CHAPTER V
RESEARCH MODEL AND HYPOTHESIS DEVELOPMENT

5.1. Introduction

This chapter starts with a discussion of the development of Seven hypothesis proposed for the present study followed by enlargement of the research framework. The testing of these seven hypotheses addresses six research objectives of this study. Each hypothesis and the rationale behind it, is discussed briefly in this chapter.

5.2. Hypothesis Development

There are seven hypothesis formulated in this study; all hypothesis have been formulated to test each of the paths in the research model. First hypothesis tests the relationship between Servicescape and overall consumer satisfaction. The last hypothesis tests whether servicescape is able to fill the gap between consumer expectation and the actual service they receive in the restaurant. The development of the Hypothesis is discussed in the following subsections.

5.2.1. Hypothesis related to research objective 1

Research objective 1: To indentify the relationship between the attributes of Servicescape (Ambient conditions, Spatial layout and
functionality, Sign, Symbol and Artifacts) and overall consumer satisfaction.

Researchers are facing the challenge to develop industry-specific and cultural specific but a commercially viable model for restaurant service. When investigating the dimensional structures of restaurant service and its components, restaurant service quality and ambiance (physical environment or Servicescape) emerged as two of the important aspects besides food which needs to be reviewed and explored. In the current study, researcher has explored Servicescape and its elements by using the literature review, focus group discussions and depth interviews specifically for restaurant patrons in Upscale and Midscale restaurants of Northern India. The relationship between food and restaurants’ consumer satisfaction has been discussed and explored in various studies but in the present study, the researcher has tried to explore the relationship between consumer satisfaction and Servicescape i.e. physical environment of the Upscale and Midscale restaurant. However, previous studies have supported the idea that Servicescape affects consumer satisfaction in different service setting. This study has been undertaken in the purview of Indian context and presents a relationship between restaurant Servicescape and consumer satisfaction.

5.2.1.1. Servicescape

Traditionally, an individual outcome from restaurant service is satisfaction or dissatisfaction and food is the only measurable element at which the outcome depends. But in the past few years the whole concept
of food service industry is undergoing a drastic change. Food is still a core offering of restaurant service but the environment in which it is served is a matter of discussion among researchers and practitioners of hospitality, food service, behavioral science, marketing and food retailing. Food is preferably consumed in hygienic and healthy dining environment. Gustafsson, Öström, Johansson, & Mossberg, (2006) said that meals are always consumed in a room. They said a room can be a cafeteria in a hospital, a canteen in a school or a dining room in a restaurant (Gustafsson et al., 2006). Whatever dining place it is, its cleanliness, location and ambiance etc. cannot be ignored. In this study, the dining area of an Upscale or Midscale restaurant is considered as room. Researchers (Baker, 1987; Bitner, 1992; Brady & Cronin, 2001; Gustafsson et al., 2006; Rust & Oliver, 1994; Wakefield & Blodgett, 1996) found that the physical or “built” environment influenced customer service evaluations and agreed that the quality of the physical environment was an important aspect during service assessment by customers. Bitner (1992), for example, found that the surrounding environment had a significant influence on perceptions of the overall quality of the service encounter. Based on the foodservice literature reviewed in chapter 2 and 3, the following elements have been identified important for the quality of physical environment:

a) Restaurant Ambience (Bitner, 1992; Caldwell & Hibbert, 2002; Raajpoot, 2002);

b) Facility Aesthetics (Kim, Lee, et al., 2006; Ryu, 2005; Wakefield & Blodgett, 1996);
c) Layout and Design (Bitner, 1992; Kim et al., 2009; Koutroumanis, 2005; Stevens et al., 1995; Yüksel & Yüksel, 2002)

d) Menu Design (Kivelä, Inbakaran, et al., 1999; Raajpoot, 2002; Stevens et al., 1995);

e) Table Setting (Raajpoot, 2002; Ryu & Jang, 2007); and

f) Restaurant Cleanliness (Cadotte & Turgeon, 1988; Shao, Baker, & Wagner, 2004; Stevens et al., 1995; Wakefield & Blodgett, 1996).

