music played in the restaurant was not pleasant	Mattila and Wirtz, 2001
Scent The smell in the restaurant was appropriate	Spangenberg, Crowley and Henderson, 1996
The smell in the restaurant was pleasant	Mattila and Wirtz, 2001
Cleanliness The restaurant was kept clean	Wakefield and Blodgett, 1996
The restaurant had clean walkways and exits	Wakefield and Blodgett, 1996
The restaurant had clean toilets	Wakefield and Blodgett, 1996
The restaurant was not kept clean	Wakefield and Blodgett, 1996

5.8.2.1.2   Design Factors

Design factors are those which serve to fulfil the functional and aesthetic needs within a servicescape (Baker, 1987). These factors are more perceptible than ambient conditions (Aubert-Gamet, 1997; Baker, 1987) and are frequently assessed by customers in their formation of loyalty intentions to the servicescape (Baker,

1987; Bitner, 1992). To measure the influence of design factors, the element of implicit communicators was selected to represent the aesthetic aspect of design factors while the furnishing element was positioned as the functional feature.

Implicit communicators characterize the cues obtainable in the interior of the restaurant as opposed to those placed outside the immediate setting. These tangible cues communicate information about what the organization stands for and serve to enhance a certain image or mood (Buchanan and Huczynski, 1997; Ott, 1989; Wakefield and Blodgett, 1996). Scale items for implicit communicators were adapted from previous work by Wakefield and Blodgett (1996) which measured customers' approach-avoidance behaviour towards a variety of leisure service settings.

The influence of furnishing (or seating comfort) on loyalty intentions is recognised in pertinent literature (see for instance, Baker, 1987; Bitner, 1992; Hui and Bateson, 1991). However, although the influence of furnishing in service settings is generally acknowledged, there remains a dearth of research on its effects on customers in commercial service settings (Bitner, 1992). Therefore, furnishing was also operationalized on the basis of the earlier study conducted by Wakefield and Blodgett (1996) as described above, which found that a high level appreciation of design factors was positively related to favourable customer loyalty intentions. In particular, it is suggested that cramped seating quarters are likely to be perceived as displeasing and of poor quality (Eroglu and Machleit, 1990; Hui and Bateson, 1991; Wakefield and Blodgett, 1996).

Table 5.3: Design Factors Construct

Items	Adapted From
Implicit Communicators	
The interior of the restaurant was not attractive	Wakefield and Blodgett, 1996
The restaurant's interior was appealing	Wakefield and Blodgett, 1996
The restaurant's interior architecture gave it an appealing character	Wakefield and Blodgett, 1996
The restaurant's interior was decorated in an appealing fashion	Wakefield and Blodgett, 1996
The restaurant's interior was painted in colours that appealed to you	Wakefield and Blodgett, 1996
Furnishing	
There was appropriate leg room in the seats	Wakefield and Blodgett, 1996
There was appropriate elbow room in the seats	Wakefield and Blodgett, 1996

5.8.2.2 Servicescape Cultural Elements

The servicescape organizational culture elements are presented below in the order of *Staff Behaviour*, followed by *Staff Image*. The *Staff Behaviour* variable is made up of *customer orientation* and *credibility*, while the *Staff Image* variable comprises the elements of *competence* and *physical attractiveness*.

5.8.2.2.1 Staff Behaviour

The selling task involves elements such as the provision of skill-based training and product knowledge to customer-contact staff, the encouragement of creative approaches to selling, and employee enjoyment of the pursuit of new business; all of which are designed to attain the desired staff behaviour and thus improve overall organizational effectiveness (Webster 1993, 1995).

In his general management framework, Denison (1990) suggested that organizational effectiveness is a function of organizational culture in the form of values, beliefs, policies, and procedures encapsulated by staff behaviour. Indeed, market-oriented behaviours as displayed by an organization's staff are responses derived from the culture of the organization itself (Payne, 1988; Webster, 1994a, 1994b). As affirmed by Gregory (1983), organizational culture provides the central theme around which employees' behaviour can coalesce. This position is supported by the inclusion of the organizational culture concept of staff behaviour in a model of selling effectiveness by Weitz *et al.* (1986). Similarly, several other studies have also established a link between staff behaviour and service outcome (see for instance, Barnes, 1994; Bitner *et al.*, 1990; Hurley, 1998; Keaveney, 1995; Lauer, 2004).

The elements which serve as a conduit for staff behaviour at the point of interaction with customers can be expressed in verbal and non-verbal (for example, kinesics) terms (Sundaram and Webster, 2000). Kinesics involves employee body movements such as eye contact, handshaking, smiling, and body orientation (for example a relaxed, open posture) which can be employed at various stages of service delivery to build credible, satisfying relationships and serve as *"important vehicles*

for nonverbal communication" (Sundaram and Webster, 2000, p. 381). Verbal behaviours that produce improved service outcomes have been identified to include friendliness, familiarity, flirting, understanding, politeness, caring, responsiveness, trustworthiness, and helpfulness (Butcher *et al.*, 2002). Indeed, Lauer (2004, p. 20) states that in sales, *"good manners are a must"* as *"courtesy is a sign of confidence and self respect"*. Similarly, results of Lemmink and Mattsson's (1998) study showed a significant positive relationship between the degree of personal warmth displayed by service staff, and customers' likelihood of both recommending the service and re-patronage. This is because staff behaviour at the interface with customers enables the formation of judgements about the customer orientation, competence, and credibility of staff (d'Astous, 2000; Narver and Slater, 1990; Parasuraman *et al.*, 1988; Sharma and Stafford, 2000; Sweeney and Wyber, 2002).

Scale items for the staff behaviour construct were drawn from the areas of *customer orientation* and *credibility*. Specifically, items for customer orientation were adapted from earlier work by Narver and Slater (1990, p. 21) whose study concluded that *"organizational culture most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and thus, continuous superior performance for the business"*. In measuring credibility, scale items were adapted from studies by Sweeney and Wyber (2002) who tested customers' perception of service quality and merchandise quality, and by d'Astous (2000) who sought empirical verification of customers' perceived irritability with components of the shopping environment.

Table 5.4: Staff Behaviour Construct

Item	Adapted From
Customer Orientation You felt satisfied with the treatment you received from the restaurant's service staff The service staff understood your needs The service staff showed a commitment to satisfying your needs	 Narver and Slater, 1990 Narver and Slater, 1990 Narver and Slater, 1990
Credibility You felt safe in your transactions with the service staff The service staff had a positive attitude You did not feel deceived by the service staff	 Sweeney and Wyber, 2002 d'Astous, 2000 d'Astous, 2000

5.8.2.2   Staff Image

Baker (1987, p. 81) affirms that the image of service personnel that deal directly with customers can *"greatly enhance the service experience"* and serve as motivation for approach behaviour. Similarly, Appiah-Adu *et al.* (2000) argue that elements of an organization's marketing culture may be observed from the emphasis placed on professional appearance and conduct. This is because staff appearance carries a hidden message which imparts meaning through object language (Ruesch and Kees 1956); thereby helping customers form judgements about the service before and after it has been received. Thus, it becomes important for organizations to recognise that the appearance of their staff will be visually inspected by customers as they seek clues about what they are to expect from the interaction (Solomon

1985). Hutton and Richardson (1995, p. 59) mirror Solomon's (1985) view by asserting that service personnel are particularly important because they form the major portion of an organization's image and so need to display *"a pleasing physical demeanour"*.

Staff image was assessed on the basis of scale items pertaining to staff competence and staff physical attractiveness. The scale items for competence were adapted from the studies by Sharma and Stafford (2000) which measured the effect of retail atmospherics on customers' perceptions of salespeople and customer persuasion; and the study by Sweeney and Wyber (2002) who tested customers' perception of service quality and merchandise quality. Items for physical attractiveness were adapted from the study by Ohanian (1990) whose *Expertise, Trustworthiness and Attractiveness Scale* was originally developed to measure the influence of celebrity endorsers on customers' approach behaviour.

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Table 5.5: Staff Image Construct

Items	Adapted From
Competence	
The service staff were helpful	Sharma and Stafford, 2000
The service staff provided prompt service	Sweeney and Wyber, 2002
The quality of service delivered was low	Sweeney and Wyber, 2002
The service staff performed the service right the first time	Sweeney and Wyber, 2002
The service staff were able to solve your problems	Sweeney and Wyber, 2002
Physical Attractiveness	
The service staff were attractive	Ohanian, 1990
The service staff were classy	Ohanian, 1990
The service staff were elegant	Ohanian, 1990
The service staff were sexy	Ohanian, 1990

5.8.3 Moderating Personal Factors

The moderating *Personal Factors* comprise the elements of *variety-seeking behaviour* and *perceived sacrifice*. These elements are addressed in turn subsequently.

5.8.3.1 Variety-Seeking Behaviour

Variety–seeking behaviour involves low customer involvement with a particular brand, leading variety-seeking customers to change brands out of boredom rather than due to dissatisfaction (Mitchell, 1992); sometimes regardless of switching costs. Due to the propensity of customers to defect from current providers for reasons no stronger than boredom, very high switching costs are sometimes deliberately developed into the products and/or services of organizations to ensure that customers display favourable loyalty intentions (Dick and Basu, 1994). For instance, some information technology organizations oftentimes sell software packages that can only run on mainframe computers that they support. Similarly, the promise of frequent flyer miles offered by most airlines will not only encourage customers to have a pre-dispositional commitment towards a particular airline, but will also encourage customers to 'action' this commitment through re-patronage because going to a different provider could mean a loss of accumulated flier miles (Dick and Basu, 1994).

The measurement scale for variety-seeking behaviour was adapted from a study by Lastovicka and Gardner (1979) on the components of customer involvement. The scale was originally designed to measure the level of customer involvement with product offerings using the dimensions of *normative importance* (that is, how connected or engaged a product class is to an individual's values), *commitment* (the pledging or binding of an individual to his/her brand choice), and *familiarity* (the ability of customers' to distinguish between the features of brands in the same product/service class). Item 1 measures the dimension of *commitment* while Item 2 evaluates the dimension of *familiarity*. Scale items were also developed

for the *normative importance* dimension but were subsequently dropped after reliability analysis.

Table 5.6: Variety-Seeking Behaviour Construct

Items	Adapted From
The restaurant's service offering interested you	Lastovicka and Gardner, 1979
You could talk about the restaurant for a long time	Lastovicka and Gardner, 1979

5.8.3.2 Perceived Sacrifice

The *perceived sacrifice* of a customer is defined as 'what the customer believes s/he had to forego in order to acquire a service' (Cronin *et al.*, 2000; Heskett *et al.*, 1990; Zeithaml, 1988). Relevant literature positions psychic costs, convenience, and time/effort costs as major determinants of both short and long-term variations in customer behaviour. Thus, these elements which have an economic value to customers (Marmorstein *et al.*, 1992; Schary, 1971) were combined to represent the construct of perceived sacrifice (see Chapter Four). This is because they jointly represent the non-monetary costs which influence customers' perceptions of what they had to give up in an exchange (Becker, 1965).

The measurement scale items for perceived sacrifice were adapted from two sources. The first source is a study by Baker *et al.* (2002) which developed scale measures to assess the influence of predictor variables on customers' value perceptions and approach-avoidance behaviour. The second source is the highly acclaimed *SERVQUAL Scale* by Parasuraman *et al.* (1988) which measured the

degree and direction of discrepancy between consumers' perceptions and expectations.

Table 5.7: Perceived Sacrifice Construct

Items	Adapted From
Visiting the restaurant was convenient for you (due to factors such as distance, parking availability, crowding, etc)	Baker, Parasuraman, Grewal and Voss, 2002
Visiting the restaurant was stressful (due to factors such as distance, crowding, parking availability, etc)	Baker, Parasuraman, Grewal and Voss, 2002
You had to make a huge effort in order to receive the services offered by the restaurant (for example, dealing with crowding)	Baker, Parasuraman, Grewal and Voss, 2002
The restaurant had convenient operating hours	Parasuraman, Zeithaml and Berry, 1988

5.8.4 Moderating Environmental Factors

The moderating *Environmental Factors* are made up of the elements of *perceived economic turbulence* and *perceived competitive intensity*. An examination of these elements follows below.

5.8.4.1 Perceived Economic Turbulence

Economic turbulence represents the volatility of the aggregate economy in terms of activity changes in employment, interest rates, price levels, inflation, and overall customer buying power or wage levels. McIntyre and Pencavel (2004, p. 681) assert that *"wage levels have occupied a key position in macroeconomic models of the economy"* since the *General Theory of Employment, Interest and Money* treatise by

John Maynard Keynes in 1936. Keynes' (1936) treatise advanced theories on the consumption function; aggregate demand; multiplier effects; the marginal efficiency of capital; liquidity preference; and expectation. Particularly, if customers perceive that their buying power will be reduced due to a rise in interest rates and/or inflation, they may adopt careful spending habits (Fitz-Gerald, 1997). This change in buying pattern is likely to affect their loyalty intentions towards a visited servicescape.

To this end, the perceived economic turbulence scale was developed based on an article by McIntyre and Pencavel (2004) which measured the macroeconomic turbulence effect on real wage levels and the wage structure in Brazil from 1981-1999. As pertains to this study, respondents were required to evaluate their perception of the macroeconomic issues which directly impact their buying behaviour. The economic indices of interest rates and inflation were believed to influence customer buying power adequately and so could be assessed on that basis.

Table 5.8: Perceived Economic Turbulence Construct

Items	Adapted From
You believe that interest rates will rise in the next few months? You believe that inflation will rise in the next few months?	McIntyre and Pencavel, 2004 McIntyre and Pencavel, 2004

5.8.4.2 Perceived Competitive Intensity

Competitive intensity refers to 'the degree of competition in an industry' (Jaworski and Kohli, 1993; Slater and Narver, 1994). In other words, it represents the availability of substitutes or switching opportunities to customers. Houston (1986) argues that the greater the availability of substitutes or switching opportunities, the more important it is for an organization to become market oriented. Thus, organizations must monitor and respond to customers' changing needs to ensure that their service offerings are selected over competing alternatives. This is because in markets where customers perceive the competition to be intense, they are more likely to be enticed by the services of competing organizations (Smith and Swinyard, 1988).

The utilized *perceived competitive intensity* scale measures the substitutes or switching opportunities availability to customers. Scale items were adapted from the study by Jaworski and Kohli (1993) which measured the level of market orientation within organizations with a view to offering organizations a deeper comprehension of their customers and competitors.

Table 5.9: Perceived Competitive Intensity Construct

Items	Adapted From
Do you believe that the competition among restaurants is intense?	Jaworski and Kohli, 1993
Do you believe that there are many 'promotion wars' among restaurants?	Jaworski and Kohli, 1993
Do you believe that the services a restaurant offers can be readily matched by other restaurants?	Jaworski and Kohli, 1993
Do you believe that there is a lot of price competition among restaurants?	Jaworski and Kohli, 1993

5.8.5 Loyalty Intentions

Wong *et al.* (1999, p. 54) note that *"understanding the behaviours and conditions that foster repeat patronage is an important part of marketing endeavour"*. Loyalty intentions involves repeat purchase behaviour whose three main measures Jacoby and Chestnut (1978) have identified to be proportion of purchase, sequence of purchase, and probability of purchase; all of which are argued to be based on customers' purchase history. Thus, the loyalty intentions construct captures 'the dispositions of customers to either repurchase a service from the providing organization or go to a competitor' (Jacoby and Chestnut, 1978). The study of loyalty intentions has become very popular in marketing research because of the identified gains accruable to an organization from the retention just one customer (see for instance, Reichheld *et al.*, 2000a). However, Gremler and Brown (1996) point out that although there has been a primary focus on customer loyalty in product-related or brand loyalty, loyalty of customers to service organizations has remained underexposed.

Following in-depth analysis of the loyalty intentions construct and the different theories proposed for its understanding and testing in Chapter Four, the *Behavioural-Intentions Battery* advanced by Zeithaml *et al.* (1996) was selected as the most suitable measure for the conduction of this study. The battery was developed as a multi-company measure for appraising the impact of service quality on particular behaviours that signal whether customers will remain with or defect from a previously patronised organization. In addition, the battery investigates changes in the strength of the service quality – behavioural intentions relationship which may be as a result of potential moderating effects of different levels of service relative to customers' expectation levels. Based on these merits, the output variable of loyalty intentions was operationalized using items adapted from the *Behavioural Intentions Battery*.

Table 5.10: Loyalty Intentions Measure

Item	Adapted From
Will you say positive things about the restaurant to other people?	Zeithaml, Berry and Parasuraman, 1996
Will you recommend the restaurant to someone who seeks your advice?	Zeithaml, Berry and Parasuraman, 1996
Will you encourage friends and relatives to do business with the restaurant?	Zeithaml, Berry and Parasuraman, 1996
Will you consider the restaurant as your first choice restaurant?	Zeithaml, Berry and Parasuraman, 1996
Will you do more business with the restaurant in the next few years?	Zeithaml, Berry and Parasuraman, 1996
Will you still visit the restaurant even if others are cheaper?	Zeithaml, Berry and Parasuraman, 1996

5.9   Step 4 – Form of Response

Having determined the preliminary content of individual questions, the next step involved determining the form of response required. As the majority of questions were multichotomous, responses were provided on a pre-determined measurement scale. As discussed in Section 5.7.1, the use of Likert-type seven-point scale measures proved the most appropriate method for capturing respondents' attitudes relevant to the nature of the phenomenon under study. The other multichotomous questions not measured on seven-point Likert-type scales include questions in the last section of the questionnaire concerning the amount spent per person on the visit to the restaurant, the age of the respondent, the occupation of the respondent, and the respondent's annual income. Finally, only one dichotomous question was presented which inquired about the gender of the respondent.

5.10   Step 5 – Decision on Question Wording

The fifth step in the procedure for questionnaire development covers the precise phrasing of each question with the aim of ensuring simplicity and avoiding leading questions; double-barrelled questions; generalisations and estimates; implicit assumptions; implicit alternatives; and ambiguity (Churchill, 1991; Dillman, 1978; Payne, 1979). This stage of questionnaire development was considered particularly important because the cross-sectional nature of the sample invariably involved the participation of casual workers with little formal education. Thus, the need for the questionnaire to be easily understood by all targeted respondents was critical as Churchill (1991) points out that low response rates may be attributed in part to respondents' inability to understand the questions. Furthermore, in order to control for response bias such as acquiescence or agreement response tendency which

undermine instrument validity, scale measures included both positive and reverse-scored negative items as recommended by Nunnally (1978).

5.11   Step 6 – Decision on Question Sequence

Krosnik and Alwin (1987) contend that response-order could deleteriously affect the accuracy of the survey measurement. Therefore, the order of question presentation is vital to the success of the research effort (Churchill, 1991). As further suggested by Churchill (1991), the use of the funnel approach (where broad questions are asked initially and gradually narrowed with subsequent questions) was implemented wherever possible, and the placing of classification information at the end of the questionnaire was adhered to. In addition, for reasons of sequence, scale items pertaining to measures of the same broad construct (for example, ambient conditions) were grouped together wherever possible due to the similarity of their content - albeit jumbled up within the group to prevent response bias.

5.12   Step 7 – Designing Physical Characteristics

An aesthetically appealing questionnaire can significantly affect the reaction and responses of respondents (Mayer and Piper, 1982) because *"respondents' initial exposure to the look and feel of the questionnaire provides the first of several critical tests that a questionnaire must pass if the instrument is going to elicit a response"* (Walker *et al.*, 1987, p. 308). Bearing this in mind, effort was made to produce a questionnaire that was as professional as it was attractive. This was achieved by presenting the questionnaire in booklet form and with the use of different font types, shading, and graphic work. Furthermore, as lengthy questionnaires are more likely to be rejected by potential participants (Dillman,

1978), great care was taken to keep the number of pages down to a reasonable level – seven pages in all from cover to cover – without compromising the integrity of the research. In addition, the first few pages contained far fewer questions than the pages following in order to encourage early commitment of respondents to completing the questionnaire.

5.13   Step 8 – Re-examining the Questionnaire

It is advised that after compilation of the questionnaire, the instrument should be subjected to a process of re-examination and revision (Churchill, 1991). This is to aid the identification of faults that may have occurred within the previously discussed development stages. Consequently, the re-examination and revision process was vigorously conducted and all identified faults were corrected before the questionnaire was pre-tested.

5.14   Step 9 – Pre-testing the Questionnaire

After a full re-examination of the questionnaire, it becomes imperative to test it under actual conditions of data collection (Churchill, 1991). Pre-testing the questionnaire not only serves to appraise its design (Jobber, 1998) but also to improve validity (Hair *et al.*, 1998). Thus, in order to appraise design and improve face and content validity, the questionnaire was subjected to two major stages of pre-testing.

The first stage involved the content validity assessment of the prepared draft questionnaire through its distribution to 10 restaurant patrons in order to gauge the degree to which the scales appeared relevant and acceptable to respondents (Cronbach, 1970). Provision was made at the end of each section of the

questionnaire for critical evaluation and feedback on the clarity, appropriateness, length, format, and design of the instrument. In particular, respondents were charged with identifying items that were ambiguous and/or confusing. Additionally, in keeping with Bagozzi's (1994) suggestion, a series of informal discussions were held with academic experts on both questionnaire design and the conceptual framework to be tested, and restaurant managers on the extent to which items captured customer requirements of a well-run restaurant. Based on received recommendations, especially with regard to questionnaire length and the presence of ambiguous items, the questionnaire was refined.

The second major stage of testing centred on the composition of a second pre-test group. In accordance with Silver's (1997) recommendation that the pilot test should be administered to at least 20 respondents of varying characteristics, this phase involved the participation of 30 selected restaurant patrons willing to complete and provide a critical evaluation of the questionnaire. Overall, respondents indicated few difficulties in completing the questionnaire in the 15 minutes allotted and acknowledged that the wording of scale items was unambiguous and easy to comprehend. Furthermore, as a final check, the questionnaire was tested on five researchers drawn from the departments of Marketing, Human Resources, Economics, and Finance. The Marketing and Human Resources students were selected to evaluate the conceptual rigour of the instrument further, while the students from Economics and Finance were selected to assess the developed perceived economic turbulence scale, and ensure that those outside the academic backgrounds of Marketing and Human Resources would have no trouble comprehending the Marketing and Human Resources scale measures employed. The

questionnaire was considered suitable for distribution as no further amendment(s) was suggested at the end of this second stage of pre-testing.

5.15 Restaurants: Justification for Choice of Research Context

The information sought by this study concerns the manner in which servicescape elements influence the loyalty intentions of customers, and whether these linear relationships are moderated by certain personal and environmental factors. To this end, the hospitality industry was selected for testing because of its overall importance to the UK economy as identified by similar marketing studies (see for instance, Brown and Dev, 2000; Harris and Reynolds, 2004; Hartline and Ferrell, 1996; Hartline *et al.*, 2000). Furthermore, the percentage change in annual growth rate made by hotels and restaurants has risen steadily since 2002 by 5.9% in 2003, 5.1% in 2004, and 1.6% in 2005 (Office of National Statistics, 2006). Similarly, service jobs account for about three quarters of all UK jobs and of these, about 5 million are in the retail and hospitality industries (HtF, 2003; Working Futures, 2004). More specifically, a 2005 MINTEL Report on restaurant services recorded that the United Kingdom restaurant market reached a value of just over £5.4 billion in 2003 (an increase of 24% compared with levels in 1998), increasing to £5.6 billion in 2004 and increasing further still to just under £6 billion at the end of 2005.

This rapid and consistent growth led to the development of interest in restaurants as the desired setting for this study. In addition, three other major factors accounted for the selection of this research context. The first two are the considerable amount of time spent by customers in the setting and their significant contact intensity with service staff. These factors were considered critical for a reliable assessment of the servicescape from a customer viewpoint because service

staff frequently determine the quality of the service experience which may vary from one encounter to the next. Furthermore, Morrin and Ratneshwar (2003) acknowledge the introduction of environmental cues in restaurants with the specific purpose of encouraging customers to spend more time in the servicescape so as to develop a connection to the setting. Similarly, Palmer *et al.* (2000, p. 517) assert that *"the restaurant sector is people-intensive and rich in incidents that are potentially critical in contributing to customers' perception"*.

The third major factor is based on an environmental assessment which revealed the United Kingdom restaurant industry to be populated by a high number of restaurants offering competing services. As many options exist due to the relatively lower start-up costs compared to other servicescapes such as hotels, theme parks and cinemas, it was considered beneficial to determine the full effects of this availability of choice on customers' loyalty intentions. The reason for this being that servicescape study will be better served if obtained results are attributable largely to the effects of servicescape cues and moderating factors on loyalty intentions, rather than loyalty intentions resulting from the absence of a significant number of easily accessible competing alternatives. It is on the basis of these listed factors that restaurant services were specifically targeted for in-depth analysis. While other research contexts such as hotels, cinemas and theme parks were also considered because their success is largely dependent on customers' perception of the total offering as embodied by servicescape elements, none of these research settings is as well placed as restaurants for this study in terms of (1) the amount of time spent by customers, (2) the level of contact intensity with service staff, *and* (3) the number of easily accessible competing UK alternatives.

Jang and Mattila (2005, p. 402) note that *"customer loyalty is the name of the game in today's highly competitive restaurant industry"*. To obtain an understanding of loyalty issues within restaurant settings, Clark and Wood (1999, p. 317) suggest that:

> *"The shortest route to assessing loyalty as a meaningful consumer response in restaurant choice is to focus on those inferences to be drawn from assessments of the factors consumers' rate as important in such choice".*

A review of pertinent literature reveals several factors considered to have an effect on customers' intentions to be loyal and actual customer loyalty towards restaurant services. According to Shoemaker and Lewis (1999, p. 349), restaurant loyalty *"occurs when the customer feels so strongly that you can best meet his or her relevant needs that your competition is virtually excluded from the consideration set and the customer buys almost exclusively from you – referring to you as 'their restaurant'... "*. To develop to this level, the customer loyalty intentions is driven by cleanliness (Berta, 2005), favourable value-for-money perceptions, close relationships, past experiences and positive word-of-mouth recommendations (McIlroy and Barnett, 2000). Correspondingly, Palmer *et al.* (2000, p. 517) assert that *"word-of-mouth recommendation can be critical to the continued success of many types of restaurant"*. Aside from the influence of these key factors on loyalty intentions, other variables that have been identified to be directly linked to restaurant choice are *food quality, range or type of food, image/atmosphere* and *speed of service* (Clark and Wood, 2000). In order to leverage retention effects, *"many restaurant companies have jumped on the frequency programs bandwagon"* (Jang and Mattila, 2005, p. 402). However, even though customer loyalty programmes have had success within the restaurant environment, the findings of the study by

McIlroy and Barnett (2000) was that discount cards affect loyalty intentions but not necessarily loyalty itself as many customers buy the cards because of good value-for-money perceptions.

5.16 Sampling Frame and Selection Criteria

As it is impractical to collect data from all members of a population (tantamount to a census), researchers tend to select only a sample of the total population for further study. Sample data are sufficient as Churchill (1995) asserts that on the basis of a sample, findings can be generalized to the population from which the sample is drawn. Thus, to enable the constitution of a suitable sample, Churchill's (1995) six-step procedure for drawing a sample as depicted in Figure 5.2 was implemented.

