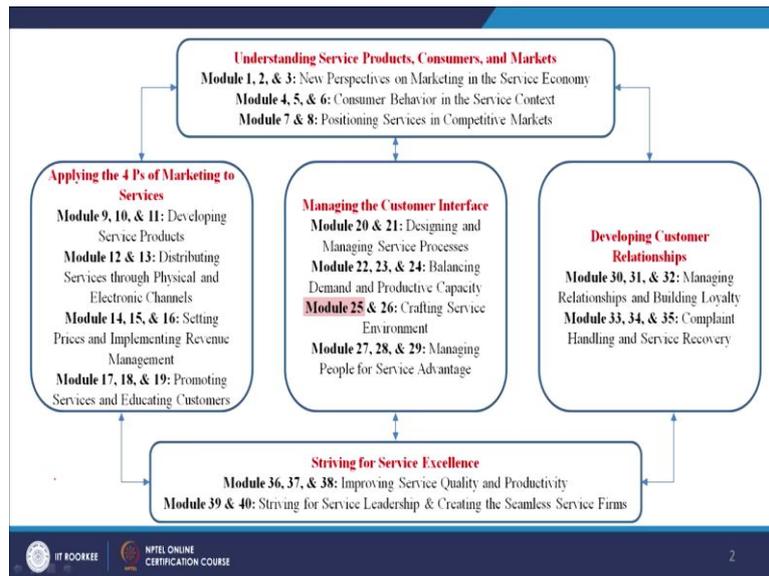


**Services Marketing Integrating People, Technology, Strategy**  
**Professor Zillur Rahman**  
**Department of Management Studies**  
**Indian Institute of Technology Madras**  
**Lecture 25**  
**Crafting Service Environment - Part 1**

Welcome to the course on Services marketing, and now we will talk about module 25.

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Now, as you can see this is the third section that is managing the customer interface that we are talking about. Module 25 and 26 will cover crafting the service environment. So, let us see, what are the things that we will talk about in this module i.e. module 25. So, in this module, the first thing that we will do is to recognize the 4 core purpose service environment fulfil.

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**MODULE OVERVIEW**

1. To recognize the four core purposes service environments fulfill.
2. To know the theoretical foundation from environmental psychology that helps us understand how customers and employees respond to service environments.
3. To be familiar with the integrative servicescape model.
4. To know the three main dimensions of the service environment.
5. Discuss the key ambient conditions and their effects on customers.



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So, there are four core purposes that the service environment is supposed to do so, we will talk about these four core purposes. Then we will know the theoretical foundations from environmental psychology that helps us understand how customers and employees respond to the service environment. So now, after having studied the four core purposes that the service environment carries out, we will then understand what is the effect of this service environment on the customers and the employees. The third thing that we will talk about in this module is to be familiar with the integrative servicescape model and to know the three main dimensions of the service environment. So, we will talk about the four core purposes and the three main dimensions of this environment and then we will discuss the key ambient conditions and what is their effect on the customers.

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**INTRODUCTION**

“Restaurant design has become as compelling an element as menu, food and wine...in determining a restaurant’s success.”

**Danny Meyer**  
New York City restaurateur and CEO of  
Union Square Hospitality Group



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This is a quote from Danny Meyer, who is New York chief restaurateur and CEO of Union Square Hospitality Group. So, he says that restaurant design has become as compelling element as the menu itself, food and wine, in determining our restaurant success. So, it is not only about the menu or the food or the wine, but also the design of the restaurant that is important in the success of that restaurant.

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**INTRODUCTION**

- ***SERVICE ENVIRONMENTS — AN IMPORTANT ELEMENT OF THE SERVICE MARKETING MIX***
- The physical service environment that customers experience plays a key role in shaping the service experience and enhancing (or undermining) customer satisfaction, especially in high-contact people-processing services.
- **Disney theme parks** are often cited as vivid examples of service environments that make customers feel comfortable and highly satisfied and leave a long-lasting impression.



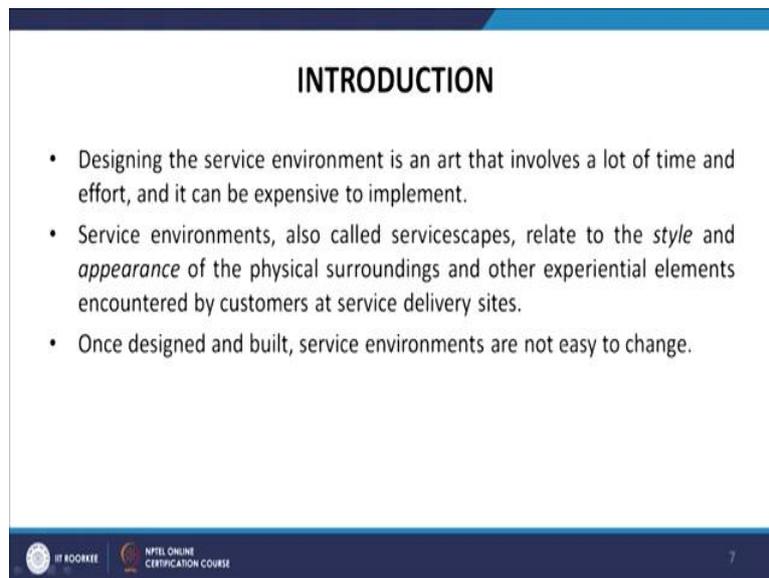
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Now, let us look at the service environment, which is an important element of the services marketing mix. The physical service environment that customers experience plays a key role in shaping the service experience and enhancing or undermining customer satisfaction, especially in high-contact people-processing services. For example, in Disney theme parks,

they are often cited as vivid examples of service environment that make customers feel comfortable and highly satisfied and leave a long lasting impression.

Now you see what makes this environment important. So, when you go to the restaurant, the first thing that you encounter will be the environment, later on the menu and the food and the drinks, they will come later on. So, this is the first thing that people will face and that that is what makes it most important especially in those kinds of services for example restaurant which has high-contact people-processing.

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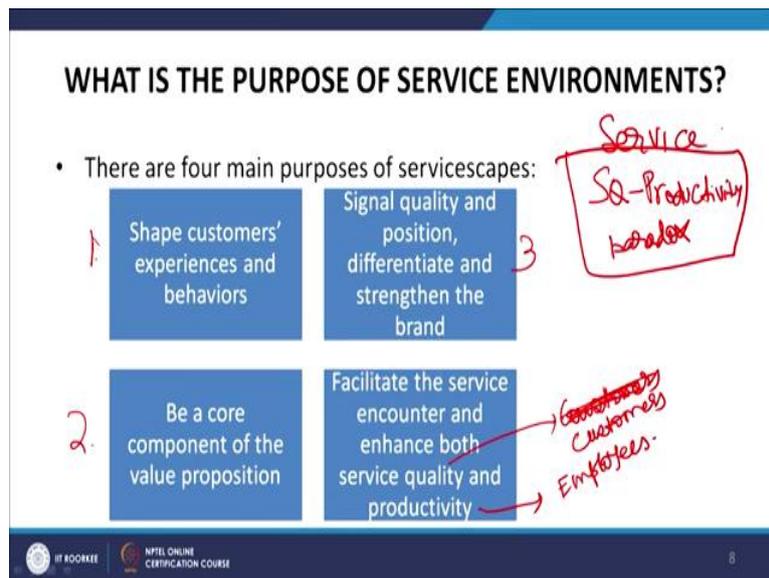
The slide is titled "INTRODUCTION" and contains three bullet points. At the bottom, there are logos for "IIT KOOBEE" and "NPTEL ONLINE CERTIFICATION COURSE" along with the number "7".

