



Effect of servicescape on customer behavioral intentions: Moderating roles of service climate and employee engagement



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ABSTRACT

Although customer experience and employee behavior are essential to a company's success, few hospitality field studies have used the service marketing triangle model to empirically examine service climate and employee engagement as firm-level moderators of the individual-level stimulus (servicescape)–organism (customer emotions)–response (behavioral intentions) relationship. Data were collected from customers, managerial employees, and employees of hot spring resorts. To account for nesting effects, hierarchical linear modeling tested hypothesized relationships among variables. The results show employee behaviors contribute to service delivery and clarify *why* (cross-level moderation of service climate and employee engagement at the firm level) and *how* (perceived servicescape and customer emotions at the individual level) of their interactions crucially influence customer consumption experiences in a service firm. The study extends the S–O–R by demonstrating outcome variables are not limited to individual-level effects, as environmental characteristics (firm-level explanatory variables) are also major considerations.

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1. Introduction

Services, measured by GDP, currently outperform manufacturing in many economies, inspiring environmental psychology and marketing researchers to clarify how physical environment influences customer service experiences (Mari and Poggesi, 2013). Servicescapes (Bitner, 1992) help researchers understand the physical environment's role in consumer service evaluations, which is important in leisure service settings (Wakefield and Blodgett, 1994) and more important in hedonically motivated services (Reimer and Kuehn, 2005), such as in the hospitality industry (Lin, 2004).

In marketing, a *servicescape* is defined as the landscape where services are experienced (Bitner, 1992). This term has been used to describe the service setting's physical aspects contributing to customers' overall physical perception of the experience (Ford et al., 2012). Therefore, suitably designed servicescapes manifest as tasteful tangible facilities – appealing interior designs, comfortable lighting and sounds, and unique fragrances – inviting consumers into constructed atmospheres satisfying needs and expectations (Reimer and Kuehn, 2005). Researchers have applied the stimulus–organism–response (S–O–R) paradigm (Donovan and

Rossiter, 1982; Mehrabian and Russell, 1974) to understand the benefits associated with servicescapes. For example, in the hospitality field, servicescapes directly affect customer emotions and produce predictable customer behavioral intentions (e.g., Jani and Han, 2015; Lin and Mattila, 2010).

Although Bitner (1992) primarily focused on servicescapes' physical characteristics, Arnould et al. (1998) noted that both substantive (functional clues) and communicative (human clues) stagings of the servicescape influence customer experiences. Thus, service environments should be examined in terms of physical aspects and social interactions between customers and employees, as these affect the overall atmosphere (Nilsson and Ballantyne, 2014). There are concerns about service employees' role in the servicescape, corresponding to the service profit chain concept (Heskett et al., 1994), suggesting there are critical relations among employee attitudes, customer satisfaction and, ultimately, organizational profits.

Research on service employees' role in the S–O–R relationship primarily examines the impact of service employee performance on customers at the individual level (e.g., Dong and Siu, 2013; Lin and Mattila, 2010). This explains the *how* but ignores the *why*, which together are the underlying reasons that service employees treat customers differently at the firm level. That is, when service profit chains exposes the importance of service employees in influencing customer behaviors, employee behaviors can be

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examined at the level of direct interactions with customers (the *how*, at the individual level), and at the level that observes their reasons for the interaction behaviors (the *why*, at the firm level). The latter includes organizations' environmental characteristics (e.g., service climate and employee engagement), which are collective and shared phenomena experienced by employees nested in work groups which in turn are nested in functions, nested within organizations (Salanova et al., 2005). The present study clarifies whether S–O–R relationships between individual-level variables (i.e., perceived servicescape, customer emotions, and behavioral intentions) change as a function of higher-level moderator variables (i.e., service climate and employee engagement), reflecting a cross-level interaction effect (Kozlowski and Klein, 2000).

Individual-level S–O–R relationships and firm-level environmental characteristics can be synthesized with the service marketing triangle model (Bitner, 1995; Zeithaml and Bitner, 2003). At the bottom of the model, interactive marketing corresponds to individual-level S–O–R relationships, while internal and external marketing at the model's sides correspond to firm-level environmental characteristics. Thus, this study incorporates firm-level variables, like service climate and employee engagement (Salanova et al., 2005), with internal and external marketing to clarify their effects on individual-level relationships of the servicescape, emotional reactions, and behavioral responses.