Figure 5.2: Procedure for Drawing a Sample

Step 1	Define the Population
Step 2	Identify the Sampling Frame
Step 3	Select a Sampling Procedure
Step 4	Determine the Sampling Frame
Step 5	Select the Sample Elements
Step 6	Collect Data from the Designated Elements
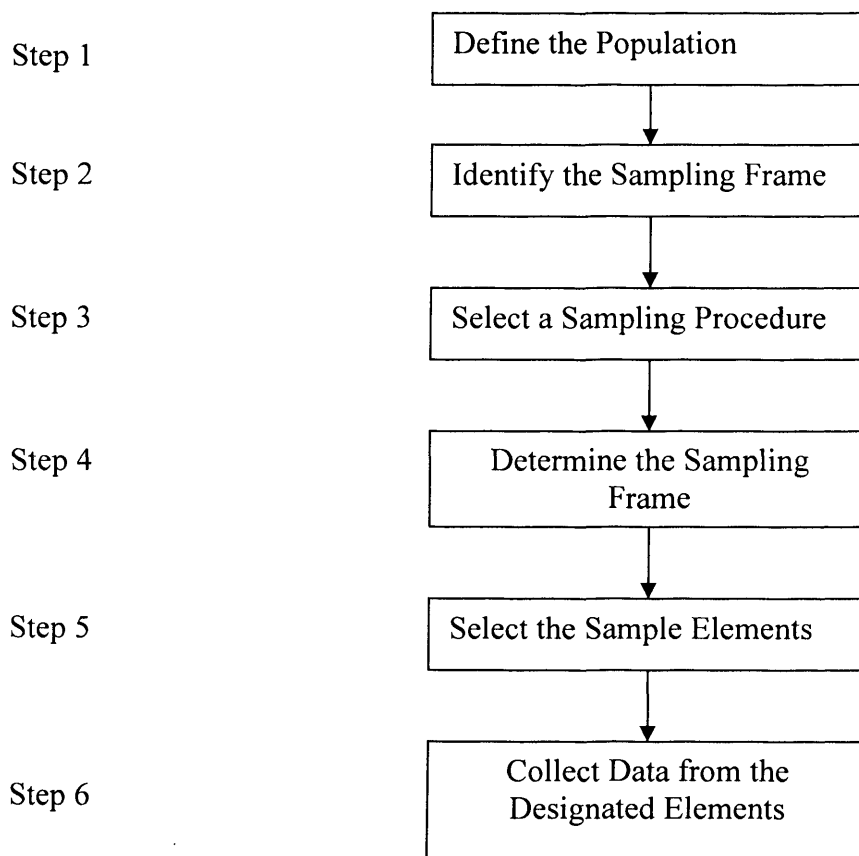
Adapted from: Churchill (1995, p. 575).

5.16.1 Defining the Population

For the purposes of this study, the population is defined as being made up of all restaurant customers in the United Kingdom. This is in keeping with Churchill's (1995) affirmation that the definition of the population should be related to the particular research inquiry. However, for reasons of specificity, several conditions with regard to respondent age, time of last visit, and length of stay in the service environment were imposed.

5.16.2 Identifying the Sampling Frame

A number of potential sampling frames were consulted in order to determine which one or what combination would be suitable for the study, based on the criteria defined in Section 5.14.4. A strict adherence to these criteria revealed that no sampling frame completely captured the requirements of the study. However, The Marketing Pocket Book (2004) was useful in the sense that it was able to provide a breakdown of the total number of males and females in the United Kingdom, from which the number of those in the target age group (17 and above) was ascertained. However, due to the other selection criteria imposed on the suitability of respondents and the unavailability of information regarding customers that fully satisfy these criteria, the information on the number of males and females in the United Kingdom of the ages of 17 and above served only to provide an estimate of the total population from which the sample was to be drawn.

5.16.3 Selecting a Sampling Procedure

The focus of the sampling procedure was on developing a sample of restaurant patrons that was roughly proportional in terms of gender, occupation and age

distribution. In addition to other imposed criteria, it was imperative that the selection was limited to patrons who had visited restaurants at most one week prior to their completion of the questionnaire. This time frame was conscientiously adhered to in order to prevent the inability of respondents to recall the service experiences of which they were a part. Furthermore, the justification for such a wide sample selection lies in the fact that such variability would enable rigorous analysis of the data, thus enhancing the ability of the findings to give an indication of the phenomenon under study in this exploratory exercise.

There are several types of sampling methods employed in marketing research. These are broadly divided into *probability* and *non-probability* sampling methods. The most popular probability sampling methods are simple random sampling, systematic random sampling and stratified random sampling; while the non-probability methods which enjoy wide use are quota sampling and convenience sampling. These are discussed in greater detail below.

5.16.3.1 Simple Random Sampling

Considered the purest form of probability sampling, random sampling is defined by its two main properties: (1) Each member of a population has an equal chance of being included in the sample and (2) Each combination of members of the population has an equal chance of constituting the sample. A technique commonly applied in this type of random sample selection is the numbering of each element in the sampling frame (for example a telephone directory), followed by the employment of random numbers in the selection of the desired sample. In other words, according to Silver (1997, p.17), this method of selection is akin to writing

the name of each customer from the frame on a piece of paper, *"dropping them in a big hat, shaking it very well and picking the required sample size blindfolded".*

The advantages of this method include its simplicity of application and its nature which is highly-suited for statistical purposes. Disadvantages however centre on (1) the difficulty of its application, (2) the requirement of an accurate list of the whole population, (3) the large variance obtained when the population is heterogeneous, and (4) the huge expense involved if those to be sampled cover a wide area.

5.16.3.2   Systematic (quasi) Random Sampling

As the name implies, this method of sampling involves the systematic selection of elements from the sampling frame. Also called the Nth name selection technique, it involves the selection of a starting point at random and thereafter at regular intervals. For instance, if a sample of 10 restaurant customers is required from a frame of 300, the sample frame is divided by the required sample. That is, 300/10 = 30. Therefore, every 30th restaurant customer is selected after a random starting point between 1 and 30.

The advantages of this method include: (1) It is much easier to conduct than simple random sampling, (2) the method allows the sample to be spread more evenly over the population, and (3) the method lends itself to the selection of a specified number of records from a computer file. However, the chief disadvantage of this method is that this system of sample selection may interact with a hidden pattern in the population and lead to distortion. For instance, if the frame is ordered according

to gender, a systematic design will lead to the selection of either only males or only females.

5.16.3.3   Stratified Random Sampling

This is a commonly used probability method which involves the segmentation of the population into mutually exclusive, homogeneous groups (such as, geographical areas and age-groups) called strata, from which independent samples are selected. Therefore, the characteristics of different non-overlapping sub-groups can be illustrated and comparisons between sub-groups are facilitated. When a sample is extracted from each stratum which is simple and random, it is referred to as stratified random sampling.

The advantages of this method include: (1) better coverage of the population than simple random sampling, (2) greater precision when members of the same stratum are similar in terms of the characteristic(s) under study, and (3) if of interest, the results from each stratum can be analysed separately. The drawbacks of the method include (1) the difficulty in identifying appropriate strata and (2) the high level of complexity in the organization and analysis of obtained results.

5.16.3.4   Quota Sampling

This non-probability sampling method, the first of two covered by this study, involves the selection of elements through non-random means. Specifically, elements are selected until the desired number of units (quotas) is attained for various sub-groups. For instance, if the population consists of 200 accountants and 200 marketers and a study seeks to determine the opinions of 100 of these on a new business practice, to ensure that groups are evenly represented, 50 accountants and

50 marketers may be drawn. Therefore, the method forces the inclusion of all sub-groups of interest. This is similar to stratified sampling where homogeneous elements are grouped together. However, whereas stratified sampling requires the random selection of units, quota sampling is a non-random method with the choice of unit selection left up to the discretion of the researcher.

The advantages of this method of sampling are: (1) It is very quick and easy to administer, (2) It is relatively cheap to conduct, and (3) It satisfies population proportions. The main disadvantage however is that obtained results may be tainted by potentially significant bias.

5.16.3.5 Convenience Sampling

This method of sampling is based on the selection of elements from a population based on easy accessibility. The method is widely-used in exploratory research where the aim is to obtain an inexpensive approximation of the true nature of the phenomenon under study. Convenience sampling is the most commonly applied in many practical situations. For instance, many psychological research studies tend to use university students as sample units. This allows for immediate testing of the phenomenon on an exploratory basis, before more-structured methods are adopted for later studies.

Convenience sampling has the main advantages of being: (1) Easy to use, (2) Applicable across various contexts, and (3) Inexpensive. However, the method has been criticised for the likely significant effect of bias on the generated sample and problems with representation of the population.

Given the advantages and disadvantages of the above methods of sampling, it was decided that the study will be best served by the selection of a convenience sample. The reason for this choice centres primarily on the phenomenon under study and the exploratory nature of this servicescape study. However, selection of elements was not purely arbitrary as all participants were firstly required to meet laid-down criteria (see Section 5.16.4) and secondly, significant effort was made to obtain a fairly balanced split between respondents – particularly with regard to gender (see Table 5.11). It was believed that using this approach, some benefits of quota sampling would also be obtained, thereby allowing for flexibility from what would become a combination or mixed purposeful sampling.

While a quota sampling method is also widely-employed in marketing research, this method of sampling was considered inappropriate for the current study for two major reasons. First, due to the exploratory nature of the study, it was important for the study to fulfil its aim of obtaining an aggregate of responses based on customers' evaluation of the very different types of restaurants visited. Second, barring an accurate list of the population (which leaves an indeterminate number of elements composing the desired sampling frame), it was impossible to conduct a quota sampling method with the degree of specificity required by the method.

5.16.4 Determining the Sampling Frame

Sawyer and Ball (1981) contend that the power of a statistical test to reject a null hypothesis is determined by sample size. It follows therefore that the larger the sample, the more representative it would be of the population from which it is drawn. In order to ensure a sample that wholly encapsulated the required elements, respondents were required to meet a set of guiding criteria devised specifically for

this study. Firstly, all participants had to have visited a restaurant - not previously patronised - at most one week prior. Secondly, all participants must have spent at least 20 minutes within the restaurant environment. The final criterion was that all participants must be of a minimum age of 17 at the time of completing the questionnaire.

5.16.5 Selecting the Sample Elements

The selection of sample elements was conducted on a non-random, convenience basis. Likely respondents were approached and first of all asked if they were willing to participate in a short survey which they could take away with them and send in with a provided postage-paid envelope. Upon acquiescence, their eligibility for participation was assessed based on the guiding criteria established in Section 5.14.4. The survey instrument was only administered to a respondent when all three criteria were fully met.

5.16.6 Survey Administration and Implementation

The success of data generation and the achievement of satisfactory responses are greatly dependent on efficient and effective administration and implementation of the survey (Walker *et al.*, 1987). Employing Dillman's (1978) very widely-referenced Total Design Method (TDM) package as a rubric, attention was drawn to the particular salience of the questionnaire's basic appeal which should encourage people to respond by convincing them that (1) a problem exists and is important to a group with which they can identify, (2) their help is needed, and (3) the research is an intermediary between them and the problem solution. Similarly, it has been argued that the offer of response incentives can serve as a major motivator to

questionnaire completion and return (Dillman, 1978; Pressley, 1970; Walker *et al.*, 1987). This suggestion was taken on board and respondents were informed of a cash prize of £100 to be won by one lucky respondent.

Dillman (1978) asserts that following the proposed methods in the TDM package will positively shape response quality and quantity. Thus, these methods were highlighted both in the questionnaire and in the researcher's interaction with respondents. This interaction was carried out face-to-face and covered the administration of the survey instrument (complete with postage-paid return envelope) to restaurant customers in the major United Kingdom cities of Cardiff, London, Swansea, Reading, Nottingham, Hemel-Hempstead, Hertfordshire, and Kent; in order to satisfy the imperative need for the study to be as fully representative of the United Kingdom population as possible – given the constraints of distance and available resources.

5.17 Level of Analysis

Collecting data directly from service customers is consistent with earlier servicescape research efforts (see for instance, Baker *et al.*, 1992; Baker *et al.*, 1994; Belizzi and Hite, 1992; Chebat *et al.*, 1993; Dube *et al.*, 1995; Machleit *et al.*, 1994). This is because it is only the customers who really know the level of satisfaction they derived from visiting a particular servicescape, and even if they find this level difficult to verbalise cogently, they alone know what their future intentions towards the visited servicescape are. Hence, as customer perception is reality, it was deemed essential that customers' service experience perceptions were obtained using the survey instrument.

5.18 Unit of Analysis

A key issue for any study on the influence of a particular servicescape on customers' loyalty intentions is the selection of an appropriate level of analysis. The literature encourages a rapid increase in the number of empirical studies addressing the role of servicescapes in consumption settings (Bitner, 1992), especially with regard to the impact of servicescapes on customers' purchase decisions (Cronin, 2003). To this end, this study incorporated the traditional servicescapes model format first introduced by Mehrabian and Russell (1974), albeit with modifications to allow for the development of a global configuration of the servicescape as advised by Everett *et al.* (1994). The favoured analysis type was empirical rather than conceptual as empirical research is the technically superior approach for servicescape study, and as stated above, has been recommended for greater utilization in servicescape research (see for instance, Baker *et al.*, 1992; Baker *et al.*, 1994; Bitner, 1992; Cronin, 2003; Donovan and Rossiter, 1982; Hui *et al.*, 1997; Spangenberg *et al.*, 1996; Wakefield and Blogett, 1994).

5.19 Response Issues

The characteristics of surveyed respondents are evinced in Tables 5.11 to 5.15. A total of 278 responses were generated of which 271 were considered eligible. Table 5.16 provides details of the response rate analysis pertaining to this study.

Table 5.11: Gender of Survey Respondents

Gender	Number of Respondents	Percentage of Respondents
Male	145	53.5
Female	126	46.5

Table 5.12: Ages of Survey Respondents

Age	Number of Respondents	Percentage of Respondents
17 – 24	68	25
25 – 34	113	42
35 – 44	58	21
45 – 54	27	10
55 and over	5	2

Table 5.13: Occupations of Survey Respondents

Occupation	Number of Respondents	Percentage of Respondents
Higher Managerial or Professional	66	24.4
Intermediate Managerial	41	15.1
Supervisory or Junior Managerial	31	11.4
Skilled Manual	19	7.0
Semi-Skilled Manual	11	4.1
Casual Labourer	4	1.5
State Pensioner or the Unemployed	3	1.1
Student	96	35.4

Table 5.14: Annual Income Level of Survey Respondents

Income Level (Great Britain Pounds)	Number of Respondents	Percentage of Respondents
Less than 7,000	81	30
7,000 – 14,999	35	13
15,000 – 29,999	84	31
30,000 – 49,999	48	18
50,000 or more	23	8

Table 5.15: Survey Respondents' Average Expenditure During Visit

Expenditure (Great Britain Pounds)	Number of Respondents	Percentage of Respondents
Less than 5	14	5
5 – 10	63	23
11 – 15	57	21
16 – 20	48	18
21 – 30	56	21
31 – 40	20	7
Over 40	13	5

The reporting of ineligible responses is important if a complete picture of the response rate is to be drawn (Wiseman and Billington, 1984). Therefore, to obtain a complete picture of the rate of response, the method devised by the Council of American Survey Research Organization (CASRO) [1982] to break down survey response rate statistics was adopted. The adoption of the CASRO method is in keeping with Wiseman and Billington's (1984) declaration of the CASRO method as one which provides a source of standardization and takes into account the factors that affect response rates. Table 5.16 documents the results of the CASRO method which reveals a response rate of 37.1%.

Table 5.16: Survey Response Rate Statistics (CASRO Method)

Total Number of Sampling Units	750
Total Number of Respondents	278
Total Number of Eligible Respondents	271
Total Number of Ineligible Respondents	7*
Percentage of Eligible Respondents (271/278) x 100	97.5%
Total Number of Non-Respondents 750 – 278	472
Expected Number of Eligible Respondents in Non-Respondents 472 x (271/278)	460
Response Rate (271 x 100) / (271 + 460)	**37.1%**

* All 7 questionnaires were considered ineligible for the reason of considerable missing data.

The response rate of 37.1% compares very favourably with those of similar marketing studies (see for example, Goode and Harris, 2005; Jaworski and Kohli, 1993; Wakefield and Blodgett, 1994) and on that basis was considered adequate.

5.20 Quantitative Data Analysis Methods

The next stage in the data examination process is that of quantitative data analysis. This stage will involve the use of a multiplicity of statistical and econometric techniques to enable rigorous testing of the hypotheses developed in Chapter Four. Table 5.17 provides details of these methods of analysis which will be applied in Chapters Six and Seven.

Table 5.17: Statistical and Econometric Data Analysis Tests

1	Principal Component Analysis	Chapter Six
2	Scale indices construction and tests for Reliability and Validity	Chapter Six
3	Analysis of data via Descriptive statistical tests	Chapter Six
4	Correlation analysis to detect potential underlying relationships	Chapter Seven
5	Multiple Regression Analysis for initial proposition evaluation	Chapter Seven
6	Moderated Multiple Regression Analysis for interaction effects estimation	Chapter Seven
7	Statistical and Econometric regression model evaluation tests for linearity, homoscedasticity, normality and multicollinearity	Chapter Seven

In evaluating the hypotheses developed in Chapter Four, the above tests will aim to assess whether goodness-of-fit criteria of the statistical output have been fully met. This number of tests was selected for implementation because it is advisable to use multiple techniques rather than rely on a single statistical measure (Bentler, 1995; Kline, 1998). Prior to the presentation of results in Chapters Six and Seven, the statistical and econometric tests employed in this study are introduced below. Thereafter, the justification for and description of the chosen method of multivariate analysis will be examined.

5.20.1 Principal Component Analysis (PCA)

Factor Analysis is the generic term ascribed to a class of multivariate statistical methods with the primary goal of condensing the information contained in the variables under study into a smaller set of factors, without losing key information (Bagozzi, 1994; DeVellis, 1991; Hair *et al.*, 1998). In other words, factor analysis broadly aims to summarize and reduce the data to only those which are *"common among the original variables"* (Churchill, 1991, p. 896). That is, the latent variables that underlie particular observed measures (Byrne, 1994) or the *"'clumps' or groups among the inter-correlations of a set of variables"* (Pallant, 2001, p. 151).

There are two main factor analysis approaches. These are *Exploratory Factor Analysis* (EFA) and *Confirmatory Factor Analysis* (CFA). CFA is applied in the later stages of a research area as a tool for confirming specific hypotheses or theories of the underlying linkages that exist among a set of variables (Anderson and Gerbing, 1988; Pallant, 2001). Conversely, EFA is applied in the early stages of a research area to establish previously unconfirmed links between observed variables and latent factors (Anderson and Gerbing, 1988; Pallant, 2001). The major disadvantage of EFA is that its stringent conditions cause the production of fewer factors than are present in the data. However, as this study is exploratory in nature, EFA is the better suited approach especially since CFA has the disadvantage of non-compatibility with exploratory studies because of its high degree of dependence on already established linkages among variables.

Although the term 'Factor Analysis' is broadly used in reference to multivariate statistical methods concerned with data reduction, relevant literature clearly delineates *Principal Component Analysis* (PCA) from *Factor Analysis* (see

for instance, Pallant, 2001; Stevens, 1996; Tabachnick and Fidell, 1996). While both techniques transform original variables into a smaller set of linear combinations as a means to comprise the variability in the pattern of correlations, the key difference between the two methods is that factor analysis uses mathematical models to estimate factors by analysing *only* their shared variance, while PCA does not restrict its use to the analysis of only shared variance but instead analyses *all* the variance in *all* the factors under study (Pallant, 2001). As this is an exploratory study, an understanding of all the variance in all the factors under examination would better serve the advancement of servicescape research. In addition, of the many different data reduction techniques, PCA is by far the most commonly used analytical method (Bryman and Cramer, 1994; Pallant, 2001) because it is more structured than other techniques (Churchill, 1991), psychometrically sound, simpler mathematically, and avoids some potential problems with 'factor indeterminancy' associated with factor analysis (Stevens, 1996, p.363). Furthermore, in comparing the effectiveness of PCA and factor analysis in empirical study, Tabachnick and Fidell (1996, p. 662-663) assert that if the aim is to obtain *"an empirical summary of the data set, PCA is the better choice"*.

After factors have been generated, the results are presented in a manner which aids interpretability through a process of 'rotation' (Pallant, 2001). The rotational approach selected will determine the character of the factor solutions which can either be *oblique* (correlated) or *orthogonal* (uncorrelated). On the one hand, *oblique* approaches make provision for the factors under analysis to be correlated but, as Tabachnick and Fidell (1996) point out, obtained results are more difficult to interpret, describe and report. *Orthogonal* approaches on the other hand are based on the assumption of independence of constructs and offer the crucial

advantage of being able to provide factor loadings that are easier to interpret and report (Tabachnick and Fidell, 1996) because of their higher level of clarity (Churchill, 1991; Hair *et al.*, 1995). On this basis, an *orthogonal* approach was selected because the intention was to obtain interpretable factor loadings for subsequent statistical analysis (Dillon and Goldstein, 1984; Bryman and Cramer, 1994). Specifically, *varimax*, the most commonly used *orthogonal rotation* technique (Pallant, 2001) was selected. According to Hair *et al.* (1995), *varimax* produces a clearer separation of the factors, ranking them according to the amount of variance they define.

Although Churchill (1991) suggests that researchers should independently determine the number of factors to be retained in the components solution, *factor loadings* and *eigenvalues* (that is, values that explain the amount of variance that a factor accounts for) are a more scientific means of deciding the number of retained generated factors (Hair *et al.*, 1995; Nunnally, 1978; Pallant, 2001). Thus, factor loadings and eigenvalues are the key considerations on which PCA in this study is based. Variables with factor loadings of .30 or less are considered to be below the acceptable cut-off point (Hair *et al.*, 1995; Kim and Mueller, 1978) while in line with accepted practice and in keeping with the criterion recommended by Kaiser (1958), only factors with eigenvalues equal to or greater than 1 were retained for use in further analysis.

5.20.2   Reliability and Validity Assessments

Pallant (2001) asserts that both reliability and validity can affect the quality of the data obtained. Given that no single item is likely to capture the crux of a concept fully (Churchill, 1979), it is imperative that researchers ascertain the degree to which

developed scale items constitute an accurate representation of the unobservable concepts that they are supposed to measure (Peter, 1979). In describing the attributes of both reliability and validity, Churchill (1979, p. 65) succinctly states that *"if a measure is valid, it is reliable, but...the converse is not necessarily true [as] it is often said that reliability is a necessary but not a sufficient condition for validity"*. To shed further light on these concepts, individual appraisals of reliability and validity follow below.

5.20.2.1   Reliability Assessment

Reliability means repeatability or consistency and is a measure for obtaining the same result consistently if the phenomenon being measured is the same (Trochim, 2000). As all measures are expected to contain some amount of random error, Churchill (1979) affirms that reliability depends on how much of the variation in scores is attributable to these random or chance errors.   Thus, reliability is the 'fidelity of the obtained scores' (Bagozzi, 1984) and is assessed via statistical measures to determine how reproducible the survey instrument's data are (Litwin, 1995). In other words, *"a measure is reliable to the extent that independent but comparable measures of the same trait or construct of a given object agree"* (Churchill, 1979, p. 65).

A scale's reliability can be examined by means of the very widely-used *Cronbach's Coefficient Alpha Test* (Cronbach, 1951) which determines if the scale items within a scale measure are homogenous. That is, the coefficient alpha test evaluates the degree to which the individual scale items measure the same concept (Peter, 1979), by assessing the inter-correlations that exist among said scale items (Churchill, 1995). The coefficient alpha test can take values between 0 and 1, with

higher values indicating greater reliability. As a general rule of thumb, a value of 0.70 and above is considered to be a strong indicator of reliability (Churchill, 1979; Pallant, 2001), although Nunnally (1967) argues that values above 0.50 should be adequate. Similarly, in apparent challenge to the recommended coefficient alpha value of 0.70, Slater (1995) and Peterson (1994) advance the case of an acceptable 'criterion in use' level of 0.60. This level is supported by Hair *et al.* (1998) and by Zeithaml *et al.* (1996) who state that coefficient alpha values at about that level are acceptable in early studies.

5.20.2.2 Validity Assessment

A scale can be said to be valid if it measures what it is supposed to measure. Stated otherwise, the assessment of validity centres on the relationship between an indicator and the abstract construct it is supposed to represent (Nunnally and Bernstein, 1994). According to Churchill (1979, p. 65), *"a measure is valid when the differences in observed scores reflect true differences on the characteristic one is attempting to measure and nothing else"*. For the purposes of this study, the two main validity groups of content validity and construct validity are identified.

Content validity measures the extent to which items adequately capture the essence of a construct's domain (Churchill, 1991; Nunnally and Bernstein, 1994). Therefore, it is concerned with the degree to which measures assess the domain of interest based on their ability to reflect the theoretical framework (Bagozzi, 1984; Green *et al.*, 1988) in terms of *"how representative the scale or instrument is of the universe of the content of the property or characteristic being measured"* (Green *et al.*, 1988, p. 250). To ensure the data collected is *"unbiased and relevant to the characteristic being measured"* (Green *et al*, 1988, p. 249), content validity should

be assessed by experts (such as academics and/or practitioners) in the field of study who are able to determine if developed scales are in keeping with the theoretical framework. Thus, this examination is heavily reliant on the subjective interpretations or judgements of the experts who ascertain whether or not scale items actually tap the constructs under study (Bearden *et al.*, 1989; Churchill, 1979). As detailed in Section 5.13, marketing and human resources management scholars, researchers drawn from varied disciplines, restaurant managers, and actual restaurant patrons extensively assessed measurement scales. The positive feedback received from these groups of assessors involved in the two major stages of pre-testing was indicative of the content validity of the employed measures.

Construct validity is concerned with the relationship of the measure to the underlying attributes it is attempting to evaluate. Specifically, Nunnally and Beinstein (1994) maintain that construct validity is concerned with the degree to which a construct is (1) well defined through a variety of observables, (2) well represented by alternative measures, and (3) strongly related to other constructs of interest. Construct validity is further subdivided into the two interlocking validity types of convergent validity and discriminant validity. Convergent validity refers to the degree to which multiple attempts at measuring the same construct are in agreement or convergent (Hair *et al.*, 1998). In other words, convergent validity is established when the measures that should be related are shown to be so related. Convergent validity can be examined using the Multitrait-Multimethod Matrix (MTMM) approach which is a validation process developed by Campbell and Fiske (1959) where correlations between key constructs are examined in terms of their size, sign and level of significance.

Discriminant validity concerns the degree to which a measure is *"unique and not simply a reflection of other variables, and as such it provides the primary 'test' for the presence of method variance"* (Green *et al.*, 1988, p. 252). Therefore, tests for discriminant validity seek to establish the extent to which two conceptually similar concepts are distinct (Hair *et al.*, 1998). Discriminant validity can also be evaluated using the MTMM approach identified above. Additionally, the Chi-Squared difference test can be employed where, as recommended by Gerbing and Anderson (1988), correlations between construct pairs should be first freely estimated and then set to unity.

Construct validity levels for the scales in this study were evaluated through an inspection of the item-total correlations results as *"the items that correlate most highly with total scores are the best items for a general purpose"* (Nunnally, 1978, p. 274). On this basis, it is recommended that items that have a very low correlation (Churchill, 1979) and/or are not in the expected direction (Cook and Campbell, 1979) should be excluded from further analysis.

5.20.3 Descriptive Statistics

Descriptive statistics provide information about the normality, spread and centring of the data. They include the measures of central tendency (such as the arithmetic mean, median and mode) which seek typicality within the dataset, and the measures of dispersion (such as the standard deviation) which attempt to ascertain the degree to which the data vary around typical values. Thus, descriptive statistics have the primary purpose of presenting the basic features of the study data in a summarized form as a means of exploring the survey findings, without attempting to make inferences beyond the dataset. As the Likert-type scales applied in the measurement

of variables satisfy interval measurement approximations criteria, the scales were treated as interval scales for the purposes of data analysis (Nunnally and Bernstein, 1994). The results of these descriptive statistics are presented in Chapter Six.