- Designing the service environment is an art that involves a lot of time and effort, and it can be expensive to implement.
- Service environments, also called servicescapes, relate to the *style and appearance* of the physical surroundings and other experiential elements encountered by customers at service delivery sites.
- Once designed and built, service environments are not easy to change.

Designing the service environment is an art that involves a lot of time and efforts and it can be expensive to implement. Service environments are also called as servicescapes. So when we talk of service environment and servicescapes, they are the same thing and they relate to the style and appearance. So this servicescapes, they relate to the styles and the appearance of the physical surroundings and other experiential elements encountered by the customer at that service delivery sites. Once designed and built, obviously service environments are not easy to change.

So, it is important that enough attention should be paid to the designing and building of service environment because once they are made then it becomes difficult, time consuming and costly to change the service environment. When we are talking about service environment, we are talking about servicescape that includes the style and appearance of the physical surroundings and other experiential elements that are encountered by the customers at the service delivery sites.

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What is the purpose of service environment? So, these are the following 4 purposes of servicescapes. The first is to shape customer experience and behaviour. So, the first thing that the service environment does is to shape customer experience and behaviour. The second is, it is a core component of the value proposition. The third is, it signals quality and position, differentiates and strengthens the brands. So, you know that the more differentiation that is there in the brand, the more strengthened the brand will be.

So, this is what servicescapes are supposed to do, they will signal the quality and the position and also make this differentiation and the brand more strong. And the fourth is, facilitate the service encounter and enhance both service quality and productivity. So, this service environment will enhance both service quality, service quality from the viewpoint of the customers and productivity of the employees.

Because, you see that there is one important paradox that we will study later on somewhere that is service quality and productivity paradox which is peculiar in services, which is more important in services. So, the paradox is that, as the service quality increases, the productivity comes down. So now, the problem is that when service quality increases the customers are satisfied, but then the company's productivity comes down and vice versa. So now, we will be using servicescape in order to enhance both the service quality and productivity at the same time so that the company and the customer they are both benefited.

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**SHAPE CUSTOMERS' SERVICE EXPERIENCES AND BEHAVIORS**

- For organizations that deliver high-contact services, the design of the physical environment and the way in which tasks are performed by customer-contact personnel play a vital role in shaping the nature of customers' experiences.
- Physical surroundings help to "engineer" appropriate feelings and reactions in customers and employees, which in turn can help to build loyalty to the firm.



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Now, let us look at how it shapes customer service experience and the behaviour. For organizations that deliver high contact service (high contact service where the customers and employees they come together), the design of the physical environment and the way in which tasks are performed by customer contact personnel play a vital role in shaping the nature of the customer experience. So in this high contract services, the design of this physical environment and the way in which the task that is performed by the customer contact personnel, so that is important for building up the of the customer experience.

Physical surroundings help to engineer appropriate feelings and reactions in customers and employee which in turn will help build loyalty to the firm and it will also help employees to increase their productivity. So, these physical surroundings are to be engineered so that they come up with, they can elicit appropriate feelings and reactions in the customers and employees.

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**SHAPE CUSTOMERS' SERVICE EXPERIENCES AND BEHAVIORS**

- The environment and its accompanying atmosphere can affect buyer behavior in important ways.
- The design elements of the service environment can
  - make customers feel excited or relaxed,
  - help them find their way in complex servicescapes such as hospitals or airports, and
  - shape their quality perceptions and important outcomes such as buying behavior, satisfaction, and repeat purchase.



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The environment and its accompanying atmosphere can affect buyer behaviour in some important ways. So, the design element of the service environment can, first make customer feel excited and relaxed. So, that is the first and the foremost thing that this environment does, the servicescape does is to make customers feel relaxed. The second is to help them find their way in complex servicescape such as hospitals and airports. So, they will tell or it will make easier for the customers to know where to move, where to find what they are looking for. And the third is to shape their quality perceptions and important outcomes such as buying behaviour, satisfaction and repeat purchase. So, it is important for the customers to look at the servicescape because then it will affect the quality perceptions and their behaviour, satisfaction and repeat purchase.

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**SIGNAL QUALITY, AND POSITION, DIFFERENTIATE & STRENGTHEN THE BRAND**

- Services are often intangible and customers cannot assess their quality well. → *perceived risk* → *reducing*
- So customers use the service environment as an important quality proxy, and firms go to great lengths to signal quality and portray the desired image.
  - e.g., the reception area of successful professional service firms such as investment banks, where the décor and furnishings tend to be elegant and are designed to impress.

*Doctor's clinic*  
→ old furnitures  
→ dirty waiting area  
→ no proper ventilation  
→ *Competence of the doctor*

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Now, another thing that it does is, is to signal about service quality, positioning, differentiation and strengthening of the brand. Those services are often intangible and customers cannot assess their quality well. So, as you know that services are intangible so, customers are not able to evaluate the services before they purchase and experience the service. So, that is the biggest problem in the services therefore, customers use the service environment. Now, because of this, because of this first thing that the customer are not able to evaluate before they make this purchase therefore, the perceived risk in services is more vis-a-vis product that is customer find it more risky to make, to purchase services.

Now, how companies can reduce this risk? So, the customers they can use service environment as an important quality proxy. The service environment is seen as a proxy of the quality and the firms go to great lengths to signal quality and portray the desired image. So now, with this service environment when it is used as a proxy to quality, it will help the customers in reducing the perceived risk. So for example, the reception area of successful professional service firms such as investment banks, where the decor and furnishings tend to be elegant and are designed to impress. Now assume situation whereby you go to a doctor's clinic and you find some old furniture, the waiting area is dirty, there is no proper ventilation, then what impression you will get from this about that doctor? So, now this is being used, these things are being used to decide on the competence of this doctor.

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**SIGNAL QUALITY, AND POSITION, DIFFERENTIATE & STRENGTHEN THE BRAND**

- People, usually, infer higher merchandise quality if the goods are displayed in an environment with a prestigious image rather than in one that feels cheap.
- Consider *Figure (next slide)*, which shows the lobbies of the Generator Youth Hostel in London and The Fairmont Express in Victoria, British Columbia, Canada.
- These are two different types of hotels catering to two very different target segments.

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So, people usually infer higher merchandise quality if the goods are displayed in an environment with a prestigious image rather than one that feels cheap. Now, we will look at a figure that will come up in the next slide, which shows the lobbies of the Generator Youth Hostel in London and the Fairmount Express in Victoria, British Columbia, Canada. These are two different types of hotels catering to two very different target segments.