Thus, the first hypothesis is formulated as:

**H1: There is a significant positive relationship between Servicescape elements and overall consumer satisfaction.**

### 5.2.2. Hypothesis related to research objective 2

**Research objective 2:** To explore the use of Servicescape as a competitive tool for restaurant industry.

Physical environment or servicescape is playing a vital role not only in designing better restaurant service experience but it also influence consumers’ choice of restaurant. No doubt, food quality is the most important criteria for selecting a fine dining restaurant but dining experience at Upscale and Midscale restaurant is not only about food. High end dining experience is the actual need of the consumers. From parking to convenient location of the restaurant are some of the important attributes which cannot be ignored while designing a fine dining service.
Based on literature (discussed in chapter 2, 3 and 4) on role of servicescape in competing the fine dining restaurant industry, second hypothesis is formulated.

**H2: Servicescape factors positively influence consumer’s choice of restaurant.**

### 5.2.3. Hypothesis related to research objective 3

**Research objective 3: To study the effect of servicescape in the overall assessment of restaurant service.**

Baker (1987), Bitner (1992), Brady and Cronin (2001), Gustafsson et al. (2006), Rust and Oliver (1994) and Wakefield and Blodgett (1996) are some of the researchers who supported the fact that the physical environment influenced customer service evaluations. They also agreed that the quality of physical environment is an important aspect during service assessment by customers. Restaurants’ overall assessment is largely based on food quality and service quality but physical environment is another important component of restaurants’ service. When consumers experience with restaurant service components, they assess each component individually. If they do not find these components upto their expectation, their satisfaction level may affect. Researchers termed these individual assessments as transaction and satisfaction as transactional satisfaction. Consumers overall assessment is the sum total of these individual components assessment. Servicescape may help in improving the transactional assessment and in improving the result of overall assessment.
On the basis of these presumptions the next hypothesis is formulated.

**H3: Servicescape factors have a positive impact on the overall assessment of restaurant service.**

**5.2.4. Hypothesis related to research objective 4**

**Research objective 4:** To determine how the attributes of Servicescape (Ambient conditions, spatial layout and functionality, sign, symbol and artifacts) influence consumer’s behavioral outcome i.e. revisit intention and word of mouth endorsements.

Generally Servicescape elements are classified in 4-5 categories including ambient conditions, spatial layout and functionality, signs, symbols and artifacts. These categories further have subcategories which we call as Servicescape elements. Whether these Servicescape elements have positive or negative influence on the attitudinal and behavioral dimension of the consumer is the fourth objective of the study. The two key outcomes of consumers’ attitudinal and behavioral dimension are WoM (Word of mouth communication) and revisit or repurchase intentions which are considered important to measure the effect of Servicescape in Upscale and Midscale restaurants. It is pertinent to note that WoM and revisit or repurchase intentions are basically the outcome of consumer satisfaction considering that satisfaction is what a consumer seeks from the restaurant service.

Physical environment plays an important role in determining the attitude and behavior. Bitner (1992) examined the study of Mehrabian and
Russell (1974) and said that Approach-Avoidance behavior is the outcome of physical environment i.e. Servicescape. In Midscale and Upscale restaurant, consumers spent substantial good time and encounter various intangible elements (which are the part of restaurant’s Servicescape) that may affect their behavior positively or negatively. Therefore, customer satisfaction is the outcome of Servicescape and word of mouth communication is the result of satisfaction.

5.2.4.1. Revisit or Repurchase intentions

Customers revisit or repurchase on any destination is based on the satisfaction level of their earlier visit. This is where consumer delight is one step ahead of consumer satisfaction. In an Upscale and Midscale restaurant service, customers seek to cherish the luxurious experience along with tasty dishes which is not possible without Servicescape elements. Whether these elements have a positive impact on repurchase intentions or not, is the next basis of hypothesis of the study.