5.20.4 Correlation Analysis

Correlation analysis is the evaluation method concerned with the nature (sign) and strength of the association between two variables. In correlation analysis, different scales can be assessed using different measures. For instance, ordinal scales can be measured using Spearman's correlation coefficient; nominal scales can be measured using Cramer's V; and interval and ratio scales can be measured using the Pearson's product moment correlation coefficient (r). As the level of variables in this study is interval (that is, continuous), the Pearson's product moment correlation coefficient (r) was selected for implementation. Under this measurement method, the direction and magnitude of the linear relationship between two variables is assessed on a scale of -1 to 1; with -1 representing a perfectly correlated negative relationship (that is, the value of one variable can be determined accurately by knowing the value of the other variable); 0 representing the absence of any relationship (knowing the value of one variable is insufficient to predict the value of the second variable); and 1 representing a perfectly correlated positive relationship (here also, the value of one variable can be determined precisely by knowing the value of the other variable). A negative sign denotes that as one variable increases, the other decreases; while a positive sign indicates that as one variable increases, so too does the other. The size of the obtained absolute value (regardless of the sign) signifies the strength of the relationship between the two variables, which can be visually inspected from the scatterplot. A scatterplot of a perfectly correlated relationship (r=1 or -1) will show

the distinct pattern of a straight line, while the scatterplot of a correlation with no relationship (r=0) will show a circle of points without any apparent pattern (Pallant, 2001).

In addition, the *Coefficient of Determination* (COD) can be calculated (by squaring the value of r) to ascertain the amount of variance shared by the variables. This variance amount can be converted to a 'percentage of variance' by simply multiplying the obtained result by 100 (Pallant, 2001). Although employed widely in marketing research, bivariate or zero-order correlation analysis (the relationship between two variables) can be limiting because it disregards the impact that other variables may have on the relationship between any two variables. Therefore, to explore the potential relationships between variables further and to ensure that obtained results are valid, multivariate statistical analysis was employed to statistically control for any additional variable(s) that may have an effect on zero-order relationships. The chosen method of multivariate analysis for this study was moderated multiple regression (MMR) analysis. The next section provides a justification for this selection.

5.21 Justification for Adopting Moderated Multiple Regression (MMR) Analysis

MMR was favoured over other types of multivariate statistical techniques particularly *Structural Equation Modelling* (SEM) which is also in wide use in marketing research. Even though a CFA measurement model (on which SEM is based) was previously identified in Section 5.18.1 as being inadequate for use in this study, SEM was also not the preferred mode of analysis because it is unable to encapsulate fully the underlying conceptual and empirical factors on which this

servicescape study is based, thereby rendering its usage impractical. Specifically, Hair *et al.* (1998) strongly advise that in order to serve as the appropriate measure for a study, SEM must *not* violate conceptual (such as conceptual model specification) and methodological (such as reliability and validity assessments; and construct-measurement relationships) standards. However, SEM as an analytic technique within the context of this study fails on both counts. Conceptually, SEM is inappropriate for use in exploratory studies. Hair *et al.* (1992, p. 47) assert that *"it is necessary to use structural equation modelling only in confirmatory mode, leaving exploratory analyses to other multivariate techniques"*. This stance is supported - and indeed reflected - by the use of a variety of other multivariate techniques (particularly regression analysis) by widely-referenced scholars in servicescape research (see for instance, Bitner *et al.*, 1990; Donovan and Rossiter, 1982; Foxall and Greenley, 1999, 2000; Kumar and Karande, 2000; Machleit and Eroglu, 2000; Sharma and Stafford, 2001). The selection of regression analysis over SEM by servicescape scholars denotes the high fragmentation and poor development of the existing servicescape literature earlier identified in Chapter Three. According to Blaxter *et al.* (1996), the choice of analysis should be *"about the search for an explanation and understanding in the course of which concepts and themes are likely to be advanced, considered and developed"*.

Aside from the conceptual considerations which question the use of SEM at this stage of servicescape research, a major empirical concern is also raised. Disparate to regression analysis which Hair *et al.* (1998, p. 14) describe as *"the appropriate method of analysis when the research problem involves a single metric dependent variable presumed to be related to two or more metric independent variables"*, the SEM design is better suited to the examination of relationships

involving two or more dependent variables (Hair, *et al.*, 1992). As this study positions *loyalty intentions* as the only dependent variable, utilizing SEM as an analytic technique will invariably involve running the risk of obtaining statistically insignificant results with questionable reliability and validity findings, which would inevitably preclude generalization to the wider population.

For the reasons described above, SEM was considered inappropriate for use in testing the relationships described in this thesis. Rather, MMR is the better suited diagnostic method as it offers significant advantages over SEM with regard to the parameters that were set for this particular study.

5.21.1 Moderated Multiple Regression Analysis (MMR)

Regression analysis was the preferred method of multivariate statistical analysis due to conceptual and empirical recommendations in servicescape and wider literature (see for instance, Foxall and Greenley, 1999; Gelderman, 2000; Kumar and Karande, 2000; Hair *et al.*, 1998; Macleit and Eroglu, 2000; Pallant, 2001) and because the method aptly captures the idiosyncratic nature of the phenomenon under study. The extensive use of regression analysis in marketing research is rooted in its ability to further the comprehension of customers' decision-making processes and the manner in which perceptions and attitudes are formed (Hair *et al.*, 1998). To buttress this point, Hair *et al.* (1998, p. 141) posit that *"regression analysis is by far the most widely used and versatile dependence technique, applicable in every facet of business decision making"* (Hair *et al.*, 1998, p. 141).

Multiple regression analysis refers to the combination of techniques that can be used to quantitatively measure the relationship between one continuous

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dependent (endogenous) variable and a number of independent (exogenous) variables (Pallant, 2001) through the least-squares criterion (Chatterjee and Sorenesen, 1998). Similarly, Hair *et al.* (1998, p.14) assert that *"whenever the researcher is interested in predicting the amount and magnitude of the dependent variable, multiple regression is useful"*. Indeed, multiple regression analysis is a highly adaptable statistical technique that is the best method of analysis *"when the research problem involves a single metric dependent variable presumed to be related to two or more metric independent variables"* (Hair *et al.*, 1998, p.14).

According to Pallant (2001), the three major types of multiple regression that can be employed depending on study questions are:

1. *Standard Multiple Regression (Enter)*: Where all exogenous variables are entered into the regression equation simultaneously, and each of these variables is assessed on the amount of contribution it makes to the prediction of the endogenous variable.

2. *Hierarchical Multiple Regression (Sequential)*: Here the exogenous variables are entered into the equation as determined by the researcher, based on theoretical guidance.

3. *Stepwise Multiple Regression*: In this type of multiple regression, the exogenous variables are provided and the statistical program used in data analysis determines the order of their entry into the equation on the basis of predetermined statistical criteria.

Of these regression types, the *standard multiple regression* or direct entry method was selected for implementation owing to its suitability to the phenomenon under

study and because it is *"the most commonly used regression analysis"* (Pallant, 2001, p. 135).

An approach of multiple regression analysis that is well-suited to measuring the proposed relationships between variables in this study is the *Moderated Multiple Regression* (MMR) analysis technique. This is due to the nature of the conceptualized model in Chapter Four, and the character of the procedure itself. MMR enables the slope of one or more of the independent variables to vary across values of the moderator variable (Hair *et al.*, 1998), thereby facilitating the investigation of an extensive range of relationships and function forms (Goode and Harris, 2005). This investigation is conducted by multiplying the moderating variables by each of the stimuli variables, resulting in the creation of new factors. These new factors and factors representing the servicescape variables are then regressed and compared alongside the un-moderated regression results to determine the individual statistical significance of each moderating variable. A comparative examination can be made between these two results by observing the R^2 values of both regressions to determine which of the two regressions possesses greater explanatory power (Gelderman, 2000). Consequently, in order to predict the amount and magnitude of loyalty intentions, the MMR equation is vital and is expressed thus:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_1X_2$$

where:

Y = estimated value of the dependent variable

b_0 = value of the constant or intercept derived from the analysis

b_1X_1 = linear effect of X_1

b_2X_2 = linear effect of X_2

$b_3X_1X_2$ = moderator effect of X_1 on X_2

Therefore, as described above, in testing for the effects of moderation, Y is not only regressed on X_1 and X_2 but also on a third variable which is calculated by multiplying X_1 and X_2 (Gelderman, 2000).

Similar to all other regression methods, MMR assumes six basic principles. According to Billings *et al.* (1996), the credibility of regression results can only be upheld if the assumptions of regression analysis are adhered to. In the same way, Montgomery and Peck (1992) maintain that a violation of these basic assumptions will lead to the generation of an unstable regression model. The basic assumptions are that:

1. A linear relationship exists between x and y.
2. The elements of x and y are predetermined and measured without error.
3. The error term has a mean of zero.
4. The error term has constant variance.
5. The errors are uncorrelated.
6. The errors are normally distributed.

To ensure that the above assumptions were not violated, statistical and econometric tests for linearity, homoscedasticity, normality, and multicollinearity were conducted. Linearity is the degree to which the change in the endogenous variable associated with the predictor variable is constant across the range of values for the exogenous variables (Hair *et al.*, 1998). To meet the condition of linearity, the relationship between the variables x and y should therefore be one that can be represented on a straight line. This representation can be visually inspected from a generated scatterplot. Additionally, an assessment of linearity can be gauged econometrically by running the *Chow Test* (Chow, 1960) which evaluates the nature of the data by analysing the residual errors from the model. The *Chow Test* (a more

advanced version of the F-Test) measures the stability of regression coefficients over two sub-periods of the data by comparing the sums of squared residuals over the two periods. This testing procedure allows the researcher to ascertain if the stability of the model as a whole remains unaffected even after the data are split in half.

Homoscedasticity is the condition met by the data when the variance of error terms around the regression line appears constant over a range of predictor variables (Hair *et al.*, 1998), or where *"the variance of the residuals about predicted dependent variable scores [is] the same for all predicted scores"* (Pallant, 2001, p. 137). In other words, the variability in scores for exogenous variables should be similar to the values for the endogenous variable. The detection of heteroscedasticity is critical because its presence leads to the drawing of faulty inferences when testing statistical hypotheses (White, 1980). A visual inspection of the residuals plot should reveal the nature of the data, with homoscedastic data displaying residuals of the same width for all values of the predicted endogenous variable, while heteroscedastic data will display a cluster of points that grows wider as the scores for the predicted endogenous variable get larger. Similarly, observation of the scatterplot should reveal a cluster of points of the same width for homoscedastic data, while heteroscedastic data will have points of varying width. Stated otherwise, when the error terms have increasing, decreasing, or modulating variance, the data are said to display characteristics of heteroscedasticity and so fail the condition of homoscedasticity.

Homoscedasticity can also be assessed using a more robust advanced econometric evaluation method called the *White's Test* (White, 1980) which is a covariance matrix estimator. Using White's test, an assessment of homoscedasticity

can be conducted by comparing the consistent estimator to the usual covariance matrix estimator. If both estimators are about the same instead of diverging, then the data does not fail the condition of homoscedasticity.

Normality is the extent to which the generated residuals are normally distributed about the predicted endogenous variable scores (Pallant, 2001). A visual examination of normality levels can be made from the normal probability plot where points should lie in a reasonably straight diagonal line running from bottom left to top right, suggesting no major deviations from normality. Similarly, normality can be visually inspected through the construction of a histogram which includes a line that represents the shape of a normal distribution (a symmetrical, bell shaped curve). By comparing the shape of the line with the actual shape of the histogram, the degree to which the distribution deviates from or conforms to the line can be immediately ascertained. In addition, normality can be tested by observing the plot of residuals (the difference between obtained and predicted endogenous variable scores) in the scatterplot diagram. Normality is indicated by the concentration of the majority of residuals at the centre of the plot for each value of the predicted score, with some residuals symmetrically trailing off from the centre.

A more statistically reliable means of evaluating the degree of normality in a distribution is via the third moment of skewness test as described by Hair *et al.* (1998, p. 72) below:

$$z = \frac{\text{Skewness}}{\sqrt{\dfrac{6}{N}}}$$

where:

N = the sample size

The calculated z-statistic is then compared to the critical value of 1.96 (0.05 level of statistical significance) and if it falls below this value, that indicates that the distribution is normal.

Yet another robust method of testing for normality is the use of the *Jarque-Bera* econometric test (Jarque and Bera, 1980) which is an asymptotic test that measures the null hypothesis that the data are normally distributed. The test is based on skewness and kurtosis coefficients, where a normal distribution provides skewness results close to 0 and kurtosis results close to 3. As measured by the Chi-Square statistic, the *Jarque-Bera* test attempts to establish if sample skewness and kurtosis are different to their expected values, with low Chi-Square values indicating normality.

Multicollinearity refers to the relationship which exists among variables when the exogenous variables are highly correlated (Pallant, 2001) in a manner that it becomes difficult to distinguish between their effects on the endogenous variable (Maddala, 1977). Therefore, the presence of multicollinearity suggests that the effect of a particular variable can be explained by one or more of the other variables under study. However, the problem with multicollinearity is not *"one of existence or non-existence but of how serious or problematic it is"* (Maddala, 1977, p. 183). Furthermore, Hair *et al.* (1998, p. 99) posit that *"some degree of multicollinearity is desirable because the objective is to identify interrelated sets of variables"*. Therefore, an assessment of the degree of multicollinearity warrants an examination of the variance inflation factor (VIF) and the tolerance scores. Hair *et al.* (1992) state that multicollinearity levels are acceptable if the VIF is less than 10 and the tolerance value is greater than 0.10 because multicollinearity levels within these

limits are considered low enough to leave the beta estimates unaffected. Additionally, multicollinearity can be assessed through the use of an advanced econometric technique called the *Maddala Test* (Maddala, 1977). The test is a pooling method designed to obtain more efficient estimates for the parameters of interest. The test achieves this by regressing the exogenous variables against the endogenous variable to serve as a benchmark model. Thereafter, each exogenous variable is regressed against the other exogenous variables resulting in an equal number of regressions to the number of exogenous variables. The results of Adjusted R^2 values for the exogenous regressions are then compared to the previously obtained Adjusted R^2 value of the base model, and if greater, then there is the suggestion of multicollinearity.

As described above, in satisfaction of the need to uphold the basic assumptions of regression analysis a number of statistical tests were run for linearity, homoscedasticity, normality, and multicollinearity. Additionally, advanced econometric tests were conducted to solidify statistical findings. The intended aim is for the econometric tests to accept the null hypothesis (H_0 = assumptions have been upheld) and reject the alternate hypothesis (H_1 = assumptions have been violated). In other words, it is expected that the econometric tests should be non-significant. Obtained results from both sets of tests (statistical and econometric) are evinced in Chapter Seven.

5.22 Concluding Remarks

This chapter discussed the research design and methodology adopted for the study. The areas covered centred on the operationalization of constructs and questionnaire development. Chapter Six is the first of two chapters dedicated to reporting the results of the data analysis techniques utilized, beginning with an outline of descriptive statistics, principal component analysis, and scale indices construction for the measurement scale. Chapter Seven will focus on the results of correlation analysis, multiple regression analysis, and moderated multiple regression analysis. The chapter will also present the outcomes of the econometric tests which were incorporated into the analytic process to guarantee a more robust testing procedure.

Chapter Six:

Principal Component Analyses,

Scale Indices Construction,

Descriptive Statistics and

Independent Samples T-tests

6.1 Introduction

This chapter builds on the introductory analysis of the battery of statistical techniques presented in Chapter Five. In furtherance of these analyses, the chapter aims to provide an account of the results of statistical testing in the sequential forms of principal component analysis, descriptive statistics, and scale indices construction. Test findings will be presented in the order adopted in the conceptual model in Chapter Four (see Figure 4.1). Stated otherwise, the presentation order to be adopted will be: servicescape climatic elements, servicescape cultural elements, personal factors, environmental factors, and finally, loyalty intentions. Further independent samples t-tests will be utilised in the exploration of the dataset on the basis of gender, age and average amount spent during restaurant visit.

6.2 Principal Component Analysis

The data, made up of 271 observations, were subjected to principal component analysis with varimax rotation, using SPSS (Version 12). Prior to performing principal component analysis, an assessment was conducted to ascertain the suitability of the data. This involved an inspection of the correlation coefficients to determine the presence of coefficients of 0.3 and above, based on the premise that if correlations are below this cut-off value, principal component analysis should be reconsidered (Pallant, 2001). Results revealed that the coefficient values were 0.3 and above, thereby allowing for principal component analysis to be performed.

Pallant (2001) asserts that to confirm the appropriateness of principal component analysis, it is imperative that favourable results for the Bartlett's Test of Sphericity (Bartlett, 1954) and the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) [Kaiser, 1974] are obtained. Favourability of results is determined

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by the Bartlett's Test of Sphericity reaching a statistical significance of 0.05 or less, and the KMO attaining a value of 0.6 and above. Thus, obtained results conforming to these acceptable levels will lend strong support to the factorability of the coefficients.

The results of principal component analyses, scales indices construction and descriptive statistics are initially presented in the sections following, and later tabulated at the end of the chapter for easy reference (see Tables 6.22 and 6.23).

6.3 Principal Component Analysis of Servicescape Climatic Elements

This section presents the principal component analysis of servicescape climatic elements in the order of: ambient conditions (*music, scent* and *cleanliness*) and design factors (*implicit communicators* and *furnishing*).

6.3.1 Principal Component Analysis of Ambient Conditions

The principal component analyses of ambient conditions are evinced in the sections below; in the order of *music, scent* and *cleanliness*.

Table 6.1: Principal Component Analysis of Ambient Conditions*

Item	Factor Loading**			
	Factor 1 Music	Factor 2 Scent	Factor 3 Cleanliness	Communality
Music appropriate	.796			.727
Music volume appropriate	.756			.533
Music pleasant	.786			.721
Music unpleasant	.593			.472
Smell appropriate		.862		.766
Smell pleasant		.478		.460
Clean Restaurant			.833	.637
Clean walkways & exits			.706	.662
Clean toilets			.792	.692
Restaurant not clean			.339	.318
Eigenvalue	3.855	1.211	1.321	
% of variance explained	38.551	12.106	13.213	
Cumulative variance			63.870	

* All loadings less than 0.3 suppressed
** Principal components analysis with varimax rotation, converging in four iterations.

The principal component analysis of ambient conditions yielded a three-factor solution accounting for almost 64% of explained variance. In addition, results of the Bartlett's Test for Sphericity and KMO value are significant and acceptable with values of 0.000 and 0.817 respectively. Each factor is discussed below.

6.3.1.1   Factor 1: The Ambient Condition of Music

The first factor of *music* loads onto a vector generating an eigenvalue of 3.855 and this factor explains 38.551% of total variance. The obtained communality values range from 0.472 to 0.727 and are thus statistically acceptable. As the *music* items capture the level to which customers perceived the *music* in the visited restaurant to

be appropriate in meeting their needs, the factor is accepted and labelled AMB1 in recognition of its position in the conceptualized model as the first ambient condition element.

6.3.1.2   Factor 2: The Ambient Condition of Scent

The principal component analysis of *scent* reveals a generated solution with an eigenvalue of 1.211, explaining 12.106% of variance. The items for scent concerned the level to which the odour in the visited restaurant was appropriate and the degree to which this odour was pleasant. Furthermore, communality values of 0.766 and 0.460 exceed the stipulated 0.3 threshold. The factor is thus accepted and labelled AMB2.

6.3.1.3   Factor 3: The Ambient Condition of Cleanliness

The third factor shows a factor which generates an eigenvalue of 1.321 and explains over 13% of variance. Communality values ranging from 0.318 to 0.692 exceed the minimum acceptable level of 0.3. As the *cleanliness* items suitably capture the perception of customers with regard to the hygiene of the restaurants they visited, the factor is accepted and labelled AMB3 by virtue of its placement in the conceptual model as the third ambient condition element.

Table 6.2: Reliability and Validity Test Results for Ambient Condition

Elements

Scale	Number of Scale Items	Cronbach Alpha Coefficient	Item-Total Correlations *			
			(1)	(2)	(3)	(4)
Music	4	0.73	.61	.41	.67	.41
Scent	2	0.75	.60	.60		
Cleanliness	4	0.75	.64	.61	.51	.48

* Pearson correlation coefficient. All correlations significant at the 0.001 level

The reliability of scales relating to ambient conditions was assessed via the Cronbach alpha coefficient (Cronbach, 1951). The *music* scale demonstrates an alpha coefficient value of 0.73 and item-total correlations ranging from 0.41 to 0.67 which indicate that the psychometric properties of the scale are both reliable and valid. The demonstrated alpha coefficient value for *scent* at 0.75 implies reliability and is therefore acceptable. Similarly, item-total correlations of 0.60 indicate that the scale meets validity requirements. Finally, the alpha value for *cleanliness* at 0.75 suggests reliability. Additionally, item-total correlations ranging from 0.48 to 0.64 indicate that the scale is valid. Thus, these results render scales pertaining to ambient conditions suitable for use in subsequent analysis.

Table 6.3: Descriptive Statistics of Ambient Condition Elements

Scale	Mean	Median	Standard Deviation
Music	4.90	4.92	1.08
Scent	5.00	5.00	1.28
Cleanliness	5.29	5.34	1.02

Valid Cases: 271

The elements relating to ambient conditions were measured on seven-point scales running low to high (a score of 1 indicating a low ambient condition element appreciation rating and a score of 7 denoting a high ambient condition element appreciation rating). Results of descriptive statistics depict mean (4.90, 5.00 and 5.29) and median (4.92, 5.00 and 5.34) scores to be above the mid-point of 4. This suggests that customers' overall perception of ambient condition elements in visited restaurants was favourable. Further, the standard deviation results which measure variability of scores from the obtained mean values indicate on the whole that a great deal of similarity exists between data points (1.08, 1.28 and 1.02). This finding supports results of servicescape studies on the effects of *music* (see for instance, Areni and Kim, 1993; Baker *et al.*, 1992; Mattila and Wirtz, 2001); *scent* (see for example, Baker, 1987; Bitner, 1992); and *cleanliness* (see for instance, Berta, 2005) on the approach-avoidance behaviour displayed by customers.

6.3.2 Principal Component Analysis of Design Factors

The principal component analysis of *design factors* is conducted using scale items related to *implicit communicators* and *furnishing*. The result of this analysis is presented in Table 6.4.

Table 6.4: Principal Component Analysis of Design Factor Elements*

Item	Factor Loading**		
	Factor 1 Implicit Communicators	**Factor 2** Furnishing	**Communality**
Interior was unattractive	**.618**		.388
Interior was appealing	**.778**		.700
Interior architecture appealing	**.843**		.733
Decorated in appealing fashion	**.811**		.697
Painted in appealing colours	**.603**		.441
Appropriate leg room		**.896**	.818
Appropriate elbow room		**.875**	.797
Eigenvalue	**3.319**	**1.254**	
% of variance explained	**47.421**	**17.916**	
Cumulative variance		**65.337**	

* All loadings less than 0.3 suppressed
** Principal components analysis with varimax rotation, converging in three iterations.

The principal component analysis of design factor elements generated two factors which account for over 65% of cumulative variance. In addition, results of the Bartlett's Test for Sphericity and KMO value are well over the thresholds of statistical acceptability with values of 0.000 and 0.782 respectively. The two obtained factors are discussed below.

6.3.2.1 Factor 1: The Design Factor Element of Implicit Communicators

The principal component analysis of *implicit communicators* reveals a factor which loads heavily onto a vector generating an eigenvalue of 3.319 and explaining over 47% of variance. This result suggests that the interior design of the servicescape as

pertains to restaurants is a key cue on which customers will base their loyalty intentions. This deduction is valid given the communality values ranging from 0.388 to 0.733 which support statistical significance and appropriateness of use. The factor is therefore accepted and labelled IMPCOMM.

6.3.2.2 Factor 2: The Design Factor Element of Furnishing

The principal component analysis of *furnishing* yielded an eigenvalue of 1.254 explaining about 18% of total variance. Additionally, obtained communality values of 0.818 and 0.797 exceed the 0.3 threshold. Both *furnishing* items appear to encapsulate seating comfort. That is, the extent to which cramped seating quarters are likely to be perceived by customers as displeasing and of poor quality, and *vice-versa*. Consequently, the factor is accepted and labelled FURNISH.

Table 6.5: Reliability and Validity Test Results for Design Factor Elements

Scale	Number of Scale Items	Cronbach Alpha Coefficient	Item-Total Correlations *				
			(1)	(2)	(3)	(4)	(5)
Implicit Communicators	5	0.80	.39	.70	.71	.68	.49
Furnishing	2	0.79	.65	.65			

* Pearson correlation coefficient. All correlations significant at the 0.001 level

The alpha coefficient for *implicit communicators* is high at a value of 0.80, suggesting reliability. Additionally, item-total correlations range from 0.39 to 0.71 indicating that the scale indices are valid. The *furnishing* scale is also robust with an alpha coefficient value of 0.79 and item-total correlations of 0.65. Both values

indicate that reliability and validity requirements were fully met. Therefore, these results make the scales for design factor elements suitable for use in subsequent calculations.

Table 6.6: Descriptive Statistics of Design Factor Elements

Scale	Mean	Median	Standard Deviation
Implicit Communicators	4.89	4.88	1.02
Furnishing	4.76	4.76	1.33

Valid Cases: 271

The mean and median scores for ***implicit communicators*** are above the mid-point of 4 (4.89 and 4.88 respectively) indicating that the performance of restaurants with regard to interior design is above average. Similarly, the standard deviation of 1.02 indicates that individual observations do not deviate significantly from the obtained mean value. Correspondingly, the descriptive statistics for *furnishing* imply that the average level of seating comfort as perceived by customers is above the mid-point of 4 (4.76 for both mean and median), suggesting efforts by restaurateurs to ensure the comfort of customers. Furthermore, the standard deviation of 1.33 implies that the standard amounts by which values differ from the mean is low, suggesting that most values are clustered around the centre of the distribution. Generally, results for design factor elements identify the perception by customers that the internal environments of restaurants should promote a positive customer experience.

6.4 Principal Component Analysis of Servicescape Cultural Elements

This section presents the principal component analyses of servicescape cultural elements in the following order: staff behaviour (*customer orientation* and *credibility*) and staff image (*physical attractiveness* and *competence*).

6.4.1. Principal Component Analysis of Staff Behaviour Elements

As stated in Section 6.4, the principal component analysis of staff behaviour was conducted using the scale items for *customer orientation* and *credibility* as presented in Table 6.7.

Table 6.7: Principal Component Analysis of Staff Behaviour Elements*

Item	Factor Loading**		
	Factor 1 Customer Orientation	Factor 2 Credibility	Communality
Satisfied with staff treatment	.856		.747
Staff understood needs	.851		.732
Staff showed commitment	.766		.633
Felt safe in transactions with staff		.769	.622
Staff had positive attitude		.695	.554
Did not feel deceived by staff		.792	.679
Eigenvalue	3.014	1.053	
% of variance explained	50.239	17.544	
Cumulative variance	67.783		

* All loadings less than 0.3 suppressed
** Principal components analysis with varimax rotation, converging in three iterations.

The principal component analysis solution for staff behaviour yielded two factors as expected, which together explain about 68% of total variance. In addition, the result

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of the Bartlett's Test for Sphericity is statistically significant at 0.000, as is the KMO

value at 0.713. The generated factors are discussed below.

6.4.1.1   Factor 1: The Staff Behaviour Element of Customer Orientation

The first factor to be extracted loaded onto a vector generating an eigenvalue of

3.014, explaining over 50% of total variance. Communality values range from a low

of about 0.633 to a high of 0.747, clearly in excess of the acceptable limit of 0.3. As

the extracted factor apparently fully captures the level to which customers perceive

service staff to be customer oriented, it is accepted and labelled CUSTOR.

6.4.1.2   Factor 2: The Staff Behaviour Element of Credibility

The second factor to emerge generates an eigenvalue of 1.053, explaining about

18% of total variance. Additionally, communality values ranging from 0.554 to

0.679 exceed the 0.3 threshold. Consisting of items which appear to represent

customers' perceptions of staff credibility, the factor is found acceptable and is thus

labelled CRED.