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**SIGNAL QUALITY, AND POSITION, DIFFERENTIATE & STRENGTHEN THE BRAND**



Each of these two servicescapes clearly communicates and reinforces each hotel's respective positioning and sets service expectations as guests arrive.

The Fairmont Express caters to a more mature, affluent, and prestigious clientele including business travelers.

The Generator caters to younger guests who love fun and have low budgets



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Now, let us look at this first. This is the Fairmont Express caters to more mature, affluent and prestigious clientele including business travellers. In the second, you see the generators cater to young guests who love fun and have low budgets. So each of these two servicescapes, clearly communicates and reinforces each hotel's respective positioning, and sets service

expectations as guests arrive. So now this servicescape give a different impression and this servicescapes obviously gives a different kind of impression.

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**SIGNAL QUALITY, AND POSITION, DIFFERENTIATE & STRENGTHEN THE BRAND**

- Services are often intangible and customers cannot assess their quality well. *→ perceived quality → branding*
- So customers use the service environment as an important quality proxy, and firms go to great lengths to signal quality and portray the desired image.
  - e.g., the reception area of successful professional service firms such as investment banks, where the décor and furnishings tend to be elegant and are designed to impress. *Doctors clinic  
→ old furnishings  
→ dirty worky area  
→ no proper ventilation*

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Servicescapes, often play an important role in building a service firms brand. For example, Apple is famous for its sleek design, and their shops are no exception. With their airy and minimalist interiors, white lighting, silver steel, and beige timber, Apple Stores create a bright, open and futuristic servicescapes that provide a carefree and casual atmosphere. The Apple stores' ability to deliver a consistent, differentiated and high quality service experience reinforces Apple's brand image and is consistent with the upmarket and high quality positioning of its product. Now, you see that Apple makes mobile phones and then you see mobile phones and tabs and and desktops, etcetera. So, now, the idea of of this discussion is that you see that how the stores, Apple stores are being used to reinforce the branding and differentiation of Apple.

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### CORE COMPONENT OF THE VALUE PROPOSITION

- The servicescape can even be a core component of a firm's value proposition.
- Consider how effectively many amusement parks use the servicescape concept to engineer their visitors' service experiences as they come to these parks to enjoy the environment and the rides.



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And then we have seen that servicescapes also act as core component of the value proposition. So now, let us see how this happens. The servicescape can even be a core component of the firm's value proposition. Consider how effectively many amusement parks use the servicescape concept to engineer their visitors' service experiences as they come to these parks to enjoy the environment and the rides.

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### CORE COMPONENT OF THE VALUE PROPOSITION

- The clean environment of Disneyland or the LEGOLAND® Windsor Resort (*Figure*), in addition to employees in colorful costumes all contribute to the sense of fun and excitement that visitors encounter upon arrival and throughout their visit.



→ fun, excitement

In LEGOLAND®, the servicescape is part of the value proposition



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Now look at this figure, the clean environment of Disneyland or the Legoland Windsor resort, which is shown here in the figure in addition to employees in colourful costumes all contribute to the sense of fun and excitement that visitors encounter upon arrival throughout their visit. So in this regard, in Legoland, the servicescape is part of the value proposition. So

now you see that here they are giving an impression of fun, excitement so, you see that employees they are living this brand, they are also dressed in a similar way and everything is very colourful and clean, so, that is adding to the value proposition.

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**FACILITATE THE SERVICE ENCOUNTER AND ENHANCE PRODUCTIVITY**

- Service environments are often designed to facilitate the service encounter and to increase productivity.
  - For example, childcare centers use toy outlines on walls and floors to show where toys should be placed after use.
  - In fast-food restaurants and school cafeterias, strategically located tray-return stands and notices on walls remind customers to return their trays.



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Then how does Servicescape facilitate the service encounter and enhance productivity. Service environment are often designed to facilitate the service encounter and to increase the productivity. For example, in childcare centres, they use toy outlines on walls and floors to show where toys could be placed after use. So these toys are made on the floor and then the children can put the toy there after they have played with it. In fast food restaurants and school cafeterias, strategically located tray-return stands and notices on walls remind customers to return their trays to a well-designed, well designated area so after eating and after completing their food, they can keep back the trays at a pre decided area.

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## FACILITATE THE SERVICE ENCOUNTER AND ENHANCE PRODUCTIVITY

- As shown in Bangalore Express Restaurant (*Figure*), environments can be designed to optimize the use of expensive rental space.



Bangalore Express City, a restaurant in the city of London, is designed to optimize expensive rental space



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Now, as shown in Bangalore Express restaurant that is shown here in the figure, environment can be designed to optimize the use of expensive rental space. Now, you see that obviously, in big cities the space is expensive and restaurant requires large spaces, so that people do not feel suffocated. So now, look at this slide and this shows how Bangalore Express restaurant is using the expensive rental space. So, this Bangalore Express city or restaurant in the city of London is designed to optimize expensive retail space. So obviously, in big cities and in capital cities, for example, London, the space is very expensive. So, how look at how they are using it, so there are these stairs and people can go up and sit there and then then people are sitting beneath underneath also.

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## THE THEORY BEHIND CONSUMER RESPONSES TO SERVICE ENVIRONMENTS

- *Feelings are a Key Driver of Customer Responses to Service Environments*
- Two important models help us better understand consumer responses to service environments.

**Mehrabian–Russell Stimulus–Response Model**

- our feelings are central to how we respond to different elements in the environment

**Russell’s Model of Affect**

- how we can better understand those feelings and their implications on response behaviors



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Let us study the theory behind consumer responses to service environment. So how do customers respond to the servicescape, to the service environment? So, feelings are a key driver of customer responses to service environment. Two important models help us better understand consumer responses to the service environment. So, now in order to understand how do customer respond to the service environment, so there we will be making use of these two models, so that makes our task easier. So, one is Mehrabian-Russell-Stimulus-Response model. So, our feelings are central to how we respond to different elements in the environment. The second one is the Russell's model of effect, how we can better understand those feelings and their implications on response behaviour. So, these are the two models that we will be talking about.

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**THE MEHRABIAN-RUSSELL STIMULUS-RESPONSE MODEL**

*Servicescape*      *Consumer*

- It is a simple yet fundamental model of how people respond to environments.
- The model holds that the conscious and unconscious perception and interpretation of the environment influences how people feel in that setting.
- People's feelings in turn drive their responses to that environment.

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Let us look at the first model, the Mehrabian-Russell-Stimulus-Response model. So, what happens is that, in this case this the servicescape is this stimulus and the responses are the consumers response, how do they respond? So, it is a simple yet fundamental model of how people respond to the environment. The model holds that the conscious and unconscious perception and interpretation of the environment influences how people feel in that settings. People's feeling, in turn drive their responses to that environment.

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### THE MEHRABIAN–RUSSELL STIMULUS–RESPONSE MODEL

- Feelings are central to the model, which posits that feelings, rather than perceptions or thoughts, drive behavior.
- Similar environments can lead to very different feelings and subsequent responses.