Wieseke et al. (2008) noted marketing researchers tend to emphasize either micro- or macro-level perspectives without recognizing interactions between the levels or the importance of multilevel approaches in marketing and management research. Thus, multilevel research is needed to provide practitioners a more accurate account of the organizational level to facilitate performance improvement. In the hospitality field, empirical research is lacking on cross-level effects of service climate and employee engagement on individual-level relationships among the servicescape, emotional reactions, and behavioral responses. Accordingly, this study applies an integrated model for preliminary investigation using hot spring resorts as the case example. To address different units of analysis at individual and firm levels across organizations, it employs hierarchical linear modeling (HLM) for a cross-level analysis. The results provide practical suggestions for hot spring managers to help them build a service advantage through improved servicescapes and employee behaviors.

2. Research model and hypotheses

2.1. Conceptual model

This study (see Fig. 1) is based on the service marketing triangle model with corresponding service promises at the firm level (Bitner, 1995; Zeithaml and Bitner, 2003). The S–O–R relationship is also included at the individual level (Bitner, 1992; Mehrabian and Russell, 1974). In this model, employee behaviors from internal and external marketing perspectives are treated as firm-level variables to explore individual-level effects on interactive marketing variables.

Internal marketing activities are crucial for *enabling promises*. Promises are easy to make, but won't be fulfilled unless employees are recruited, trained, provided with tools and appropriate internal systems, and rewarded for good service (Bitner, 1995). Thus, the service climate reflects employees' shared perceptions and use of policies, practices, and procedures that reward, support, and expect customer service (Schneider et al., 2002), represents the spirit of internal marketing activity.

External marketing activities also seek to *make promises* of expectations and delivery to customers (Bitner, 1995), and reliability in marketing is only fulfilled when promises are delivered (Zeithaml

and Bitner, 2003). Employee engagement, meaning employees have high energy levels, enthusiasm, helpful and service-oriented behaviors, and innovative behaviors to improve service quality (Slåtten and Mehmetoglu, 2011), reflects external marketing in practice.

The S–O–R relationship (Mehrabian and Russell, 1974) clarifies the relation between servicescape, emotions, and customer behavior (Bitner, 1992) in response to interactive marketing activities within the service marketing triangle model. Thus, the S–O–R relationship is an *interactive marketing* activity through which a firm fulfills promises to customers. When the service is produced, consumed, and satisfies the customer's expectations, the promise is fulfilled (Bitner, 1995). Bitner (1992) proposed that an individual's response often depends on situational factors (e.g., service climate and employee engagement) affecting an individual's expectations of and feelings about an environment. Consequently, customers experience *how*, at the individual level, and *why*, at the firm level, employees deliver services. Then, they positively report their emotional responses and behavioral intentions.

The conceptual model's key constructs are reviewed and proposed relationships are discussed below.

2.2. Servicescape

Bitner (1992, p. 58) describes servicescape as "the built environment (i.e., manmade, physical surroundings rather than natural or social environment) affecting consumers and employees in service organizations." Wakefield and Blodgett (1994) argued that in leisure services (e.g., upscale restaurants or resorts) where consumers spend longer periods, the servicescape is more likely to influence attitudes toward service provision. Thus, service providers should recognize its important role in marketing strategies.

Leisure-related services are often associated with the natural environment. Fredman et al. (2012) proposed a two-dimensional nature-based servicescape model (naturalness vs. facilities and open access vs. exclusive rights) to help researchers further understand human-nature relationships in a servicescape. Natural environments, like forests, mountains, and rivers, are important for service providers in the nature-facilities continuum. However, facilities with cabins and sports facilities may be more important for activities such as hunting and fishing (Fredman et al., 2012). Therefore, on the nature-facilities continuum, service providers' dependence on natural or constructed environments reflects the demand side of customers' activity preferences. For example, although hot spring resorts are mostly in natural hot spring areas, customers demand more from facilities when they want to enjoy hot spring baths and spa-related activities; the natural setting is incidental or plays a subordinate role (Valentine, 1992).

Bagozzi (1975) proposed that most marketplace exchanges are mixed, including tangible and intangible entities, in which consumers fulfill both utilitarian and social and psychological needs. Thus, in addition to physical stimuli, social stimuli, like interactions with employees, influence customer service experiences (Bitner, 1992; Nilsson and Ballantyne, 2014; Rosenbaum and Massiah, 2011). Accordingly, the present study explores effects of substantive and communicative stagings in servicescapes (Arnould et al., 1998; Dong and Siu, 2013) on customer emotions.

2.3. Customer emotions

Service environments are key to service delivery because they can foster pleasant emotional reactions (Bitner, 1992). Consumption experiences, specifically for hedonic products/services, reflect utilitarian values as well as the pleasure derived from the consumption process (Jani and Han, 2015). Emotions are "positive or

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