Table 6.8: Reliability and Validity Test Results for Staff Behaviour Elements

Scale	Number of Scale Items	Cronbach Alpha Coefficient	Item-Total Correlations *		
			(1)	(2)	(3)
Customer Orientation	3	0.90	.81	.82	.75
Credibility	3	0.76	.65	.63	.50

* Pearson correlation coefficient. All correlations significant at the **0.001 level**

Both scale indices proved sufficient in terms of meeting reliability and validity requirements. Reliability for the *customer orientation* scale is very robust with an alpha coefficient value of 0.90 and *credibility* records a similarly significant value of 0.76, both of which are statistically acceptable. Validity wise, item-total correlation results reveal the lowest and highest correlations are 0.75 and 0.82, and 0.50 and 0.65 for *customer orientation* and *credibility* respectively. These reliability and validity scores indicate that the measures are suitable for subsequent analysis.

Table 6.9: Descriptive Statistics of Staff Behaviour Elements

Scale	Mean	Median	Standard Deviation
Customer Orientation	4.95	4.96	1.28
Credibility	5.02	5.08	1.14

Valid Cases: 271

The obtained *customer orientation* scores for the mean (4.95) and median (4.96) of the scale suggest that generally, respondents found the level of staff *customer orientation* to be above average. Also, the standard deviation which measures the amount of variability in the distribution of a variable provides a result of 1.28 which suggests that there is a great deal of similarity between data points. These results are indicative of the high level of competition among restaurants as perceived by customers (see Section 6.6.2). Likewise, the high mean and median results of 5.02 and 5.08 respectively for *credibility* clearly exceed the mid-point of 4. Furthermore, the standard deviation of 1.14 implies that the standard amounts by which values differ from the mean is low, suggesting that most values are clustered around the

centre of the distribution. This indicates that respondents generally believed the level

of *credibility* displayed by service staff to be very high.

6.4.2 Principal Component Analysis of Staff Image

The principal component analysis of staff image was conducted using the scale

items for *competence* and *physical attractiveness* as evinced in Table 6.10.

Table 6.10: Principal Component Analysis of Staff Image Elements*

Item	Factor Loading**		
	Factor 1 Competence	Factor 2 Physical Attractiveness	Communality
Staff were helpful	.807		.703
Delivered prompt service	.782		.646
Low quality of service	.604		.372
Right service the first time	.707		.517
Able to solve problems	.700		.511
Staff were attractive		.718	.565
Staff were classy		.802	.690
Staff were elegant		.833	.738
Staff were sexy		.765	.608
Eigenvalue	3.546	1.803	
% of variance explained	39.403	20.031	
Cumulative variance	59.434		

*   All loadings less than 0.3 suppressed
** Principal components analysis with varimax rotation, converging in three iterations.

The principal component analysis of staff image reveals the emergence of a two-

factor solution, explaining a total of 59.434% of variance. With Bartlett's Test for

Sphericity and KMO values of 0.000 and 0.797 respectively, results exceed

stipulated cut-off points. The obtained factors are:

6.4.2.1 Factor 1: The Staff Image Element of Competence

The first extracted factor (*competence*) loads onto a vector that generates an eigenvalue of 3.546 explaining 39.403% of total variance. Communality values are in line with statistical recommendations and the factor is thus considered acceptable. The results indicate that the scale items adequately capture the *competence* of service staff as perceived by customers. Therefore, the label COMP is assigned to the factor.

6.4.2.2 Factor 2: The Staff Image Element of Physical Attractiveness

The second factor to emerge (*physical attractiveness*) generates an eigenvalue of 1.803, explaining 20.031% of variance. Communality values range from 0.565 to 0.738, exceeding the minimum acceptable level of 0.3. These results suggest that the perception of staff physicality by customers is satisfactorily addressed by the scale items relating to *physical attractiveness*. Consequently, the factor is accepted and labelled ATTRACT.

Table 6.11: Reliability and Validity Test Results for Staff Image Elements

Scale	Number of Scale Items	Cronbach Alpha Coefficient	Item-Total Correlations *				
			(1)	(2)	(3)	(4)	(5)
Competence	5	0.78	.68	.64	.39	.56	.54
Physical Attractiveness	4	0.80	.58	.66	.70	.52	

* Pearson correlation coefficient. All correlations significant at the 0.001 level

The *competence* scale is robust with an alpha coefficient value of 0.78 and item-total correlations ranging from 0.39 to 0.68. The *physical attractiveness* scale reveals even higher scores with an alpha value of 0.80 and item-total correlations with a minimum of 0.52 and maximum of 0.70. These robust reliability and validity values imply that the scales are adequate for use in later analysis.

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Table 6.12: Descriptive Statistics of Staff Image Elements

Scale	Mean	Median	Standard Deviation
Competence	4.96	4.92	1.09
Physical Attractiveness	3.98	4.09	1.08

Valid Cases: 271

The scales for staff image were measured on seven points running low to high (a score of 1 indicating a low rating and a score of 7 denoting a high rating). Results of the descriptive statistics depict a mean of 4.96 and median rating of 4.92 for *competence*, and mean of 3.98 and median of 4.09 for *physical attractiveness*. Thus, results suggest that customers' perception of staff competence was above average. However, the mean of *physical attractiveness* (3.98) falls slightly below the mid-point of 4. This implies customer perception of a below average attempt by restaurant managers to employ staff with distinctly pleasing characteristics with regard to service staff being classy, elegant, sexy and generally attractive. However, the slightly below average mean value may also be due to the method of aggregation of restaurants which this study employed. This is because while upscale sit-down restaurants may be more concerned with the appearance of their service staff, fast-

food outlets may not; thus lowering the overall mean score. Also, the standard deviations of 1.09 for *competence* and 1.08 for *physical attractiveness* indicate that variability of scores from the mean is low.

6.5 Principal Component Analysis of Moderating Personal Factors

The principal component analysis of moderating personal factors (variety-seeking behaviour and perceived sacrifice) is displayed below. Additionally, results of reliability and validity testing, and descriptive statistics are presented.

Table 6.13: Principal Component Analysis of Moderating Personal Factors*

Item	Factor Loading**		
	Factor 1 Variety-Seeking Behaviour	Factor 2 Perceived Sacrifice	Communality
Offering was interesting	.837		.727
Could talk about restaurant	.846		.728
Visiting was convenient		.676	.551
Visiting was stressful		.794	.681
Had to make a huge effort		.715	.512
Convenient operating hours		.552	.449
Eigenvalue	2.107	1.541	
% of variance explained	35.113	25.687	
Cumulative variance	60.799		

* All loadings less than 0.3 suppressed
** Principal components analysis with varimax rotation, converging in three iterations.

The principal component analysis solution for moderating personal factors generated two factors as expected which explain almost 61% of cumulative variance. Furthermore, results of the Bartlett's Test for Sphericity and KMO value are

significant and acceptable with values of 0.000 and 0.602 respectively. Each extracted factor is discussed below.

6.5.1 Factor 1: The Moderating Personal Factor of Variety-Seeking Behaviour

The conducted principal component analysis reveals *variety-seeking behaviour* to be the first extracted factor, which loads onto a vector generating an eigenvalue of 2.107. This factor explains 35.113% of total variance and consists of two items pertaining to the degree to which the restaurant's service offering was interesting, and the length of time a customer could talk about the visited restaurant. Furthermore, communality values of 0.727 and 0.728 exceed the 0.3 threshold. As the extracted factor appears to capture the level to which customers are variety-seeking in nature, it is accepted and labelled VARSKG.

6.5.2 Factor 2: The Moderating Personal Factor of Perceived Sacrifice

The second factor of *perceived sacrifice* loads onto a vector, generating an eigenvalue of 1.541 and explains 25.687% of total variance. Also, the obtained communality values of 0.551, 0.681, 0.512 and 0.449 exceed the minimum acceptable level of 0.3. Since the items collectively appear to encapsulate the extent to which customers perceive their restaurant visits to involve a certain degree of personal denial in non-monetary terms, the factor is accepted and labelled SACRIFICE.

Table 6.14: Reliability and Validity Test Results for Moderating Personal Factors

Scale	Number of Scale Items	Cronbach Alpha Coefficient	Item-Total Correlations * (1) (2) (3) (4)			
Variety-Seeking Behaviour	2	0.71	.55	.55		
Perceived Sacrifice	4	0.65	.45	.48	.42	.37

* Pearson correlation coefficient. All correlations significant at the **0.001 level**

With regard to reliability and validity, the scale for *variety-seeking behaviour* demonstrates significance in the form of an alpha coefficient of 0.71 and item-total correlation scores of 0.55. In addition, the alpha coefficient for *perceived sacrifice* at 0.65 though below the generally accepted value of 0.70, is greater than the threshold of 0.50 as suggested by Nunnally (1967), and greater still than the 'criterion in use' level of 0.60 recommended by Slater (1995) and Peterson (1994). Therefore, the obtained alpha value is deemed to be adequately representative of reliability. Similarly, the item-total correlations scores ranging from 0.37 to 0.48 are in excess of the stipulated statistical cut-off point, thus indicating validity. Therefore both scales are adequate for use in later analysis.

Table 6.15: Descriptive Statistics of Moderating Personal Factors

Scale	Mean	Median	Standard Deviation
Variety-Seeking Behaviour	4.26	4.26	1.38
Perceived Sacrifice	2.91	2.93	1.12

Valid Cases: 271

The seven-point scale measuring *variety-seeking behaviour* runs from a low of 1 to a high of 7. Thus, mean and median scores of 4.26 which are higher than the mid-point of 4 suggest that the extent of customers' variety-seeking tendencies may reduce if they are pleased with the restaurant's service offering. Additionally, the standard deviation of 1.38 indicates that there are medium levels of variability.

Descriptive statistics for *perceived sacrifice* reveal that the average level of *perceived sacrifice* is below the mid-point of 4. This is an expected outcome owing to the aggregation of restaurants in this study which ensured that a wide range of responses based on customers' evaluation of very different types of restaurants was obtained. For instance, while a customer may be willing to sacrifice a lot of time (such as time spent travelling and time waiting for food to be prepared) in order to enjoy the service experience in a favoured sit-down restaurant, the same customer may be intolerant of any time wasting by staff in a fast-food restaurant. Furthermore, the standard deviation score of 1.12 implies that there is little variability in scores from the mean value.

6.6 Principal Component Analysis of Moderating Environmental Factors

The principal component analysis of moderating environmental factors is presented below. The extracted factors are introduced in the order of *perceived economic turbulence*, followed by *perceived competitive intensity*.

Table 6.16: **Principal Component Analysis of Moderating Environmental Factors***

Item	Factor Loading**		
	Factor 1 Perceived Economic Turbulence	Factor 2 Perceived Competitive Intensity	Communality
Rise in interest rates	.841		.710
Rise in inflation	.870		.756
Intense Competition		.759	.604
Many 'promotion wars'		.845	.716
Offers can be matched by others		.709	.521
Price competition		.867	.753
Eigenvalue	2.560	1.499	
% of variance explained	42.665	24.991	
Cumulative variance	67.656		

* All loadings less than 0.3 suppressed
** Principal components analysis with varimax rotation, converging in three iterations.

The principal component analysis of moderating environmental factors reveals the emergence of a two-factor solution, explaining a total of 67.656% of variance. With Bartlett's Test for Sphericity and KMO values of 0.000 and 0.702 respectively, results indicate significance. The obtained factors are:

6.6.1 Factor 1: The Moderating Environmental Factor of Perceived Economic Turbulence

The first factor displayed an eigenvalue of 2.560 explaining 42.665% of total variance. The items comprising this factor relate to customers' perceived levels of a likely rise in both interest rates and inflation. The study by McIntyre and Pencavel

(2004) highlighted the effect of wage levels on purchase behaviour and it is on the basis of their article that scale items were developed. With communality values of 0.710 and 0.756, statistical significance is easily attained as both *perceived economic turbulence* items appear to capture the extent to which customers perceive macroeconomic issues directly impact their buying behaviour. Thus, the factor is accepted and labelled ECOTURB.

6.6.2 Factor 2: The Moderating Environmental Factor of Perceived Competitive Intensity

The second extracted factor included items which sought to ascertain the level to which customers were aware of the substitutes available to them in the restaurant sector. The four *perceived competitive intensity* items collectively account for about 25% of total variance with an eigenvalue of 1.499. The obtained communality values range from 0.521 to 0.753, exceeding the acceptable statistical level. Thus, as all four scale items denote *perceived competitive intensity* indicators, the factor is accepted and labelled COMPINT.

Table 6.17: **Reliability and Validity Test Results for Moderating Environmental Factors**

Scale	Number of Scale Items	Cronbach Alpha Coefficient	Item-Total Correlations *			
			(1)	(2)	(3)	(4)
Perceived Economic Turbulence	2	0.65	.48	.48		
Perceived Competitive Intensity	4	0.81	.58	.69	.51	.73

* Pearson correlation coefficient. All correlations significant at the 0.001 level

The reliability of the *perceived economic turbulence* scale was assessed via the Cronbach alpha coefficient (Cronbach, 1951). The scale demonstrates an alpha coefficient value of 0.65 and item-total correlations of 0.48 which indicate that the psychometric properties of the scale are both reliable and valid. Similarly, the *perceived competitive intensity* scale demonstrates relatively high reliability and validity scores with an alpha coefficient of 0.81 and item-total correlations ranging from 0.51 to 0.73. Items for *perceived competitive intensity* were adapted from the scale originally developed by Jaworski and Kohli (1993) which remains stable and reliable when replicated, as demonstrated in the present context. Thus, the results render the scales for moderating environmental factors suitable for use in subsequent analysis.

Table 6.18: Descriptive Statistics of Moderating Environmental Factors

Scale	Mean	Median	Standard Deviation
Economic Turbulence	4.19	4.19	1.19
Competitive Intensity	4.90	4.81	1.14

Valid Cases: 271

The mean and median results for *perceived economic turbulence* at 4.19 are above the mid-point of 4 indicating that the expectation of customers with regard to a rise in the macro-economic indices of interest rates and inflation is slightly above average. This finding is reinforced by the standard deviation value of 1.19 which indicates that individual observations are clustered around the mean value. Also, the mean and median values of 4.90 and 4.81 respectively for *perceived competitive intensity* are higher than the mid-point of 4 and thus indicate that customers generally perceive competition between restaurants to be intense. This means that they are aware of service alternatives and so would require tailored services to ensure they maintain their patronage of any one restaurant. Further, the standard deviation which measures the amount of variability in the distribution of scores displays a value of 1.14, suggesting that there is a great deal of similarity between data points.

6.7 Principal Component Analysis of Loyalty Intentions

Table 6.19: Principal Component Analysis of Loyalty Intentions Measure*

Item	Factor Loading**	Communality
Will say positive things about restaurant	.853	.727
Will recommend restaurant	.873	.762
Will encourage others to visit restaurant	.879	.773
Will consider restaurant as first choice	.729	.531
Will do more business with restaurant	.802	.644
Will continue to visit even if others are cheaper	.676	.457
Eigenvalue	3.893	
% of variance	64.890	
Cumulative variance	64.890	

* All loadings less than 0.3 suppressed
** Principal components analysis with varimax rotation. Factor cannot rotate a one-factor solution.

The principal component analysis of *loyalty intentions* loads heavily onto a vector generating an eigenvalue of 3.893, explaining almost 65% of total variance. Communality values for *loyalty intentions* scale items exceed the minimum acceptable level of 0.3 with values ranging from 0.457 to 0.773. Also, the Bartlett's Test for Sphericity is significant at a value of 0.000 and the KMO result provides a high value of 0.86. As the extracted factor appears to encapsulate the level to which the items measure customers' *loyalty intentions* towards the visited servicescape, it is accepted and labelled LI.

Table 6.20: Reliability and Validity Test Results for Loyalty Intentions

Scale	Number of Scale Items	Cronbach Alpha Coefficient	Item-Total Correlations *					
			(1)	(2)	(3)	(4)	(5)	(6)
Loyalty Intentions	6	0.89	.75	.78	.80	.63	.71	.57

* Pearson correlation coefficient. All correlations significant at the **0.001 level**

The demonstrated alpha coefficient value for *loyalty intentions* which is very high at a value of 0.89 implies reliability and is therefore acceptable. Similarly, item-total correlations ranging from 0.57 to 0.80 indicate that the scale is valid and hence adequate for use in subsequent statistical testing.

Table 6.21: Descriptive Statistics of Loyalty Intentions

Scale	Mean	Median	Standard Deviation
Loyalty Intentions	4.78	4.76	1.16

Valid Cases: 271

The mean result of 4.78 and median result of 4.76 are above the mid-point of 4 indicating that customers were generally favourably disposed to returning to the restaurants they visited and encouraging others to do same. The standard deviation of 1.16 also indicates that individual observations are not widely dispersed from the mean value. These findings support results of similar studies on *loyalty intentions* (see for instance, Zeithaml *et al.*, 1996).

Table 6.22: Factors and Variables Attributable to Each Construct

Construct	Number of Factors	Number of Items	Eigenvalues	% of Variance Explained
Servicescape Climatic Elements:				
Ambient Conditions:	3			
Music		4	3.855	38.551
Scent		2	1.211	12.106
Cleanliness		4	1.321	13.213
Design Factors:	2			
Implicit Communicators		5	3.319	47.421
Furnishings		2	1.254	17.916
Servicescape Cultural Elements:				
Staff Behaviour:	2			
Customer Orientation		3	3.014	50.239
Credibility		3	1.053	17.544
Staff Image:	2			
Competence		5	3.546	39.403
Physical Attractiveness		4	1.803	20.031
Personal Factors:	2			
Variety-Seeking Behaviour		2	2.107	35.113
Perceived Sacrifice		4	1.541	25.687
Environmental Factors:	2			
Perceived Economic Turbulence		2	2.560	42.665
Perceived Competitive Intensity		4	1.499	24.991
Loyalty Intentions	1	6	3.893	64.890
Total	**14**	**50**		

Table 6.23: Summary of Scale Statistics

Scale	Factors	Number Of Items	Cronbach Alpha	Mean	Median	Standard Deviation	Item-Total Correlation (1)	(2)	(3)	(4)	(5)	(6)
Music	1	4	0.73	4.90	4.92	1.08	.61	.41	.67	.41		
Scent	1	2	0.75	5.00	5.00	1.28	.60	.60				
Cleanliness	1	4	0.75	5.29	5.34	1.02	.64	.61	.48			
Implicit Communicators	1	5	0.80	4.89	4.88	1.02	.39	.70	.71	.68	.49	
Furnishings	1	2	0.79	4.76	4.76	1.33	.65	.65				
Customer Orientation	1	3	0.90	4.95	4.96	1.28	.81	.82	.75			
Credibility	1	3	0.76	5.02	5.08	1.14	.65	.63	.50			
Competence	1	5	0.78	4.96	4.92	1.09	.68	.64	.39	.56	.54	
Physical Attractiveness	1	4	0.80	3.98	4.09	1.08	.58	.66	.70	.52		
Variety-Seeking Behaviour	1	2	0.71	4.26	4.26	1.38	.55	.55				
Perceived Sacrifice	1	4	0.65	2.91	2.93	1.12	.45	.48	.42	.37		
Perceived Economic Turbulence	1	2	0.65	4.19	4.19	1.19	.48	.48				
Perceived Competitive Intensity	1	4	0.81	4.90	4.81	1.14	.58	.69	.51	.73		
Loyalty Intentions	1	6	0.89	4.78	4.76	1.16	.75	.78	.80	.63	.71	.57

6.8 Independent Samples T-Tests

The dataset was explored using Student's t-tests to evaluate the mean scores of demographic groups and so determine the existence or otherwise of statistically significant differences. To this end, the sample was split into roughly proportional groups on the basis of *gender*, *age* and *average amount spent*, with the values of each categorisation then compared on the Loyalty Intentions continuous variable. This allowed for initial testing of the probability that two sets of scores (for example, males and females) came from the same population (Pallant, 2001). Further, for a result to be considered statistically significant (suggesting a difference between means), a p value of equal to or less than 0.05 must be attained (See Appendix II for SPSS output). In addition, Eta squared calculations were computed to ascertain the proportion of variance in Loyalty Intentions that is accounted for by the individual demographic groups. According to Cohen (1988), Eta squared values range from 0 to 1 with the strength of the obtained values interpreted as:

.01 = small effect

.06 = moderate effect; and

.14 = large effect

Finally, the generated results indicate that there were no violations of the assumptions underlying the use of this parametric technique.

6.8.1 Gender

The gender split of survey respondents is as reflected in the number of responses received from these groups (see Table 5.11). Male respondents numbered 145 while female respondents were 126. The sample was split on this basis using SPSS

(version 12) after a coding of '1' for males and '2' for females. The aim was to compare loyalty intentions scores for males and females.

Results show no significant difference in scores for males ($\underline{M}$ =.035, $\underline{SD}$ =.982), and females ($\underline{M}$ = -.041, $\underline{SD}$= 1.02; $\underline{t}$ [269] = .62, $\underline{p}$ = .54). Also, the value of Eta squared (which in this case is the proportion of variance in loyalty intentions that is explained by gender) is very small:

$$\textbf{Eta squared} = \frac{\textbf{t}^2}{\textbf{t}^2 + (\textbf{N1} + \textbf{N2} - \textbf{2})} = \frac{\textbf{0.62}^2}{\textbf{0.62}^2 + (\textbf{145} + \textbf{126} - \textbf{2})} = \underline{\textbf{0.0014}}$$

Therefore, in percentage terms, only **0.14%** of the variance in Loyalty Intentions is explained by *gender*.

6.8.2 Age

The variety of ages accommodated in the questionnaire covered five groups. As depicted in Table 5.12, the total numbers of respondents according to age groupings were as follows:

(1) 17-24 years old: 68 respondents

(2) 25-34 years old: 113 respondents

(3) 35-44 years old: 58 respondents

(4) 45-54 years old: 27 respondents

(5) 55 years and over: 5 respondents

In order to obtain a roughly proportional split given this distribution, (1), (3) and (5) above were grouped and labelled Group 1, while (2) and (4) were grouped and labelled Group 2. This grouping created a fairly proportional split with Group 1 having 131 respondents and Group 2 having 140.

Results also show no significant difference in scores for Group 1 ($\underline{M}$ = -.076, $\underline{SD}$ =1.05) and Group 2 ($\underline{M}$ = .071, $\underline{SD}$= .95; $\underline{t}$ [269] = -1.21, $\underline{p}$ = .23). Also, the value of Eta squared is very small which means that the proportion of variance in Loyalty Intentions that is explained by *age* is minimal:

$$\textbf{Eta squared} = \frac{t^2}{t^2 + (N1 + N2 - 2)} = \frac{-1.21^2}{-1.21^2 + (131 + 140 - 2)} = \underline{\textbf{0.0054}}$$

In percentage terms, only **0.54%** of the variance in Loyalty Intentions is explained by *age*.

6.8.3 Average Amount Spent

The questionnaire provided seven classifications for *average amount spent* ranging from less than £5 to over £40 (see Table 5.15). To make for a fairly proportional split, categories (1) *Less than £5*, (2) *£5 to £10* and (3) *£11 to £15* formed Group 1, while (4) *£16 to £20*, (5) *£21 to £30*, (6) *£31 to £40* and (7) *Over £40*, composed Group 2. This resulted in Group 1 having 134 respondents and Group 2 having 137 respondents.

Dissimilar to the two previously conducted tests, results indicate a statistically significant difference in scores for Group 1 ($\underline{M}$ = -.18, $\underline{SD}$ =1.05), and Group 2 ($\underline{M}$ = .18, $\underline{SD}$ = .92; $\underline{t}$ [269] = -3.00, $\underline{p}$ = .003). This statistically significant finding suggests that *average amount spent* is an important indicator of Loyalty Intentions. Furthermore, the value of Eta squared is revealed to be 0.03:

$$\textbf{Eta squared} = \frac{t^2}{t^2 + (N1 + N2 - 2)} = \frac{-3.00^2}{-3.00^2 + (134 + 137 - 2)} = \underline{\textbf{0.03}}$$

Therefore, in this study, **3%** of the variance in Loyalty Intentions is explained by average amount spent by restaurant customers. Of the three tests conducted, average

amount spent is shown to have the only statistically significant influence on customers' Loyalty Intentions. Although the percentage influence was expected to be larger, this percentage value expresses the importance of average amount spent on customers' intentions to be loyal. This is because the more money to be spent within a restaurant, the greater the need for servicescape climatic and cultural elements to encourage high perceived value. This finding is in congruence with those of similar marketing studies which found perceived value or value-for-money perceptions to be a direct antecedent of loyalty (see for instance, Bolton and Drew 1991; Dodds *et al.*, 1991; McIlroy and Barnett, 2000). In addition, value-for-money perception was earlier identified as a key influencer of loyalty intentions (see Section 5.15). In addition, it is believed that value-for-money perceptions will be of even greater importance when customers base their judgements on perceived high levels of economic turbulence and competitive intensity.

Finally, from the above results it is seen that the magnitude of the differences in means when the sample is split according to *gender* and *age* is very small. Similarly, based on the guidelines of Eta squared values proposed by Cohen (1988), the scores obtained signify that size statistics effects are small. This means that only a minimal percentage of the variance in loyalty intentions is explained by either *gender* or *age*. This result is explained by the aggregation of restaurants in the study which is believed to have evened out possible inherent *gender* and *age* differences.

6.9 Concluding Remarks

This chapter set out to evaluate and present the results from a multiplicity of statistical tests with regard to principal component analyses, descriptive analysis, scale indices construction and independent samples t-tests. As the model performs well under these preliminary testing conditions, the data will be further subjected to a three-stage analytical process covering (1) zero-order correlation analysis to explore any potential associations between variables, (2) simple multiple regression analysis to determine the stability level of the regression model, and (3) moderated multiple regression analysis to similarly test the stability of the regression model but on this occasion, the test will also involve the inclusion of the personal and environmental factors believed to moderate the servicescape - loyalty intentions relationship. Additionally, developed propositions will be evaluated and the overall regression model will be appraised for the conditions of linearity, heteroscedasticity, multicollinearity, and normality; through the use of econometric tests employed to bolster utilized statistical measures. Chapter Seven presents the obtained results from this three-stage analytical process.

Chapter Seven:

Findings – Statistical and Econometric Hypotheses Testing and Focus Groups Results

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7.1   Introduction

As a result of the significant principal component analysis results obtained in Chapter Six, this chapter aims to present the findings of a three-stage analytical procedure which was conducted with the intention of evaluating the data by way of (1) zero-order correlation analysis, (2) multiple regression analysis and (3) moderated multiple regression analysis. In addition, econometric testing will be conducted to bolster these statistical measures. Following this, the results of focus group research will be presented to add further richness to the findings of the study.

7.2   Correlation Analysis

This form of analysis measures the association between two variables simultaneously and limits its explanatory power not to causality, but to the strength of relationship between the variables. Producing values ranging from -1 to 1, -1 signifies a perfectly correlated negative relationship, 0 represents no relationship between the variables, and 1 signifies a perfectly correlated positive relationship. Therefore, the correlation strength of a value of r = 1 is equal to the correlation strength of a value of r = -1 even though the correlations are in opposite directions. Specifically, Cohen (1988) suggests the following guideline to be used in the interpretation of the strength of correlation values between 0 and 1:

r = .10 to .29 or r = -.10 to -.29: small correlation
r = .30 to .49 or r = -.30 to -.49: medium correlation
r = .50 to 1.0 or r = -.50 to -1.0: large correlation

The results of the correlation analysis (r) conducted to determine the magnitude and direction of the associations between the nine servicescape (antecedent) variables and *loyalty intentions* are depicted in Table 7.1.