→ Feelings



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Now, feelings are central to this model, which posits that feelings rather than perceptions or thought they drive behaviour. So, now you see that in this model in this Mehrabian-Russell-Stimulus-Response, it is important to keep in mind that the feelings are central to this model and not the perceptions or thoughts. So, it is the assumption in this model that the feelings that will drive the behaviour rather than perceptions or thought. Similar environments can lead to a very different feelings and subsequent responses. So, the similar environment, these feelings may be different for different environments, while it may be different for the same environment and obviously, the subsequent responses will be different.

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### THE MEHRABIAN–RUSSELL STIMULUS–RESPONSE MODEL



Environmental Stimuli and Cognitive Processes

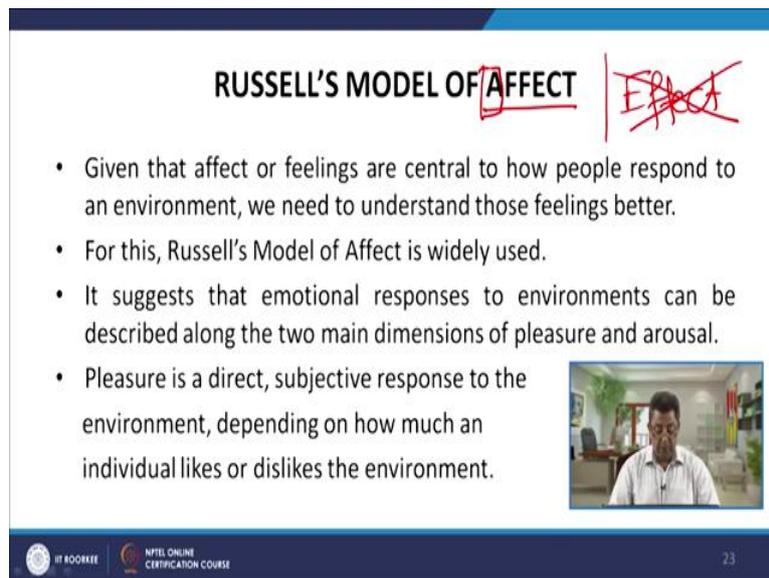
Affective Response: Pleasure and Arousal

Response Behavior: Approach or Avoidance (including Time and Money Spent) and Cognitive Processes (including Perception of Quality and Satisfaction)

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So, this is how it works. Now, you see that this is environmental stimuli and cognitive processes. So now, here you see a sitting space, a restaurant kind of place and there is lighting and so on so forth, this is outside and this is inside and then you see that response behaviour is approach or avoidance, including time and money spent. So, how much time you spend there, how much money you spend there, whether you want to stay there or you want to avoid that place and cognitive processes, including perceptions of quality and satisfaction. So, these are effective responses which come in two forms; pleasure and arousal.

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**RUSSELL'S MODEL OF AFFECT** | ~~EFFECT~~

- Given that affect or feelings are central to how people respond to an environment, we need to understand those feelings better.
- For this, Russell's Model of Affect is widely used.
- It suggests that emotional responses to environments can be described along the two main dimensions of pleasure and arousal.
- Pleasure is a direct, subjective response to the environment, depending on how much an individual likes or dislikes the environment.

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Another model is Russell's model of affect, given that affect or feeling are central. So, keep in mind that this is not about effect, so this is not what we are talking of, this is affect so, this 'A' is important here. Given that affect or feelings are central to how people respond to the environment, we need to understand those feelings better. And for this, Russell's model of affect is widely used to understand those feelings. It suggests that emotional responses to environments can be described along the two main dimensions of pleasure and arousal. So, these are the two main dimensions and then these two dimensions are used to describe the emotional responses. Pleasure is a direct subjective response to the environment, depending on how much an individual likes or dislikes the environment.

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### RUSSELL'S MODEL OF AFFECT

- Arousal refers to how stimulated the individual feels, ranging from deep sleep (lowest level of internal activity) to highest levels of adrenaline in the bloodstream, for example, when bungee-jumping (highest level of internal activity).



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Arousal refers to how stimulated the individual feel, ranging from deep sleep, lowest level of internal activity to highest levels of adrenaline in the bloodstream for example, when bungee jumping, highest level of internal activity. Now, you see that these are the two dimensions. Here we are talking of exciting, this is relaxing. So, now on this dimension we are talking about pleasant and unpleasant. On this dimension we are talking about arousing or sleeping so, now this shows boring, this is distressing.

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### RUSSELL'S MODEL OF AFFECT

- The arousal quality of an environment is much less subjective than its pleasure quality.
- Arousal quality depends largely on the information rate or load of an environment.
  - For example, environments are stimulating (i.e., have a high information rate) when they are complex, include motion or change, and have novel and surprising elements.
  - A relaxing environment with a low information rate has the opposite characteristics.



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The arousal quality of an environment is much less subjective than its pleasure quality. Arousal quality depends largely on the information rate or load of an environment. For example, environments are stimulating, have a high information rate when they are complex,

include motion or change and have novel and surprising elements. So, there can be a relaxing environment with a low information rate has the opposite characteristics.

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**THE SERVICESCAPE MODEL — AN INTEGRATIVE FRAMEWORK**

- Building on the basic models in environmental psychology, Mary Jo Bitner developed a comprehensive model that she named the "servicescape".

The main dimensions identified in service environments:

- ambient conditions,
- space/functionality, and
- signs, symbols and artifacts.



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Now, let us look at the servicescape model which is an integrative framework. So, building on the basic models in environment psychology, Mary Jo Bitner developed a comprehensive model that she named the servicescape and the main dimensions identified in the service environment. The first is ambient condition, the second is space functionality and the third is sign symbols and artefacts. So, these are the three main dimensions of this servicescape or the service environment and this framework is called as a servicescape framework or servicescape model.

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**THE SERVICESCAPE MODEL — AN INTEGRATIVE FRAMEWORK**

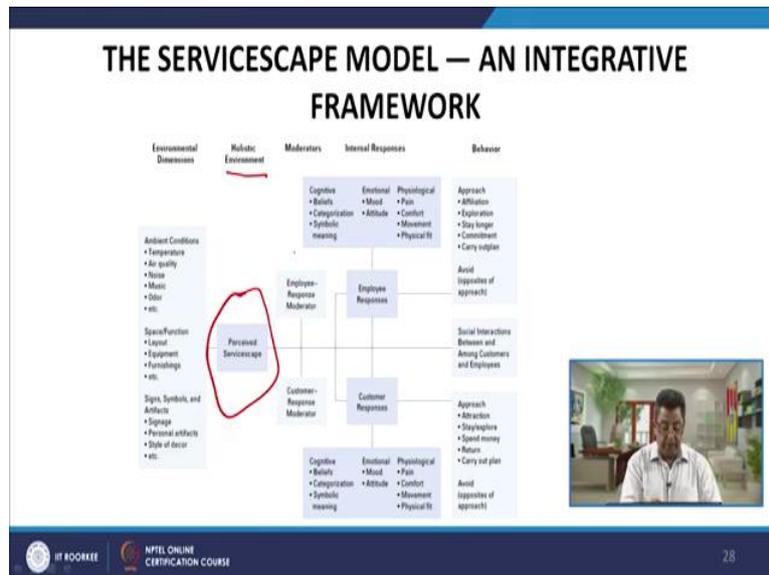
- As individuals tend to perceive these dimensions holistically, the key to effective design is how well each individual dimension fits together with everything else.