Table 7.1: Correlation Matrix

	1	2	3	4	5	6	7	8	9
1. Music	1.00								
2. Scent	.513**	1.00							
3. Cleanliness	.452**	.505**	1.00						
4. Implicit Communicators	.417**	.450**	.647**	1.00					
5. Furnishing	.178**	.186**	.368**	.390**	1.00				
6. Customer Orientation	.444**	.462**	.579**	.493**	.300**	1.00			
7. Credibility	.338**	.459**	.589**	.413**	.293**	.604**	1.00		
8. Competence	.454**	.431**	.590**	.500**	.304**	.743**	.624**	1.00	
9. Physical Attractiveness	.041	.108	.262**	.321**	.170**	.289**	.245**	.338**	1.00
10. Loyalty Intentions	**.380****	**.429****	**.616****	**.569****	**.381****	**.569****	**.513****	**.567****	**.425****

** Correlation is significant at the 0.01 level (2-tailed).

It is asserted by Green *et al.* (1988, p. 417) that the analysis of associative data is the *"hallmark of modern marketing research"*. Thus, correlation analysis was utilized as an initial test for the measurement of associations because it is the most commonly used relational statistic (Pallant, 2001). Preliminary zero-order data exploration revealed *loyalty intentions* to be related to all nine servicescape variables (see Table 7.1). With values ranging from .380 to .616, the obtained correlation values are in the expected direction (positive), of the anticipated magnitude (equal to or greater than .10) and strongly statistically related to *loyalty intentions* (p<0.01). The variable with the largest association to *loyalty intentions* was *cleanliness*. This finding is in line with expectations due to the central role a clean servicescape plays in restaurant selection. Other major associations with *loyalty intentions* are made by the elements of *implicit communicators, customer orientation*, and *competence* with r values of .569, .569 and .567 respectively. The large correlation between these elements and *loyalty intentions* is demonstrative of the importance of aesthetic appeal and staff performance in this servicescape, particularly because of the amount of time spent by customers in the setting and their high contact intensity with service staff.

Furthermore, in order to ascertain the specific amount of variance shared by each servicescape variable and *loyalty intentions*, the Coefficient of Determination (COD) was calculated. The COD value was obtained by squaring individual r values and subsequently multiplying them by 100 in order to convert individual results to a percentage of variance. The percentages of variance shared by individual servicescape variables and *loyalty intentions* confirm the associative relationships and are as follows: *music* (14.44%), *scent* (18.40%), *cleanliness* (37.95%), *implicit*

communicators (32.38%), *furnishing* (14.52%), *customer orientation* (32.38%), *credibility* (26.32%), *competence* (32.15%), and *physical attractiveness* (18.06%).

Based on the results of zero-order correlation analysis, tentative evidence is found in support of $H_1 - H_9$. However, although obtained values are highly statistically significant, sole dependence on zero-order correlation analysis limits the ability of the researcher to ascertain the impact of other exogenous variables in any one zero-order relationship. To overcome this limitation therefore, multiple regression analysis was conducted. The result of this multivariate analysis is presented in the next section.

7.3   Multiple Regression Analysis

Following the emergence of valid and reliable scale indices from principal component analysis, and the determination of associations via zero-order correlation analysis, multiple regression analysis was conducted to obtain the entirety of effects between servicescape variables and *loyalty intentions*. This was deemed necessary to overcome the limitation of correlation analysis. As earlier described in Section 5.19.1, multiple regression analysis is a combination of statistical techniques which examine the more complex relationship between two or more continuous exogenous variables and a single continuous endogenous variable, by way of the least squares criterion.

Of the nine possible linear relationships, only five servicescape variables were found to be significantly directly related to *loyalty intentions* via the direct entry method of multiple regression analysis. An overview of these significant relationships is presented in Section 7.3.1. It should be noted that in keeping with

established requirements governing the acceptability of regression results, tests for linearity, homoscedasticity, normality, and multicollinearity were performed at each stage of regression. The results of these tests indicate that all the regression assumptions were upheld. Particularly, multicollinearity results reveal that the existing relationship among servicescape variables is not characterised by large correlations. This is reflected in the VIF scores and tolerance values which are less than 10 and greater than .10 respectively (see Table 7.2). This result implies that multicollinearity levels in the regression model are low enough to leave the standardised regression coefficient (beta) estimates unaffected, indicating that the effect of a particular servicescape variable cannot be explained by one or more of the other servicescape variables under study.

Table 7.2: Detection of Multicollinearity for Multiple Regression Model: Variance Inflation Factor (VIF) Scores and Tolerance Values for Servicescape (Antecedent) Variables

Variable	VIF Score	Tolerance Value
Music	1.597	.626
Scent	1.677	.596
Cleanliness	2.427	.412
Implicit Communicators	2.018	.495
Furnishing	1.233	.811
Customer Orientation	2.578	.388
Credibility	2.015	.496
Competence	2.762	.362
Physical Attractiveness	1.220	.820

7.3.1 Overview of Multiple Regression Relationships

Preliminary results of multiple regression analysis reveal high values for R^2 (.543) and Adjusted R^2 (.528). The Adjusted R^2 value is believed to be the more reliable measure because it provides a better estimate of the true population value (Pallant, 2001). Therefore, expressed as a percentage, the obtained Adjusted R^2 value signifies that the regression model explains nearly 53% of variance in *loyalty intentions*. In addition, after testing the null hypothesis that multiple R in the population equals 0, the model attains very high statistical significance with a value of .000 ($p < .0005$). Therefore, the null hypothesis is rejected. Table 7.3 evinces the level of significance in the relationships between individual servicescape variables and *loyalty intentions*.

Table 7.3: Summary of Multiple Regression Results for Servicescape Variables in Relation to Loyalty Intentions (LI)

Relationship	Beta Coefficient	t-statistic
Music —▶ LI	.048	.904
Scent —▶ LI	.065	1.199
Cleanliness —▶ LI	.211	3.240***
Implicit Communicators —▶ LI	.138	2.330**
Furnishing —▶ LI	.109	2.337**
Customer Orientation —▶ LI	.134	1.994*
Credibility —▶ LI	.076	1.286
Competence —▶ LI	.070	1.006
Physical Attractiveness —▶ LI	.217	4.697***

*   Statistical significance at the 5% level
**   Statistical significance at the 1% level
***   Statistical significance at the 0.1% level

Table 7.3 depicts the relationships between individual servicescape variables and *loyalty intentions*, while controlling for the effects of other servicescape variables. As expected, all the regression coefficients are in the expected direction (positive). However, only five of the nine proposed linear relationships are revealed to be statistically significant. Three of the elements significant in their linear relationship with *loyalty intentions* represent elements related to organizational climate while the remaining two significant elements relate to elements pertaining to organizational culture. The four non-significant elements of *music*, *scent*, *credibility*, and *competence* with t-statistic values of .904, 1.199, 1.286 and 1.006 respectively, do not attain statistical significance due to their generation of t-statistic values below the significance threshold level of 1.7 (Silver, 1997). The significant relationships are as follows:

Significant Servicescape Climatic Factors:

1. Cleanliness   is   directly   linked   to   Loyalty   Intentions:

   AMB 3 → LI: Beta = .211; t-statistic = 3.240; sig. level = 0.1%.

2. Implicit   Communicators   is   directly   linked   to   Loyalty   Intentions:

   IMPCOMM → LI: Beta = .138; t-statistic = 2.330; sig. level = 1%.

3. Furnishing   is   directly   linked   to   Loyalty   Intentions:

   FURNISH → LI: Beta = .109; t-statistic = 2.337; sig. level = 1%.

Significant Servicescape Cultural Factors:

4. Customer   Orientation   is   directly   linked   to   Loyalty   Intentions:

   CUSTOR → LI: Beta = .134; t-statistic = 1.994; sig. level = 5%.

5. Physical Attractiveness is directly linked to Loyalty Intentions: *ATTRACT⟶ LI: Beta = .217; t-statistic = 4.697; sig. level = 0.1%.*

After the variance explained by all other elements in the model was controlled for, the variable which made the strongest unique contribution to the prediction of *loyalty intentions* was *physical attractiveness* with a beta value of .217, very high t-statistic value of 4.697, and statistically significant unique contribution to the equation at the 0.1% level. This result indicates that customers strongly consider the appearance of staff in the servicescape to be a major determinant of their approach-avoidance behaviour. Consequently, statistical evidence suggests that the physical attractiveness of service staff is a factor which restaurant managers should seriously consider when making their staff hiring and dress decisions for this particular servicescape. The variable which made the second strongest unique contribution was *cleanliness*. This result is congruent with expectations due to the nature of the servicescape under study. With a beta value of .211, t-statistic value of 3.240 and statistical significance at the 0.1% level, *cleanliness* is found to be highly significant in the explanation of *loyalty intentions*.

Based on the results of multiple regression analysis presented above, further support is found for H_3, H_4, H_5, H_6 and H_9 while no evidence supports H_1, H_2, H_7 and H_8 which were previously supported under correlation analysis. The lack of support for hypotheses relating to *music, scent, credibility,* and *competence* is possibly due to the aggregation procedure employed in this study where different types of restaurants were assessed simultaneously; so as to identify the servicescape variables relevant to all types of restaurants. In other words, a diverse range of restaurants formed the scope of restaurant analysis in this study. They included

simple fast-food restaurants (for example fish and chips, and kebab restaurants), fast-food / sit-down restaurants (such as McDonald's, Burger King, and KFC), specialist fast-food / sit-down restaurants (for example Chinese, Indian, Mexican, and Italian restaurants), contemporary sit-down restaurants (such as 'Hard Rock Café' and TGIF), and upscale sit-down restaurants (for instance 'The Ivy', Momo, and Sketch). This aggregation of restaurants is reflected in the varying amounts spent by surveyed restaurant customers, with average spend per person ranging from under 5 GBP to over 40 GBP (see Table 5.15).

Having said that, it is important to point out further that multiple regression analysis was conducted only to strengthen the results of zero-order correlation analysis obtained in the first stage of this three-stage empirical testing procedure. Due to the nature of the conceptualized model and the resulting formulated hypotheses which propose the interaction effects of a number of personal and environmental factors, there was a strong need for moderated multiple regression analysis to be conducted; in order to obtain the totality of effects concerning not just the individual and collective influences of servicescape variables on *loyalty intentions*, but also the interaction effects of the moderating factors on the servicescape – loyalty intentions relationship. It was believed that due to the measure of interaction effects guaranteed by the employment of moderated multiple regression analysis, there existed the possibility that elements which were previously found to be non-significant in their linear relationships with *loyalty intentions* would become significant via one or more moderating variable. Thus, the remainder of this chapter will cover the presentation of moderated multiple regression analysis results, leading to the acceptance or rejection of forwarded hypotheses.

7.4 Moderated Multiple Regression (MMR) Analysis

As described above and similarly presented in Chapter Four, given the nature of the conceptualized model and in keeping with the objective of obtaining a global configuration of the servicescape, it was deemed necessary to conduct further testing in the form of Moderated Multiple Regression (MMR) analysis. MMR is particularly suited to the current study because it enables the slope of one or more of the independent variables to vary across values of the moderator variable (Hair *et al.*, 1998), thereby facilitating the investigation of an extensive range of relationships and function forms (Goode and Harris, 2005). Therefore, in testing for the effects of moderation, Y is not only regressed on X_1 and X_2, but also on a third variable which is calculated by multiplying X_1 and X_2 (Gelderman, 2000). This form of analysis is *"central to marketing"* (Irwin and McClelland, 2001, p. 100) because it permits the multiple relationships between the endogenous variable and exogenous variables to depend on the levels of the other exogenous variables in the study. As pertains to this research effort, such an analysis not only establishes the strength of the relationship between the servicescape variables and loyalty intentions, but also *"augments the additive multiple regression model"* (Irwin and McClelland, 2001, p. 101) by allowing for the effects of the proposed moderating personal and environmental factors to be properly gauged, and their explanatory power adequately established. Accordingly, the investigation of interaction effects in this study began with the multiplication of each moderating variable by each of the servicescape variables, resulting in the creation of new factors. Thereafter, these new factors and factors representing the servicescape variables were regressed and then compared alongside the un-moderated multiple regression results to determine the individual statistical significance of each moderating variable. Although Gelderman

(2000) asserts that a comparative examination can be made between these un-moderated and moderated results by observing the R^2 values for both regressions to determine which of the two regressions possesses greater explanatory power, Pallant (2001) maintains that the Adjusted R^2 value is a superior measure because it provides a much better estimate of the true population value. As the Adjusted R^2 value is always lower than the R^2 value, a high Adjusted R^2 value immediately denotes high explanatory ability of the model - especially since its explanatory power has been previously 'corrected' or scaled down.

Preliminary results of MMR analysis reveal a very high R^2 value of .613 and correspondingly high Adjusted R^2 value of .585. In percentage terms, the obtained Adjusted R^2 value signifies that the moderated regression model explains nearly 59% of variance in *loyalty intentions*. This percentage value of explained variance is a considerable increase from the 53% value explained by the multiple regression model (see Section 7.3.1), thus further lending credence to the use of MMR in testing the complex nature of relationships proposed by the conceptual model. Additionally, to confirm the overall explanatory power of the model and determine its level of robustness, the F-test was performed. Neter *et al.* (1989) posit that the F-test is the ratio of explained to unexplained variance, with an F statistic greater than the critical value of F being statistically significant. The F statistic for the current model was found to be highly statistically significant with a value of .000. This result indicates that all the explanatory variables in the model have a significantly greater explanatory power than the overall mean of *loyalty intentions*. Furthermore, with a value of .000 (p<.0005), the null hypothesis that multiple R in the population equals zero is easily rejected.

7.4.1 Overview of Significant Moderated Multiple Regression Relationships

The results of moderated multiple regression analysis reveal sixteen statistically significant relationships. These sixteen relationships are constituted of six linear relationships between servicescape variables and *loyalty intentions*, six moderated relationships via personal factors, and four moderated relationships via environmental factors. For reasons of focus and ease of presentation, only matters relating to these significant relationships will be subsequently discussed. Hence, these significant relationships complete with t-statistic values, beta values and significance levels are itemised in Sections 7.4.1.1 to 7.4.1.3 in the order of significant servicescapes – loyalty intentions relationships, significant moderated personal factor relationships, and significant moderated environmental factor relationships. Thereafter follows an evaluation of all hypotheses advanced in Chapter Four relating to proposed direct and interaction effects. Prior to this however, Table 7.4 depicts the significant relationships revealed by the conducted moderated multiple regression analysis. The table is divided into four sections. The first section presents the servicescape variables that share a linear relationship with *loyalty intentions*; the second section evinces the moderating effects of the personal factors of *variety-seeking behaviour* and *perceived sacrifice*; the third section illustrates the moderating effects of the environmental variables of *perceived economic turbulence* and *perceived competitive intensity*; and finally, the fourth section displays the diagnostic statistics results of the moderated multiple regression model.

Table 7.4: Summary of Significant Moderated Multiple Regression Testing Results

Nature of Association	Beta Coefficient	t-statistic
Direct Linkages		
Scent	.103	2.119**
Cleanliness	.186	3.042***
Implicit Communicators	.106	1.862*
Furnishing	.164	3.638***
Customer Orientation	.295	5.188***
Physical Attractiveness	.228	5.167***
Moderated Linkages via Personal Factors		
Variety-Seeking Behaviour * Competence	.095	2.195**
Variety-Seeking Behaviour * Physical Attractiveness	-.142	-3.312***
Perceived Sacrifice * Music	.112	2.310**
Perceived Sacrifice * Scent	-.177	-3.365***
Perceived Sacrifice * Customer Orientation	-.141	-2.316**
Perceived Sacrifice * Credibility	.110	1.928*
Moderated Linkages via Environmental Factors		
Economic Turbulence * Implicit Communicators	.100	2.235**
Economic Turbulence * Physical Attractiveness	-.093	-2.193**
Competitive Intensity * Customer Orientation	-.080	-1.656[+]
Competitive Intensity * Physical Attractiveness	.124	2.796**
Diagnostic Statistics		
Adjusted R^2	0.585	
Number of Observations	271	
F Statistic (df_1 = 18, df_2 = 252)	22.182	
Linearity Test	Passed	
Homoscedasticity Test	Passed	
Normality Test	Passed	
Multicollinearity Test	Passed	

*   Statistical significance at the 5% level
**   Statistical significance at the 1% level
***   Statistical significance at the 0.1% level
[+]   Accepted at the 10% level congruent to similar exploratory loyalty intentions studies (see for instance, Zeithaml *et al.*, 1996).

The depiction in Table 7.4 is of the relationships found significant via MMR analysis. It is important to highlight the relationship between *customer orientation* and *loyalty intentions* which is moderated by *perceived competitive intensity*. The t-statistic of this relationship suggests one of weak moderation because with a value of -1.656, it just attains the 1.7 threshold of acceptability proposed by Silver (1997), and is thus accepted as significant – albeit at the 10% level. Although it is atypical for such relationships to be so accepted, the decision to accept this relationship is grounded in the precedent set by similar exploratory studies on *loyalty intentions* – conducted by renowned services marketing scholars – which accepted relationships at the 10% level (see for instance, Zeithaml *et al.*, 1996).

7.4.1.1 Significant Servicescape – Loyalty Intentions Relationships:

<u>Servicescape Climatic Factors:</u>

1. Scent is directly linked to Loyalty Intentions:

   AMB 2 —▸ LI: t-statistic = 2.119; Beta = .103; sig. level = 1%.

2. Cleanliness is directly linked to Loyalty Intentions:

   AMB 3 —▸ LI: t-statistic = 3.042; Beta = .186; sig. level = 0.1%.

3. Implicit Communicators is directly linked to Loyalty Intentions:

   IMPCOMM —▸ LI: t-statistic = 1.862; Beta = .106; sig. level = 5%.

4. Furnishing is directly linked to Loyalty Intentions:

   FURNISH —▸ LI: t-statistic = 3.638; Beta = .164; sig. level = 0.1%.

Servicescape Cultural Factors:

5. Customer Orientation is directly linked to Loyalty Intentions:

   $CUSTOR \longrightarrow LI$: *t-statistic = 5.188; Beta = .295; sig. level = 0.1%.*

6. Physical Attractiveness is directly linked to Loyalty Intentions:

   $ATTRACT \longrightarrow LI$: *t-statistic = 5.167; Beta = .228; sig. level = 0.1%.*

7.4.1.2   Significant Personal Factor Moderating Relationships:

Variety-Seeking Behaviour:

7. Competence is *now* linked to Loyalty Intentions through the moderating effect of Variety-Seeking Behaviour:

   VARSKG

   $COMP \longrightarrow LI$: *t-statistic = 2.195; Beta = .095; sig. level = 1%.*

8. Physical Attractiveness is *also* linked to Loyalty Intentions through the moderating effect of Variety-Seeking Behaviour:

   VARSKG

   $ATTRACT \longrightarrow LI$: *t-statistic = -3.312; Beta = -.142; sig. level = 0.1%.*

Perceived Sacrifice:

9. Music is *now* linked to Loyalty Intentions through the moderating effect of Perceived Sacrifice:

   SACRIFICE

   $AMB \, 1 \longrightarrow LI$: *t-statistic = 2.310; Beta = .112; sig. level = 1%.*

10. Scent is *also* linked to Loyalty Intentions through the moderating effect of Perceived Sacrifice:

$$SACRIFICE$$
$$AMB\ 2 \longrightarrow LI:\ t\text{-}statistic = -3.365;\ Beta = -.177;\ sig.\ level = 0.1\%.$$

11. Customer Orientation is *also* linked to Loyalty Intentions through the moderating effect of Perceived Sacrifice:
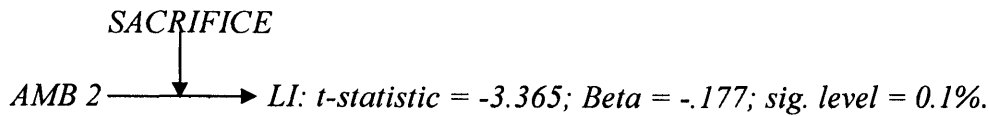
$$SACRIFICE$$
$$CUSTOR \longrightarrow LI:\ t\text{-}statistic = -2.316;\ Beta = -.141;\ sig.\ level = 1\%.$$
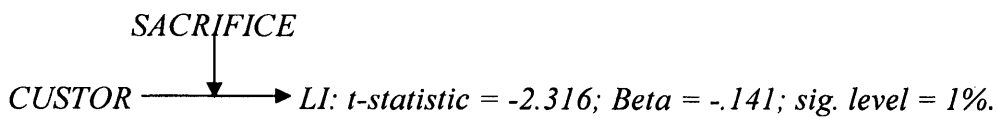
12. Credibility is *now* linked to Loyalty Intentions through the moderating effect of Perceived Sacrifice:

$$SACRIFICE$$
$$CRED \longrightarrow LI:\ t\text{-}statistic = 1.928;\ Beta = .110;\ sig.\ level = 5\%.$$
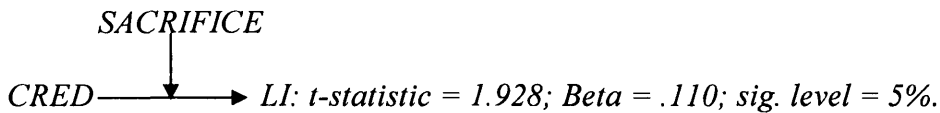
7.4.1.3 Significant Environmental Factor Moderating Relationships:

13. Implicit Communications is *also* linked to Loyalty Intentions through the moderating effect of Perceived Economic Turbulence:

$$IMPCOMM \longrightarrow LI:\ t\text{-}statistic = 2.235;\ Beta = .100;\ sig.\ level = 1\%.$$
$$ECOTURB$$

14. Physical Attractiveness is *also* linked to Loyalty Intentions through the moderating effect of Perceived Economic Turbulence:

$$ATTRACT \longrightarrow LI:\ t\text{-}statistic = -2.193;\ Beta = -.093;\ sig.\ level = 1\%.$$
$$ECOTURB$$

15. Customer Orientation is *also* linked to Loyalty Intentions through the moderating effect of Perceived Competitive Intensity:

$$CUSTOR \longrightarrow LI: \textit{t-statistic} = -1.656; \textit{Beta} = -.080; \textit{sig. level} = 10\%.$$
$$COMPINT$$

16. Physical Attractiveness is *also* linked to Loyalty Intentions through the moderating effect of Perceived Competitive Intensity:

$$ATTRACT \longrightarrow LI: \textit{t-statistic} = 2.796; \textit{Beta} = .124; \textit{sig. level} = 1\%.$$
$$COMPINT$$
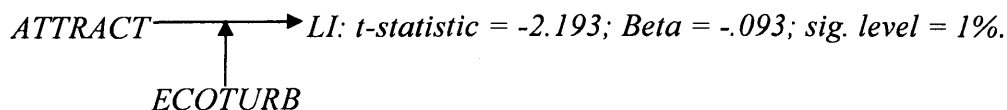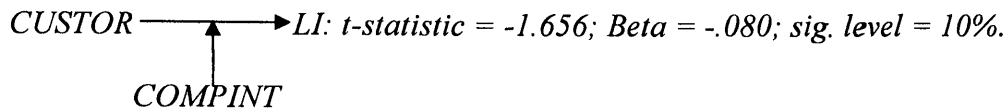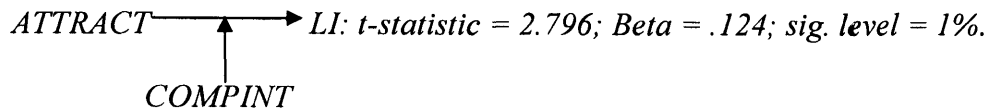
Based on the above itemisation of significant relationships, an interesting observation is that the elements of *music, competence,* and *credibility* which were non-significant in their linear relationships with *loyalty intentions* were found significant by way of moderating factors. This observation immediately provides further validation for the use of MMR analysis in testing the complex nature of relationships in the servicescape.

7.4.2   Evaluating the Climatic Facet of the Servicescape

The climatic elements in this study are *music, scent, cleanliness, implicit communicators,* and *furnishing.* These climatic elements are broadly grouped into *Ambient Conditions* and *Design Factors.* It was proposed that the climatic elements in a servicescape are linearly related to customers' *Loyalty Intentions.* An evaluation of hypotheses within this broad grouping is conducted in the sections below.

7.4.2.1 Evaluation of Hypotheses Relating to Ambient Conditions

H_1: *The greater customers' perception of music appropriateness, the greater the intentions of customers to be loyal.*

Music was the only ambient condition not found to be statistically significant to *loyalty intentions* (*AMB 1*—►*LI: t-statistic* = *.670; Beta* =.*034*). While servicescape studies with a much narrower scope have found strong and direct linkages between *music* and *loyalty intentions* (see for instance, Areni and Kim, 1993; Mattila and Wirtz, 2001; Yalch and Spangenberg, 1990), this non-significant finding for music is likely due to the aggregation of restaurants conducted in this study (see Section 7.3.1) in a bid to ascertain the elements that are significant to *all* kinds of restaurant settings whether they be simple fast-food restaurants or upscale sit-down restaurants. As these different types of restaurant place different levels of emphasis on the place of music within the servicescape, it is believed that a study focused on a specific type or class of restaurant would have returned a significant finding. However, as a result of the non-significant nature of the results in this study, H_1 is rejected.

H_2: *The greater customers' appreciation of scent, the greater the intentions of customers to be loyal.*

Contrary to the results of multiple regression analysis, moderated multiple regression analysis establishes *scent* to be highly significant in its relation to *loyalty intentions*. This without doubt is due to the significant importance of olfaction within all restaurant settings. The finding confirms theoretical evidence (see for example, Baker, 1987; Bitner, 1992) which suggests that some organizations use *scent* to stimulate appropriate customer behaviour. For instance, bakeries and

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delicatessens are known to pump the scent of their freshly baked products into the air because the strong, delicious smells emanating from their outlets are believed to encourage customers to display the desired approach behaviour (as explicated in Section 4.5.1.2). This expectation is confirmed by the obtained results: *AMB 2→LI: t-statistic =2.119; Beta = .103; sig. level = 1%*. Consequently, H_2 stands accepted.

H₃: The greater customers' perception of servicescape cleanliness, the higher the intentions of customers to be loyal.

Cleanliness *"is an important part of the servicescape"* (Wakefield and Blodgett, 1996, p. 49), *"critical to the success of the business"* (Berta, 2005, p. 122), and has long been recognized as a basic requirement which all restaurants should meet. This requirement is reflected in stringent governmental regulations and regular onsite inspections which aim to ensure compliance with high levels of sanitation in service settings where food is on offer. Additionally, due to generally increasing levels of health awareness in the UK, cleanliness in restaurants has become imperative. Indeed, Berta (2005) reports that a survey of customer preferences revealed the top three reasons given for the selection of a particular restaurant to be (1) the cleanliness of the dining areas and tables, (2) the cleanliness of the kitchen, and (3) the cleanliness of the restrooms. The expected strong relationship between *cleanliness* and *loyalty intentions* is confirmed by the findings of this study showing a highly statistically significant relationship: *AMB 3→LI: t-statistic = 3.042; Beta = .186; sig. level = 0.1%*. On the strength of these results, H_3 is accepted.

7.4.2.2 Evaluation of Hypotheses Relating to Design Factors

H₄: The greater customers' evaluation of servicescape aesthetic appeal, the greater the intentions of customers to be loyal.

The variable of *implicit communicators* was employed in testing the proposition concerning visual elements related to aesthetic appeal. Specifically, respondents were required to assess scale items relating to the interior appeal of the patronised restaurant. This was necessary because the nature of restaurant services is largely intangible and so customers tend to categorise service provision on the basis of cues on display inside the restaurant (Bitner, 1992; Nguyen and Leblanc, 2002; Ward *et al.*, 1992). Furthermore, quite unlike ambient condition elements, factors relating to aesthetic appeal are more perceptible and so have a greater tendency to produce customer perceptions of the service (Aubert-Gamet, 1997; Baker, 1987). Therefore, congruent with expectations, the *implicit communications* element was found significant in its linear relationship to *loyalty intentions* and is expressed thus: *IMPCOMM⟶ LI: t-statistic = 1.862; Beta = .106; sig. = 5%.* The hypothesis for *implicit communicators (H₄)* is therefore accepted.

H₅: The greater customers' evaluation of servicescape furnishing, the greater the intentions of customers to be loyal.

For the purposes of the current study, *furnishing* was positioned as the design factor for testing seating comfort. The rationale behind the hypothesis for *furnishing*, like all others, is theory-driven. Conceptually, the effect of seating comfort within service environments has been highlighted by Bitner (1992) who argues that *furnishing* is important because it directly affects the comfort and performance of

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both customers and employees in the servicescape. Furthermore, other studies on seating comfort in servicescapes where customers spend an extended amount of time have empirically highlighted the importance of this element to customers' approach-avoidance behaviour. Particularly, Wakefield and Blodgett (1996, p. 54) state that seating comfort becomes very important *"when customers remain in the same seat for extended periods of time"*. Similarly, Aubert-Gamet (1997, p. 28) states that *"the internal layout of buildings may either ease or restrict movement, thereby evoking a sense of crowding or spaciousness"*. Thus, *furnishing* was deemed essential in the assessment of the restaurant setting. The expected strong positive relationship between *furnishing* and *loyalty intentions* is confirmed as demonstrated by the results: *FURNISH*⟶ *LI: t-statistic = 3.638; Beta = .164; sig. = 0.1%*. Therefore, H_5 which hypothesizes that *furnishing* is linearly associated to *loyalty intentions* is accepted.

7.4.3 Evaluating the Cultural Facet of the Servicescape

The cultural elements in this study are grouped into the categories of *Staff Behaviour* and *Staff Image*. *Staff Behaviour* is constituted of *customer orientation* and *credibility*; while *Staff Image* is represented by the elements of *competence* and *physical attractiveness*. It is proposed that these cultural elements have a direct linear relationship with *loyalty intentions*. An evaluation of this proposition is conducted in the sections below.

7.4.3.1 Evaluation of Hypotheses Relating to Staff Behaviour

H6: The greater customers' perception of staff customer orientation, the greater the intentions of customers to be loyal.

Of the two staff behaviour elements, only *customer orientation* was found significant in direct relation to *loyalty intentions*. Indeed, *customer orientation* accounted for the strongest relationship to *loyalty intentions* of all the hypothesized linear and non-linear relationships measured: $CUSTOR \longrightarrow LI$: *t-statistic = 5.188; Beta = .295; sig. = 0.1%*. The highly significant results for the organizational culture element of *customer orientation* validate the findings of market orientation studies (see for example, Harris, 1998; Jaworski and Kohli, 1993; Kohli and Jaworski, 1990; Slater and Narver, 1994) which posit that an organization becomes customer-oriented as a result of the underlying influence of its culture which enables the creation of superior value by service staff and consequently, the likely display of favourable loyalty intentions by customers. Thus, a key variable for restaurant managers to address is the creation of a customer-oriented organization geared towards a very high level of both internal collaboration and customer familiarity (Ambler, 1999; Bitner *et al.*, 1990; Deshpande *et al.*, 1993; Noble *et al.*, 2002), in order to stimulate repeat visits. Due to the highly significant results produced, *H6* is accordingly accepted.

H7: The greater customers' perception of staff credibility, the greater the intentions of customers to be loyal.

The second staff behaviour element measured was *credibility*. It was expected that the perceived *credibility* of service staff would have a measure of influence on the

loyalty intentions of customers. To this end, scale items for *credibility* were adapted from studies by Sweeney and Wyber (2002) who tested customers' perception of service quality and merchandise quality; and d'Astous (2000) who sought empirical verification for customers' perceived irritability with components of the shopping environment. These scale items were particularly selected because they were constructed to measure customers' level of confidence in their monetary transactions with service staff. Moderated multiple regression results reveal a non-significant linear relationship between *credibility* and *loyalty intentions*: *CRED→LI: t-statistic = 1.147; Beta = .070*. This non-significant finding is possibly due to the difference in transaction types obtainable in different restaurants. For example, at the time of conducting the survey, credit and/or debit card transactions could not be carried out in restaurants like McDonald's and Burger King which only permitted cash transactions. Conversely, card payments are the norm in upscale sit-down restaurants principally because of the higher cost of the service. As a result, staff credibility is expected to be of much greater importance to customers of these classy restaurants than to customers of simple fast-food restaurants where only cash exchanges can be made. Based on this non-significant result, H_7 is rejected.

7.4.3.2   Evaluation of Hypotheses Relating to Staff Image

H_8: *The greater customers' perception of staff competence, the greater the intentions of customers to be loyal.*

The findings for the hypothesized linear relationship between *competence* and *loyalty intentions* demonstrate a non-significant linkage between the two variables: *COMP→LI: t-statistic = 1.025; Beta = .070*. Cooper and Summer (1990) identified the ability of salespeople to solve customer problems during and after the selling

process to be among the highest ranked issues of importance to customers. Therefore, given this result, informal discussions were held with restaurant managers and these revealed that a possible reason for the negative relationship could be the dissimilar expectations customers have concerning the different types of restaurants they visit. For instance, the level of staff competence expected by customers of an upscale restaurant will differ significantly from the level expected by customers of a fast-food restaurant. As this was a composite study of all types of restaurants, the reason for this negative result is understandable. Therefore, on the basis of non-significance, H_8 is rejected.

H_9: *The greater customers' evaluation of staff physical attractiveness, the greater the intentions of customers to be loyal.*

The *physical attractiveness* of staff within the restaurant environment was deemed a critical cue assessed by customers in their evaluation of the service before, during and after the service has been received. This assessment is made all the more important in service environments were customers constantly search for tangible cues that may give them an idea of the quality of the intangible service. Specifically, theoretical evidence supports the assertion that staff with a *"pleasing physical demeanour"* (Hutton and Richardson, 1995, p. 59) are able to *"greatly enhance the service experience"* (Baker, 1987, p. 81) because customers are more likely to cooperate with those they find physically attractive (Mulford *et al.*, 1998). The highly significant results for *physical attractiveness* match these theoretical expectations of a strong link to *loyalty intentions: ATTRACT* → *LI: t-statistic = 5.167; Beta = .228; sig. = 0 .1%*. Indeed, the results for *physical attractiveness* were the second strongest of all the results relating to either a linear or non-linear

relationship with *loyalty intentions*. Therefore, on the strength of obtained results, the hypothesized direct relationship between *physical attractiveness* and *loyalty intentions* (H_9) is accepted.

7.4.4 Evaluation of Propositions Pertaining to Moderating Personal Factors

The two personal factors of *variety-seeking behaviour* and *perceived sacrifice* were believed to moderate the servicescape – loyalty intentions relationship. It is proposed that these moderating personal factors would have a statistically significant interaction effect on the linear relationships between the servicescape variables and *loyalty intentions*. The evaluation of these interaction effects on the servicescape - loyalty intentions relationship is depicted in the sections below beginning with the effects of *variety-seeking behaviour* and then followed by the contribution of *perceived sacrifice*.

7.4.4.1 Discussion on the Moderating Effects of Variety-Seeking Behaviour

H_{10}: The variety-seeking nature of customers moderates the relationships between customers' perception of the individual servicescape elements of: (a) music, (b) scent, (c) cleanliness, (d) implicit communicators, (e) furnishing, (f) customer orientation, (g) credibility, (h) competence, and (i) physical attractiveness; and intentions of customers to be loyal.

The incorporation of *variety-seeking behaviour* into the regressed model was based on the recognition of the strong influence that the variety-seeking nature of customers can have on their loyalty intentions. As a result of the inclusion of *variety-seeking behaviour* as a moderating factor, 2 significant effects were revealed. Interestingly, the first moderating effect of *variety-seeking behaviour* was on the

relationship between *competence* and *loyalty intentions*. While previous support was not found for H_8 which hypothesized a significant direct link between *competence* and *loyalty intentions*, *competence* is now found to be significantly indirectly linked to *loyalty intentions* through *variety-seeking behaviour* as expressed thus:

VARSKG

COMP————▶ *LI: t-statistic = 2.195; Beta = .095; sig. level = 1%.*
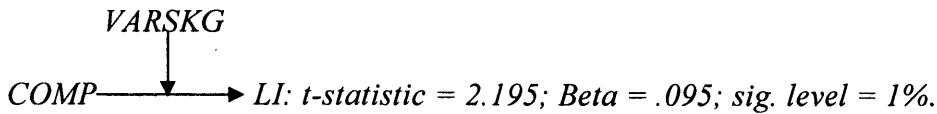
This non-linear linkage of *competence* to *loyalty intentions* through *variety-seeking behaviour* indicates that when variety-seeking tendencies are high, *competence* becomes a stronger determinant of *loyalty intentions*. This result is in the predicted direction because competent service staff can help prevent customers from displaying their variety-seeking tendencies. Informal discussions with restaurant managers revealed the possible reason for this significant indirect association to be the ability of service staff to fulfil specific needs of customers. For instance, customers with a strong interest in wine would tend to return to a restaurant that has very knowledgeable wine waiters who can *"solve their problems"* (Sharma and Stafford, 2000, p. 185).

The second established moderating effect of *variety-seeking behaviour* was the significance of *physical attractiveness* to *loyalty intentions*. Previously found to be positively significant in its relationship to *loyalty intentions*, *physical attractiveness* now shows a negative statistical significance to *loyalty intentions* through the moderating effect of *variety-seeking behaviour*:

VARSKG

ATTRACT————▶ *LI: t-statistic = -3.312; Beta = -.142; sig. level = 0.1%.*

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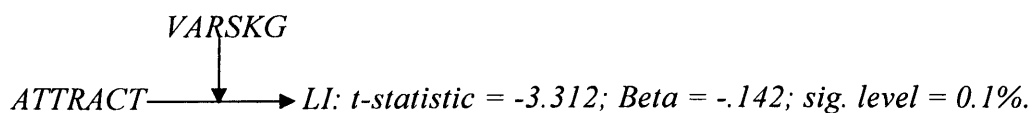
This moderated relationship implies that the higher the level of *variety-seeking behaviour*, the lesser the effect of *physical attractiveness* on *loyalty intentions*. Attempts to obtain an explanation from discussions with restaurant managers and servicescape experts were unsuccessful as the result is seemingly in conflict with both theory and practice. In order to increase understanding on this peculiar association, a series of focus group sessions will be conducted with restaurant customers as participants. As reasons could not be obtained from either restaurant managers or servicescape experts, it is believed that focus group sessions will allow first-hand information to be obtained from the segment whose views (from responses to scale items in the questionnaire) formed the very basis for this unexpected result.

Due to these significant indirect relationships which were facilitated through the moderating effect of *variety-seeking behaviour*, especially that between *credibility* and *loyalty intentions* which was previously found non-significant in linear association, support is found for H_{10}. Specifically, results back H_{10h} and H_{10i}, while no support is found for H_{10a-g}. Therefore, H_{10} which details the moderating effect of *variety-seeking behaviour* is partially accepted.

7.4.4.2 Discussion on the Moderating Effects of Perceived Sacrifice

H_{11}: *The level of customers' perceived sacrifice moderates the relationships between the individual servicescape elements of: (a) music, (b) scent, (c) cleanliness, (d) implicit communicators, (e) furnishing, (f) customer orientation, (g) credibility, (h) competence, and (i) physical attractiveness; and intentions of customers to be loyal.*

The inclusion of *perceived sacrifice* in the conceptual model reveals its highly significant moderating influence on the servicescape – loyalty intentions relationship. Comprising the constructs of *psychic cost* (customers' mental stress or emotional labour during the service experience), *convenience* (the trade-off between what is delivered and the effort required to obtain it) and *time/effort costs* (customers' perceptions of the time and effort they are likely to expend waiting for and receiving the service offering), *perceived sacrifice* moderates a total of 4 relationships between servicescape variables and *loyalty intentions*. Of these, the 2 positive indirect relationships which are made possible through the interaction effect of *perceived sacrifice* is testament to the fact that under certain conditions, customers may not be averse to dealing with crowding or putting up with a considerable amount of stress in order to receive a desired service. Indeed, customers may associate restaurant crowding with the restaurant's popularity and quality. This attitude can go a long way to reducing (or even eliminating) any pre-purchase and/or post-purchase dissonance which customers may experience about the service.

The first identified moderated relationship was that between *music* and *loyalty intentions* through the interaction effect of *perceived sacrifice*. The significant effect of music in service settings has been very well documented by servicescape scholars (see for instance, Areni and Kim, 1993; Baker *et al.*, 1992; Dube *et al.*, 1995; Mattila and Wirtz, 2001; Milliman, 1982, 1986; North *et al.*, 1999; Yalch and Spangenberg, 1988, 1990). Whilst the proposed linear relationship between *music* and *loyalty intentions* was initially not supported by the findings of this study due to the possible reason of restaurant aggregation, the underlying importance of *music* in customers' evaluation of the servicescape, and its subsequent

link to *loyalty intentions* is expressed through the moderating effect of *perceived sacrifice*:

SACRIFICE

AMB 1 ⟶ *LI: t-statistic = 2.310; Beta = .112; sig. level = 1%.*
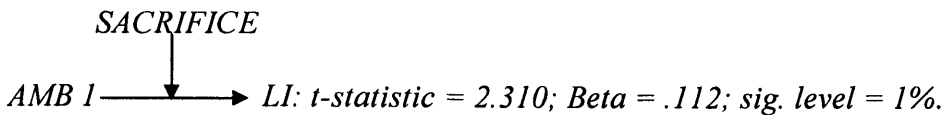
The reason for the significance of *music* through *perceived sacrifice* may be attributed to the degree to which customers are willing to endure a high level of *perceived sacrifice* in order to listen to music that they find appropriate. An example of this is provided by the fiercely loyal customers of 'Hard Rock Café'. Indeed, results specifically indicate that the higher the level of *perceived sacrifice*, the greater the impact of *music* on *loyalty intentions*. The importance of *music* is enhanced in the restaurant environment because customers usually spend a considerable amount of time in this particular servicescape. Therefore, music may be viewed as an important part of comfort and relaxation after customers go to certain lengths (such as travelling a considerable distance or waiting for a table to become available) to enjoy the restaurant service.

The second relationship moderated by *perceived sacrifice* is that between *scent* and *loyalty intentions*. Contrasting to the obtained results for music via MMR, findings showed evidence of a significant linear relationship between *scent* and *loyalty intentions* (see Section 7.4.2.1). This significance of *scent* in the restaurant setting is re-established in its moderated relationship with *loyalty intentions* through *perceived sacrifice*:

SACRIFICE

AMB 2 ⟶ *LI: t-statistic = -3.365; Beta = -.177; sig. level = 0.1%.*
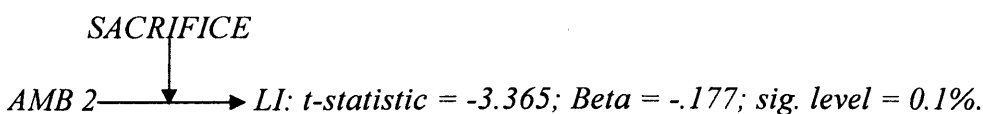
It was expected that the reassuring scent of cooked and cooking meals wafting in the air would help customers endure above average levels of perceived sacrifice. This expectation was based on the belief that the promise of a reward (which in this case is a cooked meal) would be a strong motivating factor encouraging customers to put up with (or indeed subconsciously reduce) their level of perceived sacrifice. However, negative results indicate that the greater the level of *perceived sacrifice*, the lesser the effect of *scent* on *loyalty intentions*. This result is likely due to the high number of competing alternatives (which may be closer to the customer or less crowded) offering similar types of meals – with the attendant scents.

The third relationship shown to be significant via the interaction effect of *perceived sacrifice* was that of the relationship of *customer orientation* to *loyalty intentions:*

SACRIFICE

CUSTOR ⎯⎯→ *LI: t-statistic = -2.316; Beta = -.141; sig. level = 1%.*
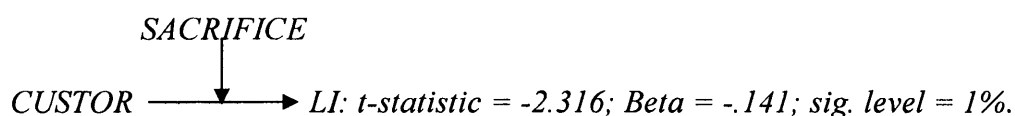
This negative result indicates that customers will not be willing to endure a significant amount of *perceived sacrifice* despite the promise of a high level of quality from their interaction with service staff. Specifically, results imply that the higher the level of *perceived sacrifice*, the lesser the effect of *customer orientation* on *loyalty intentions*. Although this study found *customer orientation* to be the most significant servicescape element in direct relation to *loyalty intentions* (see Section 7.4.3.1), a likely reason for this negative result is that since UK restaurants operate in a highly competitive business environment, most have attempted to enforce customer orientation initiatives in order to retain patrons. This has led to customer-oriented approaches becoming more industry standard than actual points of service

differentiation. Therefore, customers may consider it unnecessary to endure a high level of perceived sacrifice so as to be treated well by service staff when they are likely to be treated just as well in a restaurant requiring a lower level of commitment. However, given the strength of *customer orientation* as a determinant of *loyalty intentions*, it is expected that customers may be willing to endure a significant amount of *perceived sacrifice* if they perceive the service in a restaurant to be particularly exceptional.

The fourth and final significant relationship involves the significance of *credibility* through *perceived sacrifice*. Previously found non-significant in its linear relationship to *loyalty intentions*, *credibility* now significantly adds to the explanation of customers' *loyalty intentions* through the interaction effect of *perceived sacrifice*:

SACRIFICE

CRED————➤ *LI: t-statistic = 1.928; Beta = .110; sig. level = 5%.*
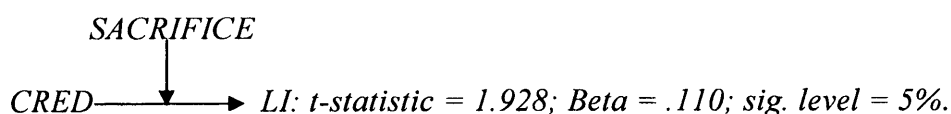
The credibility of service staff in the restaurant with regard to the level to which they are perceived as trustworthy is thus confirmed to be a key factor in restaurant selection for which customers are willing to endure *perceived sacrifice*. This result means that a higher level of *perceived sacrifice* will lead to a higher impact of *credibility* on *loyalty intentions*. This relationship is evident within the restaurant industry where customers tend to associate perceived sacrifice elements (such as crowding) with a restaurant's credibility, popularity and quality. In particular, with the growing rate of identity theft and credit card fraud in the UK, customers are becoming increasingly wary of the establishments in which they make cashless transactions. This is not disparate to the online environment where a large number of

customers only transact with reputable organizations (Standifird, 2001). Therefore, restaurants that attract a lot of patronage will be considered safer than those that do not.

As a result of the significance of these four indirect relationships by way of *perceived sacrifice*, especially those of *music* and *credibility* which were previously found non-significant in their linear relationships with *loyalty intentions*, support is found for H_{11a-b}, H_{11f} and H_{11g}, while no support exists for H_{11c-e} and H_{11h-i}. Therefore, H_{11} which details the moderating effect of *perceived sacrifice* is partially accepted.

7.4.5   Evaluation of Propositions Pertaining to Moderating Environmental Factors

Two environmental factors were positioned as moderators of the servicescape – loyalty intentions relationship. These are *perceived economic turbulence* and *perceived competitive intensity*. It is proposed that these moderating environmental factors significantly affect the servicescape – loyalty intentions relationship. The subsequent sections present the findings of the proposed influence of these moderating environmental factors. The presentation will begin with results pertaining to *perceived economic turbulence*, followed by the contributory effects of *perceived competitive intensity*.

7.4.5.1 Discussion on the Moderating Effects of Perceived Economic Turbulence

H_{12}: *The perceived level of economic turbulence by customers moderates the relationships between the individual servicescape elements of: (a) music, (b) scent, (c) cleanliness, (d) implicit communicators, (e) furnishing, (f) customer orientation, (g) credibility, (h) competence, and (i) physical attractiveness; and intentions of customers to be loyal.*

Economic turbulence is related to the volatility level of the aggregate economy. Of particular relevance to the *perceived economic turbulence* factor is the level of average wages in the economy because this has an impact on the amount of disposable income available to restaurant customers, which in turn is believed to have a strong bearing on their *loyalty intentions*. To this end, the environmental factor of *perceived economic turbulence* was inserted into the model to test for its possible moderating effect on the servicescape – loyalty intentions relationship. The moderating contribution of *perceive economic turbulence* revealed its enablement of two significant relationships between servicescape variables and *loyalty intentions*. The first of these is the significant indirect relationship of *implicit communicators* to *loyalty intentions* expressed as:

IMPCOMM ⟶ *LI: t-statistic = 2.235; Beta = .100; sig. level = 1%.*

ECOTURB
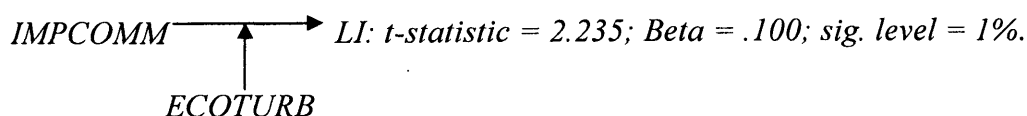
This result implies that the higher the level of *perceived economic turbulence*, the higher the effect of *implicit communicators* on *loyalty intentions*. The reason for this significance is likely due to the impact of the interior cues placed in the restaurant which are capable of encouraging customers to attach a high level of value to the received service. Relevant studies (see for instance, Koernig, 2003; Zeithaml, 1981)

reveal that customers frequently turn to these cues in the servicescape in their assessment of the quality of service both before and after the service has been consumed. The results suggest that restaurant managers should not assume that the value of the service can only be effectively communicated through the quality of meals provided. Study findings indicate that value perceptions can also be obtained from other seemingly extraneous cues which are on display in the servicescape. Although wage levels in the UK are comparable to those of other developed countries, due to high direct and indirect taxation which impact significantly on customers' disposable income, the desire of customers to seek out a good deal at all times is strong. Therefore, a service provision augmented by high quality tangible cues will go a long way to projecting high value and by extension, influence *loyalty intentions* positively.

The second significant relationship via *perceived economic turbulence* is that between *physical attractiveness* and *loyalty intentions:*

ATTRACT ————→*LI: t-statistic = -2.193; Beta = -.093; sig. level = 1%.*
            ECOTURB
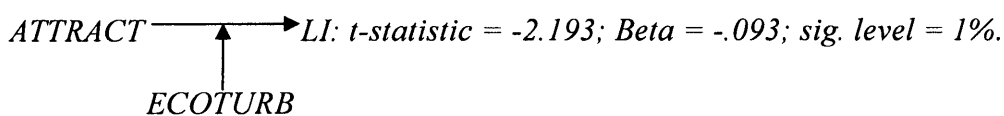
The moderating effect of *perceived economic turbulence* on the relationship between *implicit communicators* and *loyalty intentions* described above establishes the importance of high value services to not only be provided but seen by customers to be so provided when disposable income is not very high. However, the negative result for the current tested relationship suggests that the higher the level of *perceived economic turbulence*, the lesser the strength of the linear relationship between *physical attractiveness* and *loyalty intentions*. This relationship is in the predicted direction as although staff *physical attractiveness* was shown to be a very

strong determinant of *loyalty intentions*, in cases where disposable income is low, customers may not be willing to revisit a restaurant purely on the strength of attractive staff.

On account of the established individually moderated links between *implicit communicators* and *physical attractiveness* on *loyalty intentions* through *perceived economic turbulence*, support is found for H_{12d} and H_{12i}, while H_{12a-c} and H_{12e-h} go unsupported. However, as a result of the two underlying relationships highlighted by *perceived economic turbulence*, H_{12} is partially accepted.

7.4.5.2 Discussion on the Moderating Effects of Perceived Competitive Intensity

H_{13}: *The perceived level of competitive intensity by customers moderates the relationships between the individual servicescape elements of: (a) music, (b) scent, (c) cleanliness, (d) implicit communicators, (e) furnishing, (f) customer orientation, (g) credibility, (h) competence, and (i) physical attractiveness; and intentions of customers to be loyal.*

Competitive intensity refers to the availability of substitutes or switching opportunities to customers. This variable was deemed important in the assessment of loyalty intentions because where customers perceive substitutes to be easily available, they may become more critical of the services they receive and are thus more likely to switch. As the UK restaurant sector is populated with a high number of restaurants offering competing services, the competitive intensity in the sector as perceived by customers was considered a key variable for further investigation.

The first significant non-linear relationship moderated by *perceived competitive intensity* is that between *customer orientation* and *loyalty intentions*:

CUSTOR ——→ LI: t-statistic = -1.656; Beta = -.080; sig. level = 10%.

COMPINT
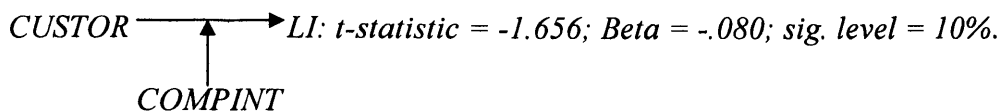
The obtained result is incongruent to expectations as it is somewhat illogical to presume that the higher the level of *perceived competitive intensity*, the lesser the effect of *customer orientation* on *loyalty intentions*. The result implies that for high levels of *perceived competitive intensity*, *customer orientation* will be negatively related to *loyalty intentions*; while for low to medium levels of *perceived competitive intensity*, *customer orientation* will be positively related to *loyalty intentions*. Similar studies on the interaction effects of environmental factors have also produced comparable negative results where positive interaction effects were expected (see for instance, Greenley, 1995). It is important to note that although the relationship is only significant at the 10% level, it was considered judicious to accept it because similar studies on *loyalty intentions* have accepted relationships at this level of significance (see for instance Zeithaml *et al.*, 1996). However, it is advised that the obtained result be treated with caution. To validate this finding, the opinion of customers will be sought within the context of focus group sessions.

The second significant indirect relationship via *perceived competitive intensity* revealed by the results was that between *physical attractiveness* and *loyalty intentions*:

ATTRACT ——→ LI: t-statistic = 2.796; Beta = .124; sig. level = 1%.

COMPINT

335
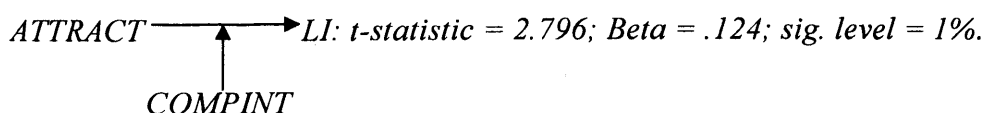
The result suggests that the greater the level of *perceived competitive intensity*, the greater the importance of staff physicality in determining *loyalty intentions*. This finding also confirms that customers tend to evaluate staff appearance when forming *loyalty intentions* towards competing offers. Therefore, in recognition of the high level of *perceived competitive intensity* in the restaurant sector, restaurant managers should endeavour to differentiate their service offering from those of competitors. The results indicate that this differentiation can be achieved through both the hiring of physically attractive staff, and the manner in which these staff are dressed in the servicescape.

As described above, through the interacting influence of *perceived competitive intensity*, 2 relationships were found significant (H_{13f} and H_{13i}). On this basis, the hypothesis relating to *perceived competitive intensity* (H_{13}) that the level of customer perceived competitive intensity moderates the servicescape – loyalty intentions relationship is partially accepted.

7.4.6 Statistical and Econometric Testing for the Regression Conditions of Linearity, Homoscedasticity, Normality, and Multicollinearity

As described in Section 7.4.1, sixteen direct and moderated relationships were found statistically significant in their explanation of customers' *loyalty intentions*. Of these relationships, six were linear, six were moderated via personal factors, and the remaining four were moderated through the influence of environmental factors. Prior to endorsing these results, tests for linearity, homoscedasticity, normality, and multicollinearity were required in order to ensure that the regression assumptions

were upheld. To this end, both statistical and econometric tests were performed to ascertain the stability of the MMR model.