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As individual tend to perceive these dimensions holistically, the key to effective design is how well each individual dimension fits together with each other. So, when we are talking, we have to integrate these three dimensions and the key to this effective design is to fit these three dimensions together seamlessly with everything else.

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### THE SERVICESCAPE MODEL — AN INTEGRATIVE FRAMEWORK

- Building on the basic models in environmental psychology, Mary Jo Bitner developed a comprehensive model that she named the “servicescape”.

The main dimensions identified in service environments:

- ambient conditions,
- space/functionality, and
- signs, symbols and artifacts.




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Now, this is that model so, we will move from the left to right, on the left we have these environmental dimensions that we have talked about here. These are the three dimensions; environmental dimensions, the ambient conditions that include temperature, air quality, noise, music, odour, etcetera. Another dimension is space and function that includes layout, equipment, furnishing, etcetera. And the third is sign symbols and artefacts, signage, personal artefacts, style, of decor, etcetera.

Now, these three are to be integrated, so that they form this holistic environment and then it gives an holistic picture of this environment and that becomes a perceived servicescape. Now, you see that the three dimensions, the same three dimensions will elicit different kind of perceptions from different type of customers, so that is why we are talking of perceived servicescape. The moderators are the employees and the customers. So, how do employee response moderator and then the customer response moderator.

So, these are the two moderators and then we move on to this place and here we are now talking about the internal responses, what are the responses of the customers and the employees. Internal responses of the customers and then employees to the environmental dimensions, and we have the three environmental dimensions that we have just talked about. So, what are these three environmental dimensions, what kind of responses they invoke inside the customers.

So, again those three internal responses comes in three forms; cognitive, emotional and physiological. Cognitive includes belief, categorization and symbolic, meaning, emotions means moods and attitudes and physiological means pain, comfort, movement or physical fit. So now, the same three kind of responses will be from the employees and the same three kind of responses will be for the customers. And now, let us look at the extreme right hand side.

So, how it affects behaviour or what kind of behaviour people exhibit? So, the first is approach that includes affiliation, exploration, stay longer, communication, commitment and carrying out plan. Or another is avoidance, avoid that is opposite of approach and the same kind of thing happens for employees, and the same type of things happen for the customers. And now, then there comes a third thing that is the social interaction between the customers and the employees.

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## DIMENSIONS OF THE SERVICE ENVIRONMENT

- Service environments are complex and have many design elements.
- *Table (Next slide)* gives an overview of the design elements that might be encountered in a retail outlet.





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So, let us look at the dimensions of the servicescape environment. So, service environments are complex and have many design elements. So, in the next slide it will give an overview of the design elements that might be encountered in a retail outlet.

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## DIMENSIONS OF THE SERVICE ENVIRONMENT

Dimensions	Design Elements
<ul style="list-style-type: none"> <li>• Architectural style</li> <li>• Size of building</li> <li>• Color of building</li> <li>• Exterior walls and exterior signs</li> <li>• Storefront</li> <li>• Marquee</li> <li>• Lawns and gardens</li> </ul>	<ul style="list-style-type: none"> <li>• Window displays</li> <li>• Entrances</li> <li>• Visibility</li> <li>• Uniqueness</li> <li>• Surrounding stores</li> <li>• Surrounding areas</li> <li>• Competition</li> <li>• Parking and accessibility</li> </ul>
<ul style="list-style-type: none"> <li>• Flooring and carpeting</li> <li>• Color schemes</li> <li>• Lighting</li> <li>• Scents</li> <li>• Odors (e.g., tobacco smoke)</li> <li>• Sounds and music</li> <li>• Furnishings</li> <li>• Wall composition</li> <li>• Wall textures (paint, wallpaper)</li> <li>• Ceiling composition</li> </ul>	<ul style="list-style-type: none"> <li>• Temperature</li> <li>• Cleanliness</li> <li>• Width of aisles</li> <li>• Dressing facilities</li> <li>• Vertical transportation</li> <li>• Dead areas</li> <li>• Merchandise layout and displays</li> <li>• Price levels and displays</li> <li>• Cash register placement</li> <li>• Technology, modernization</li> </ul>
<ul style="list-style-type: none"> <li>• Allocation of floor space for selling merchandise, personnel, and customers</li> <li>• Placement of merchandise</li> <li>• Grouping of merchandise</li> <li>• Workstation placement</li> <li>• Placement of equipment</li> <li>• Placement of cash register</li> </ul>	<ul style="list-style-type: none"> <li>• Waiting areas</li> <li>• Traffic flow</li> <li>• Waiting queues</li> <li>• Furniture</li> <li>• Dead areas</li> <li>• Department locations</li> <li>• Arrangements within departments</li> </ul>
<ul style="list-style-type: none"> <li>• Point-of-purchase displays</li> <li>• Posters, signs, and cards</li> <li>• Pictures and artwork</li> <li>• Wall decorations</li> <li>• Theme setting</li> <li>• Escapable</li> </ul>	<ul style="list-style-type: none"> <li>• Racks and cases</li> <li>• Product display</li> <li>• Price display</li> <li>• Cut cases and dump bins</li> <li>• Mobiles</li> </ul>
<ul style="list-style-type: none"> <li>• Personnel characteristics</li> <li>• Employee uniforms</li> <li>• Crowding</li> </ul>	<ul style="list-style-type: none"> <li>• Customer characteristics</li> <li>• Privacy</li> <li>• Self-service</li> </ul>





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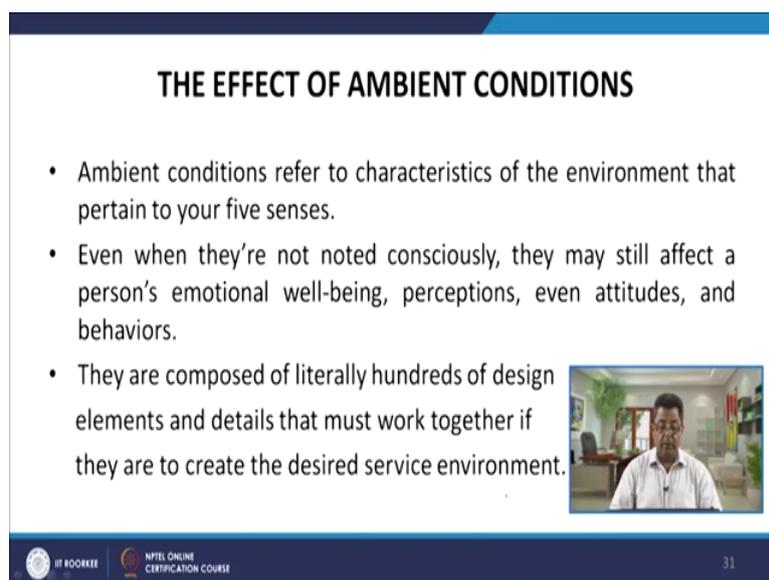
So, these are some design elements that you might encounter in a retail outlet. So, the dimensions are the external facilities, general interior, the store layout, interior displays and the social dimensions and then we have the design elements. So, let us look at this first box, we are talking of architectural style, the size of building, colour of building, exterior walls and exterior signs, storefront, marquee, lawn and gates. Another is the window display,

entrances, visibility, uniqueness, surrounding stores, surrounding areas, congestion, parking and accessibility.