Statistical findings reveal that none of the regression assumptions was violated. Linearity was confirmed by the variables having a relationship that could be represented on a straight line. This representation was immediately established through a visual inspection of the scatterplot.

Homoscedasticity of the data was established by the variance of the residuals about predicted *loyalty intentions* scores being the same for all predicted scores. In other words, the variability in scores for the exogenous variables was similar to the values for *loyalty intentions*.

The condition of normality was observed to have been met from a visual examination of the normal probability plot where points lay in a reasonably straight diagonal line running from bottom left to top right. Similarly, an inspection of the histogram revealed a roughly symmetrical (bell-shaped) distribution of the scores. This means that the generated residuals are normally distributed about the predicted *loyalty intentions* scores. This finding for normality was also supported by the third moment of skewness test.

Finally, multicollinearity levels were found to be well within acceptable limits with obtained VIF scores below 10 and tolerance values greater than .10. This denotes that the correlations between the exogenous variables in this study are low enough to leave the beta estimates unaffected (see Table 7.5).

Table 7.5: Detection of Multicollinearity for Moderated Multiple Regression Model: Variance Inflation Factor (VIF) Scores and Tolerance Values

Variable	VIF Score	Tolerance Value
Ambient Conditions		
Scent	1.541	.649
Cleanliness	2.427	.412
Design Factors		
Implicit Communicators	2.109	.474
Furnishing	1.317	.759
Staff Behaviour		
Customer Orientation	2.113	.473
Staff Image		
Physical Attractiveness	1.264	.791
Moderated Personal Relationships		
Variety-Seeking Behaviour * Competence	1.228	.814
Variety-Seeking Behaviour * Physical Attractiveness	1.205	.830
Perceived Sacrifice * Music	1.535	.651
Perceived Sacrifice * Scent	1.796	.557
Perceived Sacrifice * Customer Orientation	2.431	.411
Perceived Sacrifice * Credibility	2.136	.468
Moderated Environmental Relationships		
Economic Turbulence * Implicit Communicators	1.306	.766
Economic Turbulence * Physical Attractiveness	1.175	.851
Competitive Intensity * Customer Orientation	1.525	.656
Competitive Intensity * Physical Attractiveness	1.275	.784

Having passed all the statistical tests conducted to ensure non-violation of the regression assumptions, the data were thereafter subjected to econometric analysis in order to add another level of rigour to the overall analysis procedure. The econometric test selected for the assessment of linearity was the *Chow Test* (a more advanced version of the F-test) [Chow, 1960], which aims to evaluate the nature of the data by analysing the residual errors from the model. The strength of the *Chow Test* is its ability to measure the stability of regression coefficients over two sub-periods of the data by comparing the sums of squared residuals over the two periods, thereby allowing the researcher ascertain if the stability of the model as a whole remains unaffected even after the data are split in half. The result of this econometric test clearly indicates that the model remains stable even after splitting, and thus supports previous statistical findings that the condition of linearity was not violated.

The econometric test for homoscedasticity was conducted via a covariance matrix estimator called the *White's Test* (White, 1980). Under this form of testing, the consistent estimator was compared to the usual covariance matrix estimator in order to detect any significant divergence in their values. An inspection of the results immediately confirms that both estimators are about the same, thus signifying that the data meet the condition of homoscedasticity.

Normality was econometrically tested with the aid of the *Jarque-Bera Test* (Jarque and Bera, 1980). This asymptotic test measures the null hypothesis that the data are normally distributed. The result of this test revealed that the data easily indicated a normal distribution. This means that the null hypothesis can be accepted.

Multicollinearity testing was conducted by means of the widely-used *Maddala Test* (Maddala, 1977). This test is a pooling method designed to obtain more efficient estimates for the parameters of interest by regressing the exogenous variables against the endogenous variable to serve as a benchmark model. Thereafter, each exogenous variable is regressed against the other exogenous variables resulting in an equal number of regressions to the number of exogenous variables. The results for the Adjusted R^2 values for the exogenous regressions are then compared to the previously obtained Adjusted R^2 value of the base model, and if greater, then there is the suggestion of multicollinearity. Table 7.6 presents these results listing regressions of exogenous variables and their corresponding Adjusted R^2 values.

Table 7.6: Multicollinearity Diagnostics via the Maddala Econometric Test

	Adjusted R^2
Base Model	**0.585 n = 271**
Scent	0.285
Cleanliness	0.551
Implicit Communicators	0.492
Furnishing	0.176
Customer Orientation	0.420
Physical Attractiveness	0.134
Variety-Seeking Behaviour * Competence	0.149
Variety-Seeking Behaviour * Physical Attractiveness	0.144
Perceived Sacrifice * Music	0.305
Perceived Sacrifice * Scent	0.417
Perceived Sacrifice * Customer Orientation	0.519
Perceived Sacrifice * Credibility	0.456
Perceived Economic Turbulence * Implicit Communicators	0.240
Perceived Economic Turbulence * Physical Attractiveness	0.148
Perceived Competitive Intensity * Customer Orientation	0.310
Perceived Competitive Intensity * Physical Attractiveness	0.153

The results of the Maddala econometric test depicted in Table 7.6 indicate that of the 16 examined relationships, none produced an Adjusted R^2 value greater than that of the base model (0.585). Therefore, the assumption of multicollinearity was not violated.

In sum, the econometric tests for linearity, homoscedasticity, normality, and multicollinearity are expected to arrive at results which accept the null hypothesis (H_0 = assumptions have been upheld), and reject the alternate hypothesis (H_1 = assumptions have been violated). Stated otherwise, the econometric tests are expected to be non-significant in order to be significant. The results of the econometric tests utilized in this study substantiate previously obtained statistical results which indicate that the regression assumptions were fully upheld.

Based on the results of rigorous statistical and econometric testing, the model is shown to conform fully to standard requirements concerning the non-violation of the regression assumptions. Therefore, previous support found for 10 of the 13 advanced hypotheses is accepted without further reservation. The fully and partially accepted hypotheses are: H_2, H_3, H_4, H_5, H_6, H_9, H_{10}, H_{11}, H_{12} and H_{13}, while the rejected hypotheses are: H_1, H_7, and H_8. As a result of the rejection of these hypotheses and by extension, the relationships they represented, the total number of significant relationships to *loyalty intentions* of both a linear and non-linear nature is sixteen as further illustrated in Table 7.7.

Table 7.7: Summary of Hypotheses Testing and Significant Relationships via Moderated Multiple Regression Analysis

Variable	Relationship Type		Hypothesis* Testing
Climatic Elements	**Linear**	**Non-Linear**	
H_1 Music	No	Yes	*Not Supported*
H_2 Scent	Yes	Yes	*Supported*
H_3 Cleanliness	Yes	No	*Supported*
H_4 Implicit Communicators	Yes	Yes	*Supported*
H_5 Furnishing	Yes	Yes	*Supported*
Cultural Elements			
H_6 Customer Orientation	Yes	Yes	*Supported*
H_7 Credibility	No	Yes	*Not Supported*
H_8 Competence	No	Yes	*Not Supported*
H_9 Physical Attractiveness	Yes	Yes	*Supported*

Moderating Personal Factors

H_{10} Variety-Seeking Behaviour (2 relationships)　　　*Partially Supported*
   (h) *Competence*
   (i) *Physical Attractiveness*

H_{11} Perceived Sacrifice (4 relationships)　　　*Partially Supported*
   (a) *Music*
   (b) *Scent*
   (f) *Customer Orientation*
   (g) *Credibility*

Moderating Environmental Factors

H_{12} Perceived Economic Turbulence (2 relationships)　　　*Partially Supported*
   (d) *Implicit Communicators*
   (i) *Physical Attractiveness*

H_{13} Perceived Competitive Intensity (2 relationships)　　　*Partially Supported*
   (f) *Customer Orientation*
   (i) *Physical Attractiveness*

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*10 of 13 supported hypotheses representing 16 significant relationships.

7.5 Summary of Empirical Results

This chapter set out to present the results of a three-stage analytical procedure which covered zero-order correlation analysis, multiple regression analysis, and moderated multiple regression analysis. Zero-order correlation analysis and multiple regression analysis were conducted as precursors to rigorous moderated multiple regression analysis, to initially test the quality of the data and the robustness of the conceptual model. The results obtained were favourable but inadequate due to the inability of these two analytic methods to identify all the complex relationships proposed by the nature of the conceptual model. This necessitated further investigation via moderated multiple regression analysis, the results of which revealed an Adjusted R^2 of nearly 59%; an improvement on the Adjusted R^2 value of about 53% generated by the multiple regression model. Additionally, moderated multiple regression analysis provided statistically significant support for sixteen relationships. These sixteen relationships consisted of six linear relationships between servicescape variables and *loyalty intentions*, six moderated relationships via personal factors, and four moderated relationships through environmental factors. The significant interaction effects of these moderating personal and environmental factors suggest that the linkages between servicescape variables and loyalty intentions are dependent across contexts characterized by varying levels of these moderating factors. From these identified relationships, a significant finding was made to the effect that the elements of *music*, *competence* and *credibility* which were non-significant in their linear relationships with *loyalty intentions*, became significant by way of moderating personal factors. This finding provided further validation for the decision to use moderated multiple regression analysis in testing the complex web of associations to be found in the servicescape.

Additionally, in order to ensure that the regression assumptions were not violated, statistical and econometric tests were conducted. The thrust of these tests was the assessment of the regression conditions of linearity, homoscedasticity, normality, and multicollinearity. The results of both statistical and econometric tests confirmed that all the regression assumptions were fully upheld at every level of testing as there was no evidence of violation by the model in general, or any of the sixteen individual relationships. On the whole, given the exploratory nature of this study, the statistical and econometric significance of these sixteen relationships is very encouraging as the relationships provide compelling evidence to support ten of the thirteen advanced hypotheses.

Following the results obtained from quantitative analysis, some questions have remained unanswered. For instance, why does the positive and significant impact of staff Physical Attractiveness on Loyalty Intentions not only suffer reduction but become negative when moderated by variety-seeking behaviour? Also, why is the linear relationship between Customer Orientation and Loyalty Intentions made weaker and negative by the moderation of Perceived Competitive Intensity? To obtain answers to these and other questions, it was considered beneficial to conduct a series of focus groups in order to assess feedback from multiple users simultaneously, better understand the underlying reasons behind obtained incongruent results, validate congruent results, and add richness to empirical findings. In doing this, the study adopts a mixed methods approach which allows for the collection and analyses of both quantitative and qualitative data in the same study (Creswell, 2003). The study also responds to calls for more studies based on qualitative research methodologies in marketing (see for instance, Gummesson, 2002; Summers, 2001) and is also reflective of the mixed approach in today's social

and human sciences research (Creswell, 2003). Similarly, Carson *et al.* (2001), proponents of greater qualitative research in marketing, advance the view that such an approach will establish firmer constructs for validity and methodology and thus mirror the rigours of quantitative methodologies.

It is believed that the use of these two methods (which offer complementary strengths and non-overlapping weaknesses) will produce more complete knowledge necessary to inform both theory and practice. Finally, Creswell *et al.* (2003) advise that four issues need to be considered when designing a mixed methods study: (1) Priority (which method is given more emphasis); (2) Implementation (the manner in which the process of data collection and analyses is conducted for the two methods); (3) Integration (the phase of the study where the mixing of methods occurs); and (4) Theoretical perspective (either explicit or implicit). Upon consideration and given the chronology of conducted analytical activities, this mixed methods approach is designed to increase the triangulation, complementarity and expansion of the empirical findings in particular and the study as a whole. The sections below provide greater detail on the conduct of three focus group sessions and the results obtained thereafter.

7.6 The Focus Group Method

The focus group method is defined as *"an interview with several people on a specific topic or issue"* (Bryman, 2004, p. 345). Focus group interviews have become a popular method of obtaining high-quality information regarding numerous topics. Believed to have originated in American marketing (Fern, 2001), the purpose of focus groups is to gather quality data in a relatively short period of time, through the interaction of a select group participating in open-ended discussions. In other

words, focus groups allow in-depth investigation of concerns, experiences or beliefs related to clearly specified themes or topics. Particularly, focus groups can offer insight into statistical findings - especially if unexpected outcomes occur (Vaughn *et al.*, 1996).

The advantages of focus groups include: (1) They are relatively easy to administer; (2) The moderator can probe for clarification; (3) Results are obtained within a short period of time; and (4) Group interaction produces more complex responses revealing possible complex associations between the variables under study. Limitations include: (1) Homogenous groups tend to be difficult to assemble, (2) there is a lack of response independence as individual responses may be influenced by those of others, (3) the non-random selection of participants prevents obtained results from being easily extended to the entire population, (4) views on sensitive topics are difficult to obtain as participants are likely to feel uncomfortable discussing such issues in public

7.7   Focus Group Sessions: Summary of Activities

To evaluate the robustness of empirical results, three focus group sessions were conducted in Cardiff (2) and London (1). Both Cardiff sessions had seven participants while the session in London had six. It was expected that conducting three different sessions in two UK cities would enable the collation of data from a cross-section of UK restaurant customers and thereby facilitate a deeper understanding of why incongruent results were obtained from the results of quantitative analysis. Also, it was expected that the focus group sessions would provide the opportunity for the evaluation of obtained congruent results.

7.7.1 Focus Group Format

Prior to the conduct of the focus group session, it was considered imperative to develop a discussion guide (see Appendix III). This was adapted from extant literature and enabled all three conducted sessions to follow a set format without hindering the quality and diversity of information obtained. Having established a guide for the interviews, arrangements were made to organize the sessions. All three sessions were held in private homes where privacy was guaranteed. Due to the need to ensure homogeneity within groups, each of the three sessions was targeted at a particular demographic. The first focus group in Cardiff was composed of university undergraduate students and lasted for fifty minutes. The second session in Cardiff had university postgraduate students as participants and lasted for one hour. Finally, the session in London which was the first in the series involved the participation of professional, full-time workers and lasted one hour twenty minutes.

Student participants were recruited through advertising on Student Union boards in Cardiff University while professions in London were recruited through personal contacts who assisted in informing co-workers of the planned session and this way a six-member group was composed. This 'snowball' sampling method was considered appropriate given the difficulty envisaged in recruiting professionals without significant monetary inducement. Finally, at the end of every session, each participant was given a £10 TESCO Gift Card as compensation for their time.

As indicated above, the sessions were held in private homes. While it was originally planned that all three focus group sessions would be held in conference rooms, the cost and logistics involved in booking conference rooms (particularly for

the London session) during the weekend when participants were better disposed to attending prevented this from being a viable option. Fortunately however, the selection of a private home setting for the first session in London turned out to be very well-received. Indeed, one of the participants (Male professional, 29) commented on entry:

"Oh good; I expected fluorescent lighting and white coats. This is less clinical".

This statement was quite reassuring and was made even more so when participants appeared to relax very quickly. As a result, it was with greater confidence that the researcher made arrangements to organize private home settings for the Cardiff sessions. However, despite the convenience offered by this setting, effort was made to ensure that locations would be free from distractions, so as not to compromise the integrity of session findings.

The researcher served as moderator and the focus group sessions were tape recorded. Also, notes were made of important contributions and the time these contributions were made for easy reference to the recording device. Generated data of the three focus group sessions were analyzed using a qualitative content analysis procedure. The transcription of data was conducted by typing the entire discussion (omitting the names participants) and highlighting reoccurring keywords and concepts. These thematic connections revealed by inductive data analysis were then coded on the basis of central theme, general sentiment, argument or concept they related to.

At each session, a brief introduction was made about the purpose of the study and participants were assured that recorded views will be held in the strictest confidence and their anonymity will not be compromised. Participants were then asked to introduce themselves, giving first names only (or pseudonyms if preferred). Thereafter, rules guiding effective participation were stated (see Appendix III). Discussions were subsequently steered towards the factors influencing restaurant loyalty intentions. This was followed by discussions on specific questions relating to congruent results and later, incongruent results. This approach was adopted with the joint aims of encouraging in-depth discussions and meeting the broad objectives as specified below:

1. To gain insight into the factors influencing restaurant loyalty intentions.

2. To determine the level to which congruent results obtained from quantitative analysis would be validated.

3. To better understand the underlying reasons behind result incongruence with regard to the moderating effects of Perceived Sacrifice on the Scent – LI relationship; Perceived Sacrifice on the Customer Orientation – LI relationship; Variety-Seeking Behaviour on the Physical Attractiveness – LI relationship; and Competitive Intensity on the Customer Orientation – LI relationship.

7.7.1.1 Factors Influencing Restaurant Loyalty Intentions

Aside from the quality of the food, the variables with the highest reoccurrence were staff friendliness and competence. Other factors which had wide acceptance among participants included: the general atmosphere or *"buzz"* (Female undergraduate, 20),

décor, cleanliness, music and price. Only one participant (female professional, 26) mentioned *"cute waiters"*. Other illustrative quotes obtained from the sessions include:

> *"My girlfriend usually makes the decision on where we eat...but whenever I'm with the boys we tend to go to places with good music – like Hard Rock [Café]. "* (Male undergraduate, 21)

> *"The service in the new one [restaurant] I went to on Thursday [three days prior] was very slow. For a small place I couldn't understand why that was...never going back to that [expletive] place. "* (Male professional, 31)

7.7.1.2   Validation of Congruency Results from Qualitative Analysis

Following receipt of responses relating to participants' views on restaurant loyalty intentions, participants were presented with a summary of significant congruent results (that is, results which were in line with expectations) obtained from empirical testing. Participants were asked what they thought of the results (without being told that results were congruent to expectations). The lively discussion that followed expressed validation for obtained quantitative results. Actually, all the significant linear relationships had already been identified by participants in the first-phase of the session and after explaining how moderators are expected to work, participants agreed that the moderated relationships were logical as they themselves are affected by the same factors even though they do not usually give it very much thought at the time but react somewhat instinctively. According to one participant:

"I can see how what you call variety-seeking behaviour will be decreased to get competent advice. I think it also helps credibility if you are selling French wine and you have a French accent."
(Male postgraduate, 28)

"...yeah, the service can be quite slow in Hard Rock but music is the reward [for me]." (Male undergraduate, 21)

7.7.1.3   Insights into Result Incongruence

The final phase of the session centred on determining the reasons behind result incongruence. Particularly, the negative results obtained from the four relationships moderated by Perceived Sacrifice (2), Variety-Seeking Behaviour (1) and Competitive Intensity (1). These results were presented to session participants and their thoughts were solicited. Similar to the previous phase, participants were not informed that results were incongruent to expectations.

The first incongruent result reviewed was that which showed a change in the direction and strength of the relationship between Scent and Loyalty Intentions when moderated by Perceived Sacrifice. It was expected that pleasant smells wafting in the air would serve to encourage customers to endure above average levels of perceived sacrifice. When prompted for responses, participants generally stated that although restaurants should have a pleasing scent, they didn't believe that they would go out of their way to visit a particular restaurant simply because of scent. Insightful comments received included:

"It's a good thing to smell the food but you really do not want it clinging on your clothes, do you? Especially when you are on a night out." (Female undergraduate, 20)

"I may go back to a restaurant far away if the food is very good or different and the ones close to me are kind of rubbish...but not simply because of smell." (Female postgraduate, 23)

The second incongruent result obtained was that of the relationship between Customer Orientation and Loyalty Intentions when moderated by Perceived Sacrifice. It was expected that customers would be willing to endure an above average level of perceived sacrifice in order to receive good treatment from service staff. In response, most participants stated that they may be willing to endure some sacrifice in order to receive very good service but since there are quite a lot of restaurants to choose from, good or at least acceptable service is readily available.

The third incongruent result put forward for discussion was that showing a negative result when Variety-Seeking Behaviour moderated the Physical Attractiveness – Loyalty Intentions relationship. Physical Attractiveness previously showed the second strongest positive relationship with Loyalty Intentions and so it was expected that the effect of Physical Attractiveness on Loyalty Intentions would not be diminished by Variety-Seeking Behaviour. When asked why a negative result may be obtained given this scenario, participants were generally of the opinion that if people have a habit of trying different restaurants then it may be difficult for the physically attractiveness of staff to change that. However, it emerged that tipping considerations may also be at play as the first quote below demonstrates:

"As an international student I don't have that much money to spend so if the waitress is attractive, I will feel ashamed if I give her a small tip. I would rather go to a different restaurant the next time (laughter). " (Male postgraduate, 26)

"I like to try different restaurants but if there is a cute waiter I may go back...but I don't think I will keep going back if the food is bad or if I don't like the place. I could always get his number and meet him somewhere else, couldn't I? " (Female professional, 26)

The fourth and final incongruent result reviewed was that showing a reduction in the influence of Customer Orientation on Loyalty Intentions when moderated by Perceived Competitive Intensity. It was expected that when competitive intensity is perceived to be intense, the customer orientation of service staff would become a stronger determinant of Loyalty Intentions. The general consensus based on responses from session participants was that such a scenario wouldn't have bearing on actual behaviour as a high level of Perceived Competitive Intensity would make customers less forgiving of service failures. It most be noted that the statistical results for this relationship were on the margin of acceptability as the result was only significant at the 10% level rather than the desired 5% or below. The result was originally accepted given the acceptance of similar results by earlier studies on loyalty intentions (see for instance Zeithaml *et al.*, 1996). However, given its lack of support under focus group testing, this relationship subsequently ceases to be regarded as a significant relationship by this study.

7.8   Concluding Remarks

Overall, the focus group sessions were very helpful as they served to provide valuable information within a short space of time. These interviews highlighted the influence of servicescape elements on loyalty intentions. While explanations for most relationships are provided and verifiable, the reason(s) behind the particularly contentious relationship between physical attractiveness and loyalty intentions when moderated by variety-seeking behaviour remains unidentified. As presented above, the closest explanation provided for this concerned the shame of giving an attractive waitress a poor tip. This may however be more closely related to disposable income level than variety-seeking behaviour. This and other incongruent results which received scant support therefore have to be treated with caution.

The final chapter of the thesis follows and will involve the presentation of the conclusions reached by this study. In addition, the chapter will evince the contributions of the study, identify research limitations, provide suggestions for the practical implications of the findings, and finally, suggest potential avenues for future research.

Chapter Eight:

Discussion and Conclusions

8.1 Introduction

The previous chapter provided results of the qualitative and quantitative techniques utilized in this study. Quantitatively, a three-stage analytical procedure was employed in testing the complex relationships in the conceptual model. Particularly, generated results justify the use of moderated multiple regression analysis in testing these relationships. To cement quantitative results, the data were also tested using econometric analyses. Qualitatively, a series of focus group sessions were conducted to validate quantitative results, triangulate findings and add richness to the study. On the basis of these quantitative and qualitative results, this chapter will provide an evaluation of the findings of the research effort. To this end, the chapter will discuss the contributions of the study to existing servicescape knowledge, identify research limitations, provide suggestions for the practical implications of the findings, and finally, suggest potential avenues for future research. Prior to this, the research problem which initially sparked interest in the area of servicescapes will be restated and the significant findings of hypotheses testing will be reiterated.

8.2 Conclusions of the Study

The major conclusion drawn from this research effort is that the organizational variables of climate and culture are useful lenses through which the concept of servicescapes can be explored, conceptualized and rigorously tested. An understanding of these organizational variables - represented by cues in the servicescape - illuminated the evaluation process conducted by customers at one or more stages of the service experience (that is, prior to, during and/or after the service has been consumed).

As identified in Chapter Three, since the early 1970s marketing scholars have consistently highlighted the insufficiency of conceptual and empirical research in the area of servicescapes (see for example, Kotler, 1973; Becker, 1981; Donovan and Rossiter, 1982; Bitner, 1992; Hutton and Richardson, 1995; Hoffman and Turley, 2002; Cronin, 2003). These concerns have remained and particularly, a glaring inadequacy of empirical work in the area was identified (see for instance, Bitner, 1992; Cronin, 2003; Hoffman and Turley, 2002; Hutton and Richardson, 1995). It is contended that there is a need for empirical research addressing the role of servicescapes in consumption settings (Bitner, 1992) and its impact on customers' purchase decisions (Cronin, 2003). In answer to these calls, this study attempted an empirical analysis of variables thought to influence customers' loyalty intentions, based on their (customers') evaluation of the cues available in the servicescape. To achieve this, organizational climate and organizational culture were positioned as concepts which respectively determine the selection of cues placed in the servicescape, and the performance of service staff at the interface. Additionally, personal factors (variety-seeking behaviour and perceived sacrifice) and environmental factors (perceived economic turbulence and perceived competitive intensity) were believed to moderate the servicescape – loyalty intentions relationship and so were also inserted into the conceptual model for subsequent rigorous statistical and econometric testing. Results confirm that taking an organizational behaviour perspective and employing moderating personal and environmental factors immensely enabled a more in-depth investigation of the understudied and underserved area of servicescapes. Furthermore, the three focus group sessions conducted allowed for the validation of quantitative results,

triangulation of findings and an even more in-depth generation of high-quality insights relating to customers' servicescape experiences.

8.3 Contributions of the Study

The present research effort, despite its limitations, differs significantly from previous research activities in the servicescape domain. Specifically, the sections below present nine conceptual, empirical and methodological contributions made by the study to the advancement of servicescape research, on the basis of recommended indicators by Summers (2001).

8.3.1 Conceptual Contribution

Conceptually, this study represents a concerted attempt to advance a modified theory-based framework for modelling the role of physical surroundings in the restaurant consumption setting (see Figure 4.1). With a view to understanding the components of quality service provision and based on recommendations by service scholars (see for instance, Bitner, 1992; Parasuraman, 1987; Webster, 1995), the study integrated extant knowledge from organizational behaviour literature which projects the respective influence of organizational climate and organizational culture on the selection of cues placed in the servicescape, and the performance of service staff at the interface. This study is believed to be the first to illuminate the effects of organizational climate and organizational culture in the area of servicescapes, within the restaurant setting. This approach enabled the identification of synergies in the literature and arrived at a conceptualization which allowed the exploration of both the climatic and cultural facets of the servicescape. Additionally, contextual variables in the broad literature bases of strategic marketing, economics and

psychology were adapted, facilitating the amalgamation of diverse literature into a coherent whole, thus ensuring a deeper conceptualization of servicescapes. In doing so, the study also makes a more general contribution to the existing body of work in these diverse areas.

8.3.2 Empirical Contributions

Firstly, quite unlike the vast majority of studies in the area, this study supplies empirical evidence for the theoretical bases of servicescapes. Furthermore, dissimilar to other servicescape studies, this study fully incorporated the moderating effects of personal and environmental factors which study findings proved to be key determinants underlying the display of loyalty intentions by customers. Although the Mehrabian–Russell PAD Model (Mehrabian and Russell, 1974) forwards the importance of mediators in all environmental stimuli – approach/avoidance response relationships (cf. Bellenger *et al.*, 1977; Wakefield and Baker, 1998; Wakefield and Blodgett, 1996; Ward *et al.*, 1992), no servicescape study has attempted to vary the assessment of servicescapes significantly by integrating moderating effects related to both customers' personalities (variety-seeking behaviour and perceived sacrifice) and the macro environment (perceived economic turbulence and perceived competitive intensity) within the restaurant setting. The integration of these moderators was a key component to the overall success of the study because their insertion necessitated the use of moderated multiple regression analysis which revealed a number of interesting associations. For instance, preliminary data exploration via multiple regression analysis indicated that *music, scent, competence* and *credibility* were unrelated to *loyalty intentions*. However, analysis via moderated multiple regression not only revealed a linear relationship between *scent* and *loyalty*

intentions, but also, non-linear relationships between the individual elements of *music*, *competence* and *credibility* to *loyalty intentions*. Thus, the results demonstrate the intricate web of associations between concepts; associations which would have remained hidden had moderating effects not been measured. Further, the integration of moderating factors enabled the presentation of a composite model of servicescapes against which future empirical findings can be compared.

Secondly, while both empirical and conceptual servicescape studies have tended to focus on single servicescape elements such as music (see for example, Areni and Kim, 1993; Milliman, 1982, 1986; Sweeney and Wyber, 2002; Yalch and Spangenberg, 1990), scent (see for instance, Fiore *et al.*, 2000; Hirch, 1995; Spangenberg *et al.*, 1996) and light (see for example, Areni and Kim, 1994; Summers and Hebert, 2001), only very few studies have attempted to incorporate the influence of more than one servicescape element (see for instance, Chebat *et al.*, 1993; Mattila and Wirtz, 2001; Wakefield and Blodgett, 1996). The current research endeavour differs significantly from these and other previous servicescape studies through its positioning of nine servicescape variables for which empirical support was found for them all either via linear or non-linear associations to loyalty intentions. Considered in concert with the four moderating personal and environmental factors included in the conceptual model, the present study exceeds the characteristic servicescape study pace. The resultant effects of the incorporation of a total of thirteen elements in the same study are: the significant increase in the knowledge base; a targeted response to calls for further empirical multi-variable testing; and an accomplishment of the objective of obtaining a global configuration of servicescapes.

Thirdly, Strong and Harris (2004) note that despite the identified strong link between customer orientation and the implementation of the marketing concept, research in the area remains limited. Therefore, as customer orientation was believed to play an important role in the servicescape, it was inserted into the conceptual model (see Figure 4.1) for later empirical testing. The results obtained reveal that *customer orientation* had the highest level of significance in direct relation to *loyalty intentions* (t statistic = 5.188***). With this result, this study also makes an empirical contribution to customer orientation literature.

Finally, the study provides substantive empirical support for the robustness of past servicescape studies which predict the influential role of servicescape variables in determining customers' approach-avoidance behaviour.

8.3.3 Methodological Contributions

Firstly, while the chosen consumption setting was restaurants in the United Kingdom, the case can be made that due to the study's aggregation of different types of restaurants (from simple fast-food restaurants to upscale sit-down restaurants) which operate at very distinct levels of service provision, the study is similar in this respect to others which set out to measure a multiplicity of sectors in the service industry. Following from this method of aggregation, it was possible for a rigorous test of servicescape theory because of the diversity inherent in a test involving restaurants at opposite ends of the continuum and also, those in-between. Further, the study avoided restriction to a micro focus on the factors driving loyalty intentions in one restaurant or one class of restaurants, but instead developed a macro perspective with regards to not only the determinants of loyalty intentions in

restaurants across the board, but also, insights into effective service provision in other types of servicescapes such as hotels and airports.

Secondly, this study adopted a three-stage analytical process in testing the hypothesized linkages between variables. These stages represented: correlation analysis to detect potential underlying relationships, multiple regression analysis for initial proposition evaluation, and moderated multiple regression analysis for interaction effects estimation. Additionally, to bolster obtained statistical results, econometric analyses were conducted. The use of multiple methods of measurement in evaluating both linear and non-linear linkages ensured a considerable reduction of the potential problems with shared-method variance, and thus advanced results on which other servicescape studies can build.

Thirdly, this study adopted a mixed-method approach which involved the integration of focus group interviews in order to provide a deeper understanding of the identified relationships revealed by quantitative analysis. Results indicate broad agreement with survey findings but satisfactory explanations were not obtained for the negative relationship between physical attractiveness and loyalty intentions when moderated by variety-seeking behaviour. Despite this, support was found for the majority of identified associations, thereby validating results obtained from the preceding empirical enquiry.

Lastly, while the paucity of servicescape empirical studies and inevitable lack of standard measurement scales is considered a limitation of the study (see Section 8.4), the lack of an existing, robust empirical servicescape foundation provided the opportunity for the development of a perceived economic turbulence

scale which the results reveal to tap into the construct adequately. This finding, in addition to those discussed above, confirm the assertion by Bitner (1992, p. 68) that the underexposure of the servicescape concept *"allows for true pioneering research to be done"*.

8.4 Limitations of the Study

Research endeavours tend to be inevitably plagued by inherent limitations. This study is no different. Particularly, a number of limitations related to this research are evident and thus the conclusions and implications drawn from study findings should be interpreted in light of these. The identification of study limitations was considered pertinent as they constitute areas worthy of investigation in future servicescape research. A discussion of these limitations follows below.

First, as is typical of most exploratory studies, this study was cross-sectional in nature. Therefore, in testing the hypothesized relationships, inferences could only be made in associative terms and not in terms of cause and effect. This is because the cross-sectional nature of the study precluded the collection of data at more than one point in time. Although a longitudinal study which assesses the hypothesized relationships over time is as dynamic as the relationships themselves and thus a better suited approach, the cost and time constraints involved in conducting such a study proved it to be impractical for present purposes. Consequently, even though cross-sectional studies are technically inferior to longitudinal studies, the wide adoption of cross-sectional studies by marketing scholars signifies that this study type only constrains the conclusions that can be drawn rather than compromise the integrity of the research.

Second, significant difficulty was encountered in the construction of scale items, development of hypotheses, and interpretation of findings; given the paucity of servicescape literature and inadequacy of empirical evidence of direct relevance to servicescape study. As a consequence, scale items measuring most constructs were adapted from wider marketing literature, while the scale items for perceived economic turbulence were constructed on the basis of a pertinent article in the area of economics (see McIntyre and Pencavel, 2004). Therefore, the interpretation of findings was dependent on obtained results and the views of both focus group participants and restaurant managers.

Third, data collection efforts were focused on customers because it was the researcher's belief that the perceptions of customers concerning their service experiences - however inaccurate - directly influence loyalty intentions towards a particular servicescape. However, the drawback of this focus was that as data were not simultaneously collected from customer-contact staff and/or service managers, the study was unable to detect potential gaps between customers' perceptions of the received service, and the perception service organizations were attempting to project.

Fourth, while very interesting results were yielded, it should be noted that the study was limited to the United Kingdom restaurant sector. Restaurants in the United Kingdom were the preferred setting for this study due to the considerable amount of time spent by customers in this particular service environment, the high contact intensity customers have with service staff, and the overall importance of the hospitality sector to the United Kingdom economy as identified by similar studies (see for instance, Harris and Reynolds, 2004; Hartline and Ferrell, 1996; Hartline *et al.*, 2000). More specifically, a 2005 MINTEL Report on restaurants recorded that

the United Kingdom restaurant market reached a value of just over £5.4 billion in 2003 (an increase of 24% compared with levels in 1998), increasing to £5.6 billion in 2004 and increasing further still to just under £6 billion at the end of 2005 (MINTEL, 2005). Therefore, although the findings of the study are significant and may indicate that broad generalisations can be made to restaurants in other countries (particularly OECD nations) and even extended to other types of services, the more the results are taken away from context, the less generalizable they are likely to be. Hence, it is important that the results are viewed as a guide rather than a statement of facts.

Fifth, the study only measured the impact of servicescape variables and moderating factors on loyalty intentions, which is the third of four sequential stages of loyalty (see Oliver, 1997), representing customers' *"intention to rebuy"* (p.35). The fourth stage, action loyalty, was not directly measured because it was believed that the servicescape study would benefit from the initial identification of variables of greatest importance to customers by assessing their perceptions of the setting after the first visit rather than after several visits to the same servicescape where bias may have become a factor. As a result, retailer outcomes such as sales and profit did not fall within the scope of this study. Therefore, it would be disingenuous for the study to suggest that favourable loyalty intentions automatically lead to action loyalty.

8.5   Implications of the Study

Notwithstanding the limitations listed in Section 8.4, the significant findings of the study allow for the advancement of study implications within the contexts of theory and practice. These are described below beginning with the implications for service practitioners and then followed by the implications for servicescape scholars.

8.5.1 Implications for Service Practitioners

The United Kingdom restaurant market has experienced significant growth. However, different restaurants and restaurants in different parts of the United Kingdom have experienced contrasting fortunes (MINTEL, 2004). As a result of the findings of the quantitative exercise which were later verified by qualitative analysis, the following guidance is provided to restaurant managers in their attempt to market their businesses aggressively.

Firstly, and most important, the obvious implication of the findings of this study is that restaurant managers must recognize the overwhelming benefits to be derived from paying particular attention to the servicescape variables. These, for clarity and ease of presentation, were grouped under the broad categories of organizational climate and organizational culture. As these elements lie largely within the area of management control and can be manipulated to affect customers' loyalty intentions positively, management should actively promote the desired performance of service staff and involve a more systematic approach to cue placement rather than rely on a haphazard selection and placement of the tangible and intangible cues in the servicescape.

Secondly, *cleanliness* was found highly significant regardless of restaurant type (t statistic = 3.042***). It may perhaps seem entirely obvious for this variable to be given considerable attention in a restaurant setting but many restaurant managers seem to consider cleanliness only in terms of meeting with the 'threshold of acceptability' as determined by regulatory governmental bodies. The approach of concentrating cleaning efforts in the main dining area while toilets are paid considerably less attention is one that does not augur well with customers who make

their assessments of the servicescape based on *all* factors related to it; in other words, holistically. Thus, the onus rests on restaurant managers to maintain a very high level of restaurant cleanliness. In doing this, ideas can be drawn from other service settings. For instance, as previously identified in Section 4.5.1.3, in the gents' toilet of Amsterdam's Schipol Airport a small fly is painted in individual urinals, at a particular angle. By virtue of its placement, the painting is able to encourage men to 'aim' for it when urinating. Similarly, because of the angle at which it is placed, urine is subsequently directed squarely at the drain. Why the painting of a fly was selected over those of other insects - or indeed, other objects - is open to interpretation. Perhaps a servicescape study of airports can address this. The fact however remains that due to the effect of these tiny paintings, cleaning costs have considerably reduced and therefore, overall profitability of the airport has increased. Similar innovation is immensely required in the restaurant setting. As succinctly put by Berta (2005, p. 122), *"keeping a restaurant clean from the lobby to the alley is often a thankless, far-from-glamorous job, but it is critical to the success of the business"*.

Thirdly, unsurprisingly the variable with the highest level of significance in direct relation to *loyalty intentions* was *customer orientation* (t statistic = 5.188***). This finding reinforces the desire of customers to have their needs understood and for service staff to show a clear commitment towards satisfying those needs. Additionally, the variable with the second highest level of significance to *loyalty intentions* was *physically attractiveness* (t statistic = 5.167***). This finding suggests that staff are deeply scrutinized by customers in their bid to form perceptions about their service experiences. Therefore, in addition to required levels of competence and general ability to do the job, restaurant managers could also pay

more attention to the appearance of the staff they employ and the manner in which these staff are dressed when they are in the servicescape.

Finally, all the moderators in the conceptual model were found to be strong facilitators of relationships in the servicescape. Therefore, service managers should take these into consideration when designing the servicescape and implementing the overall marketing function. For instance, where variety-seeking behaviour is a significant determinant of customers' behaviour, theme nights could be organized; to reduce perceived sacrifice levels, crowd control measures such as table reservation could make a significant difference; to counter high levels of perceived economic turbulence, projections of value are required from the décor of the servicescape to the quality of meals as this would address customers' need to stretch their disposable incomes; finally, in cases where customers perceive a high level of competitive intensity to exist, restaurant managers may want to consider a highly differentiated service strategy akin to that adopted by 'Hard Rock Café', whose composite service offering cannot be readily matched by competitors.

It should be noted that generally, certain elements may be of greater importance in some restaurant settings than in others. For instance, *physical attractiveness* which was significant across the varied restaurants types covered by this study is likely to be a lot more important in upscale sit-down restaurants like 'The Ivy', than in fast-food / sit-down restaurants like McDonald's which are low in relational importance.

8.5.2 Implications for Servicescape Scholars: Avenues for Future Research

Several avenues for further research present themselves for in-depth analysis. These are described below:

While this study was aggregate in nature and thus identified elements of importance to all types of restaurants, other studies may focus on specific classes of restaurants in order for elements significant to particular restaurants to be identified. Similarly, other studies could make attempts to apply this global configuration to other service settings such as hotels, airports, banks and hospitals, and to other countries. It is believed that the concept of servicescapes in its global form can be easily extended to these settings.

This study was exploratory in nature so the selection of servicescape elements and moderating factors for evaluation was based largely on theoretical support and intuition. As these elements were found significant to loyalty intentions through linear and/or non-linear relationships, it is proposed that servicescape scholars attempt to test a wide variety of elements for which theoretical or empirical support suggests either their relationship to loyalty intentions, or to the other stages of loyalty - particularly action loyalty. To this end, studies of a longitudinal nature are required to establish the causes for linkages between loyalty intentions and action loyalty. In doing this, it is important for moderated associations to be strongly considered in order to identify any underlying relationships. This suggestion follows from the findings of this study which reveal the significant influence of moderators in explaining several servicescape – loyalty intentions relationships. The importance of this cannot be overemphasised as the moderating factors employed in this study were able to tease out relationships that would ordinarily have remained hidden.

Moderated multiple regression analysis was the chosen method of multivariate analysis for this study due to the conceptual and empirical concerns identified in Section 5.19. Therefore, further studies could attempt to employ different types of multivariate analysis - particularly structural equation modelling - so as to ascertain if similar significant relationships can be identified. To get beyond the hindrance of a one output model, conceptual models can be developed to accommodate more than one endogenous variable as such an approach can only help to assess servicescapes in different ways and thus advance the body of literature.

This servicescape study focused its data collection efforts on customers because their perceptions of the service experience were believed to determine their loyalty intentions. However, other servicescape studies can make attempts to simultaneously incorporate responses from customer-contact staff and/or service managers so as to detect potential gaps between customers' perceptions and the image which service organizations are trying to project. It is believed that such detection would not only enable further development of servicescape literature, but also ensure that a more comprehensive recommendation can be made to service organizations on how best to meet identified customer needs more effectively, and thus improve the overall efficiency and marketability of their service operations.

8.6 Concluding Remarks

Although this study focused on restaurants in the United Kingdom, the findings can be conservatively generalised to countries other than the United Kingdom, and servicescapes other than restaurants. While factors such as national culture, beliefs, and type of servicescape will weigh heavily on the servicescape elements of

their customers. This will enable them go about the service delivery process armed with a much clearer idea of the factors that best stimulate customer loyalty intentions. For example, as this United Kingdom based study found the factor of economic turbulence to moderate relationships to loyalty intentions, it is expected that this factor will be of greater importance to customers of service organizations operating in less developed countries.

Ultimately, it is hoped that the findings of this research effort would prompt service managers and servicescape scholars to continue probing deeply into what at first may have appeared to be simple, straightforward issues.

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Appendix I:
Servicescape Questionnaire

CARDIFF BUSINESS SCHOOL

Research into the Servicescape Effects on Customers' Loyalty Intentions

This survey has been designed to identify the factors that influence the loyalty behaviour of customers towards service settings. The service setting selected for this survey is restaurants. Please answer the questions based on the <u>last restaurant</u> you visited. The objective is to increase understanding in the area so service organizations can better respond to the factors that are of critical importance to service customers. Your cooperation is central to the success of this survey. Please answer all the questions as fully and as honestly as possible. Only fully completed questionnaires can be entered into the **£100 prize draw**. The questionnaire should only take about 15 minutes of your time to complete.

When complete, please return this questionnaire in the FREEPOST (you <u>do not</u> need a stamp) envelope provided to:

> **Christopher I. Ezeh**
> **Cardiff Business School**
> **FREEPOST CF4117**
> **Aberconway Building,**
> **Colum Drive, Cardiff**
> **CF10 3EU.**

Concerning your earnings, to what extent do you agree with the following statements?

	Please circle the appropriate number						
	Strongly Disagree					Strongly Agree	
Do you believe that your earnings will fall in the next few months?	1	2	3	4	5	6	7
Do you believe that interest rates will rise in the next few months?	1	2	3	4	5	6	7
Do you believe that you will have more money in the next few months?	1	2	3	4	5	6	7
Do you believe that inflation will rise in the next few months?	1	2	3	4	5	6	7

Please state your impression of the restaurant's atmosphere:

	Please circle the appropriate number						
	Strongly Disagree					Strongly Agree	
The music played in the restaurant was appropriate	1	2	3	4	5	6	7
The music in the restaurant was played at an appropriate volume	1	2	3	4	5	6	7
The music played in the restaurant was pleasant	1	2	3	4	5	6	7
The music played in the restaurant was not pleasant	1	2	3	4	5	6	7
The smell in the restaurant was appropriate	1	2	3	4	5	6	7
The smell in the restaurant was pleasant	1	2	3	4	5	6	7
The smell in the restaurant was not pleasant	1	2	3	4	5	6	7

To what extent do you agree with the following statements?

	Please circle the appropriate number						
	Strongly Disagree					Strongly Agree	
Visiting the restaurant helped you attain the type of life you strive for	1	2	3	4	5	6	7
It makes little difference to you if you visit another restaurant	1	2	3	4	5	6	7
You enjoy visiting different restaurants	1	2	3	4	5	6	7
The restaurant's service offering interested you	1	2	3	4	5	6	7
You could talk about the restaurant for a long time	1	2	3	4	5	6	7

To what degree does each of the following statements describe your interaction with the service staff?

	Please circle the appropriate number						
	Strongly Disagree					Strongly Agree	
You felt satisfied with the treatment you received from the restaurant's service staff	1	2	3	4	5	6	7
The service staff understood your needs	1	2	3	4	5	6	7
The service staff showed a commitment to satisfying your needs	1	2	3	4	5	6	7
The service staff did not treat you as well as they should have done	1	2	3	4	5	6	7
The service staff were helpful	1	2	3	4	5	6	7
The service staff provided prompt service	1	2	3	4	5	6	7
The quality of service delivered was low	1	2	3	4	5	6	7
The service staff performed the service right the first time	1	2	3	4	5	6	7
The service staff were able to solve your problems	1	2	3	4	5	6	7

What are your views concerning the service staff in the restaurant?

	Please circle the appropriate number						
	Strongly Disagree					Strongly Agree	
You felt safe in your transactions with the service staff	1	2	3	4	5	6	7
You did not feel safe in your transactions with the service staff	1	2	3	4	5	6	7
You did not feel deceived by the service staff	1	2	3	4	5	6	7
The service staff had a positive attitude	1	2	3	4	5	6	7
The service staff were attractive	1	2	3	4	5	6	7
The service staff were classy	1	2	3	4	5	6	7
The service staff were elegant	1	2	3	4	5	6	7
The service staff were sexy	1	2	3	4	5	6	7
The service staff were not attractive	1	2	3	4	5	6	7

What is your impression of the restaurant's location?

	Please circle the appropriate number						
	Strongly Disagree					Strongly Agree	
Visiting the restaurant was convenient for you (due to factors such as distance, parking availability, crowding, etc)	1	2	3	4	5	6	7
Visiting the restaurant was stressful (due to factors such as distance, crowding, parking availability, etc)	1	2	3	4	5	6	7
You had to make a huge effort in order to receive the services offered by the restaurant (for example, dealing with crowding)	1	2	3	4	5	6	7
The restaurant had convenient operating hours	1	2	3	4	5	6	7

Please state your views regarding the restaurant's interior design:

	Please circle the appropriate number						
	Strongly Disagree					Strongly Agree	
The restaurant's interior was appealing	1	2	3	4	5	6	7
The restaurant's interior was decorated in an appealing fashion	1	2	3	4	5	6	7
The restaurant's interior was painted in colours that appealed to you	1	2	3	4	5	6	7
The interior of the restaurant was not attractive	1	2	3	4	5	6	7
The restaurant's interior architecture gave it an appealing character	1	2	3	4	5	6	7
The restaurant was kept clean	1	2	3	4	5	6	7
The restaurant had clean walkways and exits	1	2	3	4	5	6	7
The restaurant was not kept clean	1	2	3	4	5	6	7
The restaurant had clean toilets	1	2	3	4	5	6	7
The restaurant provided comfortable seats	1	2	3	4	5	6	7
The seating arrangement provided plenty of space	1	2	3	4	5	6	7
There was appropriate leg room in the seats	1	2	3	4	5	6	7
There was appropriate elbow room in the seats	1	2	3	4	5	6	7
The seating arrangement did not provide enough space	1	2	3	4	5	6	7

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Please state your views on the restaurant you visited in relation to other restaurants:

	Please circle the appropriate number
	Strongly Disagree — Strongly Agree
Do you believe that the competition among restaurants is intense?	1 2 3 4 5 6 7
Do you believe that there are many 'promotion wars' among restaurants?	1 2 3 4 5 6 7
Do you believe that the services a restaurant offers can be readily matched by other restaurants?	1 2 3 4 5 6 7
Do you believe that there is a lot of price competition among restaurants?	1 2 3 4 5 6 7
Do you believe that the competition among restaurants is relatively weak?	1 2 3 4 5 6 7

What are your future intentions towards the restaurant you visited?

	Please circle the appropriate number
	Strongly Disagree — Strongly Agree
Will you say positive things about the restaurant to other people?	1 2 3 4 5 6 7
Will you recommend the restaurant to someone who seeks your advice?	1 2 3 4 5 6 7
Will you encourage friends and relatives to do business with the restaurant?	1 2 3 4 5 6 7
Will you consider the restaurant as your first choice to buy restaurant services?	1 2 3 4 5 6 7
Will you do more business with the restaurant in the next few years?	1 2 3 4 5 6 7
Will you do less business with the restaurant in the next few years?	1 2 3 4 5 6 7
Will you take some of your business to a competitor that offers better prices?	1 2 3 4 5 6 7
Will you continue to do business with the restaurant if its prices increase somewhat?	1 2 3 4 5 6 7
Will you still visit the restaurant even if others are cheaper?	1 2 3 4 5 6 7
Will you switch to a competitor if you experience a problem with the restaurant's service?	1 2 3 4 5 6 7
Will you complain to other customers if you experience a problem with the restaurant's service?	1 2 3 4 5 6 7
Will you complain to external agencies, such as the trading standards bureau, if you experience a problem with the restaurant's service?	1 2 3 4 5 6 7
Will you complain to the restaurant's employees if you experience a problem with the restaurant's service?	1 2 3 4 5 6 7

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Finally, please answer the following background questions. This information helps me compare your views with those of similar respondents.

About how much per person was spent on your visit to the restaurant?

Under £5	£5 – £10	£11 – £15	£16 – £20	£21 – £30	£31 – £40	Over £40
☐	☐	☐	☐	☐	☐	☐

How old are you?

17-24	25-34	35-44	45-54	55 and over
☐	☐	☐	☐	☐

Are you? Male ☐   Female ☐

Please state your occupation below by ticking the appropriate box

Higher managerial or professional	☐
Intermediate managerial	☐
Supervisory or junior managerial	☐
Skilled manual	☐
Semi-skilled manual	☐
Casual labourer	☐
State pensioners or the unemployed	☐
Student	☐

What is your annual income level?

Under £7,000	☐
£7,000 - £14,999	☐
£15,000 - £29,999	☐
£30,000 - £49,999	☐
£50,000 and above	☐

Do you wish to receive a summary of the results of this survey?   Yes ☐   No ☐

Do you wish to enter the £100 prize draw?   Yes ☐   No ☐

Please turn over

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If you answered yes to any of the last two questions then please enter your contact information below:

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Full Name

_____

Contact Address

_____

_____

_____

Contact Telephone

_____

Thank you for the time you dedicated to complete this questionnaire.

Please return the questionnaire in the **FREEPOST** envelope provided.

Appendix II:
T-Test Results

Group Statistics

	Are you male or female	N	Mean	Std. Deviation	Std. Error Mean
LI	Male	145	.0352361	.98199812	.08155051
	Female	126	-.0405494	1.02274403	.09111328

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
LI	Equal variances assumed	.183	.669	.622	269	.535	.0757855	.12192969	-.16427236	.31584336
	Equal variances not assumed			.620	260.420	.536	.0757855	.12227884	-.16499562	.31656662

Eta squared = $\dfrac{t^2}{t^2 + (N1 + N2 - 2)}$ = $\dfrac{0.62^2}{0.62^2 + (145 + 126 - 2)}$ = **0.0014**

Therefore in percentage terms, only **0.14%** of the variance in Loyalty Intentions is explained by *gender*.

Group Statistics

	How old are you	N	Mean	Std. Deviation	Std. Error Mean
LI	Group 1	131	-.0759226	1.05323123	.09202124
	Group 2	140	.0710418	.94575854	.07993118

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
LI	Equal variances assumed	1.282	.259	-1.210	269	.227	-.1469644	.12145404	-.38608576	.09215701
	Equal variances not assumed			-1.206	261.141	.229	-.1469644	.12188890	-.38697456	.09304580

Eta squared = $\dfrac{t^2}{t^2 + (N1 + N2 - 2)}$ = $\dfrac{-1.21^2}{-1.21^2 + (131 + 140 - 2)}$ = __0.0054__

Therefore in percentage terms, only **0.54%** of the variance in Loyalty Intentions is explained by *age*.

AVERAGE AMOUNT SPENT

Group Statistics

		N	Mean	Std. Deviation	Std. Error Mean
What was the average amount spent on your visit to the restaurant	LI Group 1	134	-.1813474	1.05079070	.09077449
	Group 2	137	.1773763	.91727455	.07836805

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
LI	Equal variances assumed	.748	.388	-2.996	269	.003	-.3587236	.11974331	-.59447689	-.12297038
	Equal variances not assumed			-2.991	262.523	.003	-.3587236	.11992314	-.59485728	-.12258999

Eta squared = $\dfrac{t^2}{t^2 + (N1 + N2 - 2)}$ = $\dfrac{-3.00^2}{-3.00^2 + (134 + 137 - 2)}$ = **0.03**

Therefore in percentage terms, **3%** of the variance in Loyalty Intentions is explained by *amount spent* by restaurant customers.

Appendix III:
Focus Group Discussion Guide

FOCUS GROUP DISCUSSION GUIDE

Moderator Introduction, Thanks and Purpose (5 minutes)	Good Morning/Afternoon, my name is Chris Ezeh. I would like to thank you all for choosing to take part in today's discussions. We should be done in about an hour and a half. As you know, the reason we are gathered here is to get your opinions about restaurant services and the factors which influence your decision to return to a particular restaurant. Your opinions are yours and you are entitled to them so you shouldn't feel pressured to conform to any opinion one or more of your colleagues may share. This study will only be successful if honest responses are provided.
Ground rules (3 minutes)	To make for a free flow of ideas and ensure that everyone has a chance to contribute, I'd like you all to please observe the following: 1. Please talk one at a time and avoid side conversations. 2. Everyone doesn't have to answer every single question but it would be useful to hear from each of you as the discussion progresses. 3. As this discussion will be open, please feel free to comment on each other's remarks. 4. Do let me know if you need a break and I will point you in the direction of the restroom.
Introduction of Participants (3 minutes)	Before we begin, please introduce yourselves so we can refer to each other by name during the course of our discussions. As the need to protect your identities will be respected, please feel free to state only your first name or a pseudonym if you choose.
General Questions (15 minutes)	1. What factors would you say are responsible for your decision to revisit a restaurant? 2. What factors are responsible for your decision not to return to a restaurant? 2. What methods do you think are specifically employed by restaurants to encourage repatronage?
Specific Questions / Presentation of Materials – Result Congruence (25 minutes)	I will now pass round a summary of the results of a previous study on restaurants which identified certain factors as being important in customers' decision to repatronize a restaurant. Please take a few minutes to study it. Do you agree or disagree with these results?

FOCUS GROUP DISCUSSION GUIDE (CONTD.)

Specific Questions / Presentation of Materials – Result Incongruence (25 minutes)	I will now pass round another list of results obtained from the previous study. Again, please take a few minutes to study it. Do you agree or disagree with the findings?
Closing Question (10 minutes)	Given your experiences, if you had the opportunity to run a restaurant, what factors would you take into deep consideration?
Closing Remarks (4 minutes)	Thank you very much for coming today and making such valuable contributions. Your comments have greatly enriched my understanding of your perspective on this issue. The promised £10 TESCO voucher will be handed out at the door as you leave. Once again, I thank you.

Please feel free to help yourselves to the refreshments provided.