The third box that is of general interiors that include flooring and carpeting, colour schemes, lighting, scents, odour, sounds and music fixtures, wall composition, wall textures and ceiling compositions. And it includes temperature, cleanliness, width of aisles, dressing facilities, vertical transportation, dead areas, merchandise layout and design, price levels and displays, cash register placement, technology and modernization. The third dimension is that of the store layout and we are talking about this fifth box. Allocation of floor space for selling, merchandise, personnel and customers, placement of merchandise, grouping of merchandise, workstation placement, placement of equipment and placement of cash registers.

And then the waiting areas, the traffic flows, waiting queues, furniture, dead areas, department locations, arrangement within the departments. The fourth dimension is interior displays, so the point of purchase display, posters, science and cards, pictures and artworks, wall decorations, theme setting and symbol so that is the seventh. The eighth is: racks and cases, product display, price display, cut cases and dumps bins and mobiles. The ninth one is that is, we are talking about the social dimension and we are in the ninth box so, that include personal characteristics, employee uniform and crowding. And in the tenth, we have the customer characteristics, privacy and self-service. So, these are the dimensions of the service environment.

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**THE EFFECT OF AMBIENT CONDITIONS**

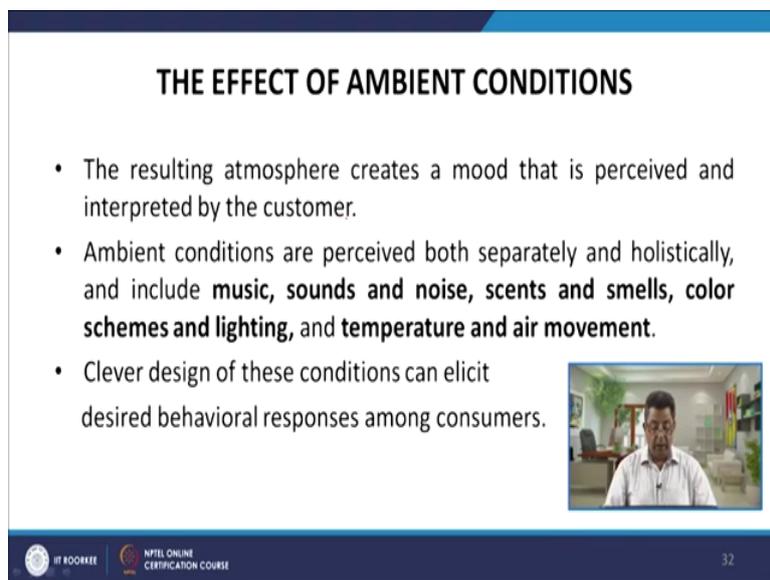
- Ambient conditions refer to characteristics of the environment that pertain to your five senses.
- Even when they're not noted consciously, they may still affect a person's emotional well-being, perceptions, even attitudes, and behaviors.
- They are composed of literally hundreds of design elements and details that must work together if they are to create the desired service environment.



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Now, let us look at the effect of ambient conditions. So, ambient conditions refers to characteristics of the environment that pertains to your five senses. So, those characteristics of the environment that affect the five senses, even when they are not noted consciously, they may still affect a person's emotion wellbeing, perceptions, even attitudes and behaviour. They are composed of literally hundreds of design elements and details that must work together if they are to create the desired service environment. So, now you see that how many elements of the servicescape they affect the customers. So there has to be an integrated and holistic view in designing those servicescapes.

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**THE EFFECT OF AMBIENT CONDITIONS**

- The resulting atmosphere creates a mood that is perceived and interpreted by the customer.
- Ambient conditions are perceived both separately and holistically, and include **music, sounds and noise, scents and smells, color schemes and lighting,** and **temperature and air movement.**
- Clever design of these conditions can elicit desired behavioral responses among consumers.



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The resulting atmosphere creates a mood that is perceived and interpreted by the customer. Ambient conditions are perceived both separately and holistically, separately and together and include music, sound and noise, scents and smells, colour schemes and lighting and temperature and air movement. Clever design of these conditions can elicit desired behavioural responses from the customers. So, all these things are to be so designed that they create a desired response among the customers.

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### THE EFFECT OF AMBIENT CONDITIONS - MUSIC

- **Music** can have powerful effects on perceptions and behaviors in service settings, even if played at barely audible volumes.
- The various structural characteristics of music such as tempo, volume, and harmony are perceived holistically, and their effect on internal and behavioral responses is moderated by respondent characteristics (e.g., younger people tend to like different music and therefore respond differently from older people to the same piece of music).



IT KOOBEE NPTEL ONLINE CERTIFICATION COURSE 33

How does music affect us? So music can have powerful effects on perceptions and behaviours in service settings even if played at barely audible volumes. The various structural characters of music such as the tempo, volume and harmony, are perceived holistically, and their effect on internal and behavioural responses is moderated by respondent's characteristics. For example, younger people tend to like different music and therefore respond differently from older people to the same piece of music.

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### THE EFFECT OF AMBIENT CONDITIONS - MUSIC

- Numerous research studies have found that fast tempo and high volume music increases arousal levels, which can then lead to customers increasing the pace of various behaviors.
  - A restaurant study conducted over eight weeks showed that the customers who dined in a slow-music environment spent longer in the restaurant than the individuals in a fast-music condition.
  - As a result, beverage revenue increased substantially when slow-beat music was played.
- People tend to adjust their pace, either voluntarily or involuntarily, to match tempo of music.

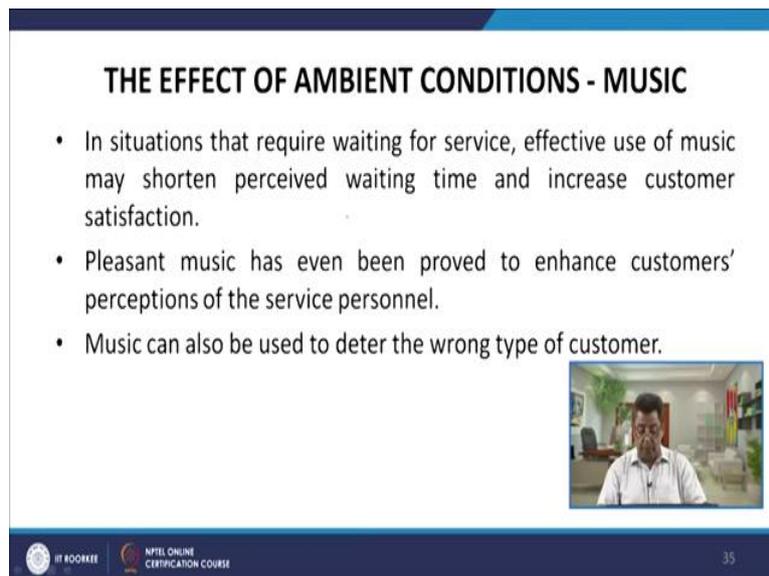


IT KOOBEE NPTEL ONLINE CERTIFICATION COURSE 34

Numerous research studies have found that fast tempo and high volume music increases arousal levels, which can then lead to customer increasing the pace of various behaviours. So, a restaurant study conducted over eight weeks showed that the customers who dined in a slow

music environment spent longer in the restaurant, then the individuals in the fast music conditions. So if the music is fast, then the customers' behaviour is fast, so they act fastly, while it is the reverse when we are talking about slow music, so as a result, beverage revenues increased substantially when slow beat music was played. People tend to adjust their pace, either voluntarily or involuntarily to match tempo of this music.

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**THE EFFECT OF AMBIENT CONDITIONS - MUSIC**

- In situations that require waiting for service, effective use of music may shorten perceived waiting time and increase customer satisfaction.
- Pleasant music has even been proved to enhance customers' perceptions of the service personnel.
- Music can also be used to deter the wrong type of customer.

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In situations that require waiting for service, effective use of music may shorten perceived waiting time and increase customer satisfaction. So, what we had talked about in the earlier modules was the effect of waiting so, people do not like waiting. So, now this effective use of music can be made so that the waiting periods are perceived to be smaller. Pleasant music has even more, even been proved to enhance customer perception of the service personnel. So, music can also be used to detect the wrong type of customers.

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### THE EFFECT OF AMBIENT CONDITIONS - SCENT

- Ambient scent or smell pervading an environment may or may not be consciously perceived by customers and is not related to any particular product.
- The presence of scent can have a strong impact on mood, feelings, and evaluations, and even purchase intentions and in-store behaviors.
  - We experience the power of smell when we are hungry and get a whiff of freshly baked cookies long before we pass a local bakery.
  - This smell makes us aware of our hunger and points us to the solution (i.e., walk into the bakery and get some food).





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What is the effect of the scent? Ambient scent or smell pervading an environment may or may not be consciously perceived by customers and is not related to any particular product. The presence of scent can have a strong impact on mood, feelings and evaluations and even purchase intentions and in store behaviour. For example, we experienced the power of a smell when we are hungry and get a whiff of freshly baked cookies long before we pass a local bakery. This is well makes us aware of our hunger and points us to the solution, walk into the bakery and get some food.

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### THE EFFECT OF AMBIENT CONDITIONS - SCENT

- Service firms have recognized the power of scent, and increasingly made it a part of their brand experience.
- Scents have special characteristics and can be used to solicit certain emotional, physiological, and behavioral responses.

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

Aromatherapy: The Effects of Selected Fragrances on People





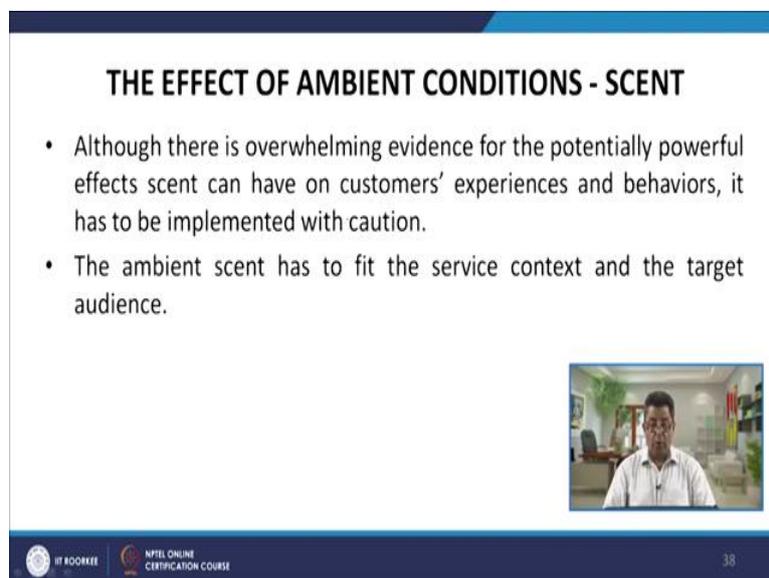
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Service firms have recognized the power of scent and increasingly made it a part of their brand experience. Scents have special characteristics and can be used to solicit certain

emotional, physiological and behavioural responses. So now we are using scent for these three types of responses; the emotional, physiological and behaviour. Let us look at what are the various types of fragrances and aroma types and how they affect people. So the first is Eucalyptus, the aroma type is Camphoraceous, aroma therapy class is toning and stimulating, the traditional use have been in deodorant, antiseptic and soothing agents and it stimulates and energizes.

Another type of fragrance is lavender that is Herbaceous, aroma therapy class, it belongs to the aroma therapy class of calming, balancing and soothing. It has traditionally been used as muscle reluctant, soothing agent and astringent and the psychological effect on people is relaxing and calming. The third type of fragrance is lemon, and the aroma type is Citrus and it belongs to energizing or uplifting aroma therapy class, the traditional use have been in antiseptic and as a soothing agent and the potential psychological effect on people is soothing energy levels. The fourth type of fragrance is Black pepper and the aroma type is spicy, the aroma therapy class is balancing and soothing. They are traditionally been used as muscle relaxant and aphrodisiac and it balances peoples' emotions. So, these are the effects of selected fragrances on people.

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**THE EFFECT OF AMBIENT CONDITIONS - SCENT**

- Although there is overwhelming evidence for the potentially powerful effects scent can have on customers' experiences and behaviors, it has to be implemented with caution.
- The ambient scent has to fit the service context and the target audience.

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Although there is overwhelming evidence for the potentially powerful effect scent can have on customer experience and behaviour, it has to be implemented with caution. The ambient scent has to fit the service context and the target audience. It is not that you keep on changing the scent, and then the quantity of the scent or the smell is also important.

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### THE EFFECT OF AMBIENT CONDITIONS - COLORS

- Researchers have found that **colors** have a strong impact on people's feelings.
- Color is stimulating, calming, expressive, disturbing, impressionable, cultural, exuberant, symbolic.
- *Hue* is the pigment of the color; *value* is the degree of lightness or darkness of the color; *chroma* refers to hue intensity, saturation, or brilliance.



IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 39

Now let us look at the effect of colours. Researchers have found that colours have a strong impact on people feelings. Colour is stimulating, calming, expressive, disturbing, impressionable, cultural, exuberant and symbolic. Hue is the pigment of colour; value is the degree of lightness or darkness of the colour. Chroma refers to hue intensity, saturation or brilliance.

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### THE EFFECT OF AMBIENT CONDITIONS - COLORS

- Warm colors encourage fast decision-making and are best suited for low-involvement service purchase decisions or impulsive buying.
- Cool colors are favored when consumers need time to make high-involvement purchase decision.

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

Common Associations and Human Responses to Colors



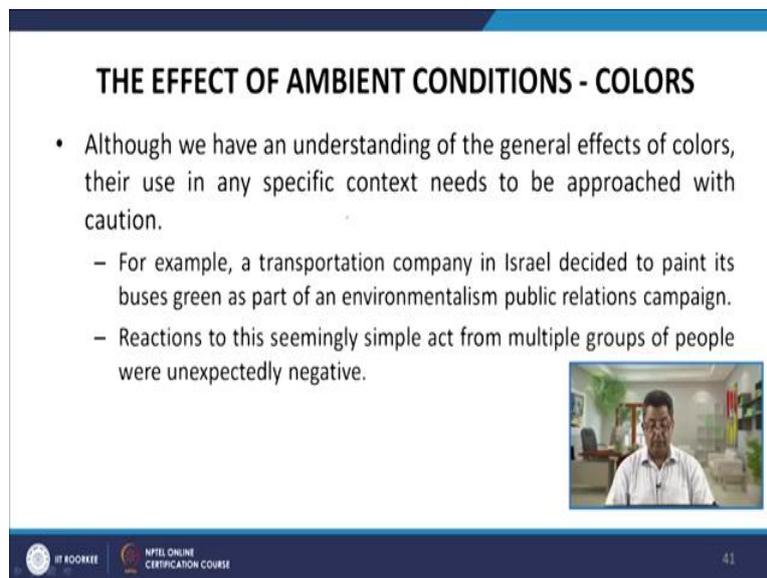
IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 40

Warm colours encourage fast decision making and are best suited for low involvement service purchase decisions or impulsive buying. So warm colours goes with impulsive buying. Cool colours are favoured when customers need time to make high involvement purchase decisions. So warm colour for low involvement and cool colours for high involvement. Now,

let us look at some common associations and human responses to colour. Red colour, the degree of warmth is warm, natural symbol is the earth and the common association and human responses to colour, it is high energy and passion, can excite and stimulate emotions, expressions and warmth.

Orange, the degree of warmth is warmest, the natural symbol is sunset and it is commonly associated with emotions, expressions and warmth, then we have yellow the degree of warmth is warm and the natural symbol is sun and it is commonly associated with optimism, clarity, intellect and mood enhancing. Then the green, the degree of warmth is cool. The natural symbol is growth, grass and trees and it is commonly associated with nurturing, healing and unconditional love. Blue is coolest and the natural symbol are the sky and ocean and it gives us relaxing, serene and loyal responses. Indigo is cool, the natural symbol is sunset, and it represents meditation and spirituality. While violet is cool, the natural symbol is obviously the violet flower and it represents the spirituality, reduces stress, can create an inner feeling of calm.

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**THE EFFECT OF AMBIENT CONDITIONS - COLORS**

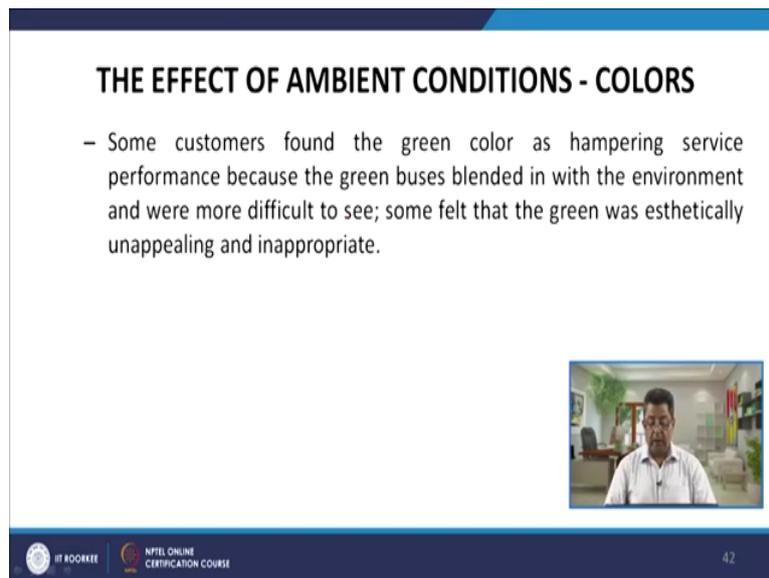
- Although we have an understanding of the general effects of colors, their use in any specific context needs to be approached with caution.
  - For example, a transportation company in Israel decided to paint its buses green as part of an environmentalism public relations campaign.
  - Reactions to this seemingly simple act from multiple groups of people were unexpectedly negative.



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Although we have an understanding of the general effect of colours, their use in any specific context needs to be approached with caution. For example, a transportation company in Israel decided to paint its buses green as part of an environmentally public relation campaign. Reactions to this seemingly simple act from multiple group of people were unexpectedly negative.

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**THE EFFECT OF AMBIENT CONDITIONS - COLORS**

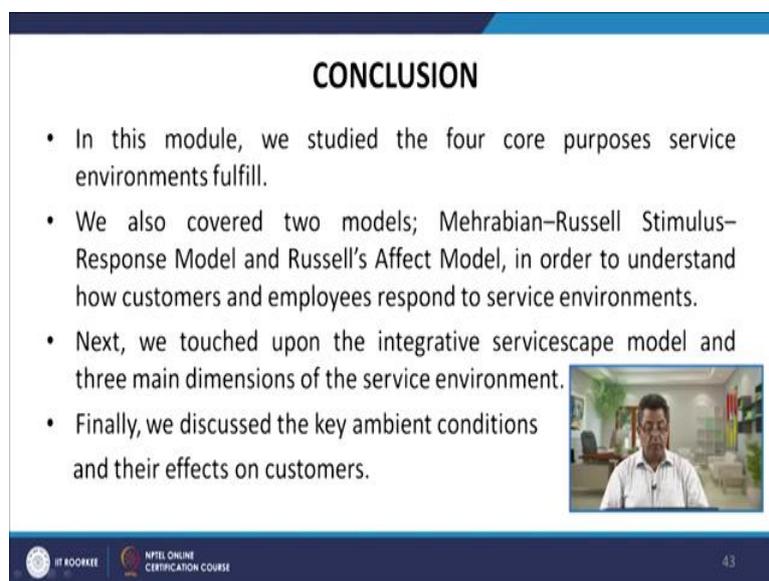
- Some customers found the green color as hampering service performance because the green buses blended in with the environment and were more difficult to see; some felt that the green was esthetically unappealing and inappropriate.



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So some customers found the green colour as hampering service performance because the green buses blended in with the environment and were more difficult to see. Some felt that the green was aesthetically unappealing and inappropriate.

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**CONCLUSION**

- In this module, we studied the four core purposes service environments fulfill.
- We also covered two models; Mehrabian–Russell Stimulus–Response Model and Russell’s Affect Model, in order to understand how customers and employees respond to service environments.
- Next, we touched upon the integrative servicescape model and three main dimensions of the service environment.
- Finally, we discussed the key ambient conditions and their effects on customers.



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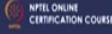
So to conclude this module, in this module we have studied the four core purposes service environment fulfils. We have also covered the two models, Mehrabian-Russell stimulus-response model and Russell's Affect model, in order to understand how customers and employees respond to the service environment. Next we touched upon the integrative service servicescape model and three main dimensions of the service environment. And then finally, we have discussed the key ambient conditions and their effect on customers.

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These are the three books from which the material for this module was taken. Thank you.