Servicescape leads to consumer satisfaction which enhances the chance of repurchase or revisit intentions. Wong and Sohal (2003, p.248) in their study found that the “positive critical incidents foster customer satisfaction, customer loyalty and repurchase intentions while negative critical incidents affected customer behaviour and led to customer complaints, reduced willingness to patronize the retail firm and to the spread of negative word of mouth behaviour.” Servicescape and service quality are the two sides of a coin. In general, Servicescape elements are used to maintain service quality. On this presumption whether this study
supports the fact that the service quality factors influence customer satisfaction or not the proposed hypothesis was framed. Some of the service quality factors like cleanliness, parking, ambiance, location etc. were used to predict the likelihood of increased repurchase intentions and word-of-mouth endorsements. Anderson and Sullivan (1993) believed that the customer satisfaction positively influenced repurchase intentions. Since this is measuring the impact of Servicescape on consumer satisfaction in Indian context, the study, however in other geographic areas supports that the Servicescape or physical environment has a positive impact on consumer satisfaction. Repurchase intentions is considered a possible outcome of customer loyalty. Oliver, Rust and Varki (1997) found that the positive emotion led to higher levels of customer satisfaction and increased the repurchase intentions. Servicescape or physical environment is an important component of restaurant service. Marketing works on the concept of value for money. In Upscale and Midscale restaurants, listed menu prices are comparatively high or they charge premium prices. Environment is the differentiator which changes the customer’s perception about these restaurants. Studies have shown that the perceived value has a strong and significant impact on customer satisfaction which in turn, affects repurchase intentions (Chen, 2008; Cronin et al., 2000; McDougall & Levesque, 2000; Patterson & Spreng, 1997; Soriano, 2002). For example, Cronin et al. (2000) suggested that the service value is directly related to satisfaction and found a positive significant effect on six industries (spectator sports, participative sports, entertainment, health care, long distance carriers and fast food restaurants). Servicescape factors like
ambient, layout and functionality, sign, symbols and artifacts, parking, etc. affects the outcome quality, also known as technical quality, is what restaurant patrons receive after the service delivery and buyer-seller interactions are completed (Brady & Cronin, 2001; Grönroos, 1984). Brady and Cronin (2001) stresses that there was a consensus in the literature that the customers’ perception of outcome quality have an impact on customers’ overall perceptions of service quality (McDougall & Levesque, 1994; Powpaka, 1996; Rust & Oliver, 1994).

Based on the above factors, fourth hypothesis is formulated as:

**H4: There is a positive relationship between the Servicescape factors and revisit intention.**

**5.2.4.2. Servicescape factors and WoM (Word of mouth endorsements)**

It is believed that satisfied consumers often do publicity (WoM) of restaurants which is the most powerful communication tool than what the restaurant does to promote itself. Besides the quality of the food, restaurant location, ambiance, dining facilities, ethnic looks and other Servicescape elements are important for the word of mouth communication. The Research has shown that the extent to which the service encounter is perceived to be satisfying or dissatisfying may have an impact on the patron’s holistic evaluation of the business (Lovelock 1991; Zeithaml 1981), word-of-mouth (Haywood 1989) and repeat patronage (Martin and Pranter 1989). Servicescape enhances the quality of the restaurant experience. Favourable service experiences may engage
customers in positive word-of-mouth, thus attracting new customers. Another study worth mentioning was conducted by Wong and Sohal (2003, p.248) who found that the “positive critical incidents foster customer satisfaction, customer loyalty and repurchase intentions while negative critical incidents affected customer behaviour and led to customer complaints, reduced willingness to patronize the retail firm and to the spread of negative word of mouth behaviour.

Oh and Parks (1997) also supported the positive relationship between satisfaction, repurchase intention and word-of-mouth. Therefore, researchers have noted that in a competitive service business environment, managers should understand their customers and provide services that increase their ability to attract new customers and to win the loyalty of existing customers as well as increasing the positive word-of-mouth effect (Boulding, Kalra et al., 1993; Berkman, Lindquist et al., 1997; Joseph, Brady et al., 2000; Walter, Edvardsson et al., 2010).

Namkung and Jang (2007) said that the practical consideration of customers’ post purchase behavioral intention, such as a revisit or word of mouth, is essential to the success of business.

Zeithaml (1981) noted that the restaurant meals were considered to be high in experience qualities as they could not be evaluated prior to the purchase. The risk of selecting the restaurant was therefore perceived to be high. For this reason, consumers primarily relied on personal sources like word-of-mouth from friends as their source of information for
restaurant attributes (Ladhari, Brun, & Morales, 2008; Sweeney, Johnson, & Armstrong, 1992).

Sweeney et. al., (1992) said that the word-of-mouth (WoM) is a critical source of information for a restaurant service if uncertainty and risk are perceived to be high. The importance of word-of-mouth for service firms has been well established in the marketing literature. Marketing communications including word-of-mouth, advertising and promotion was found to be a significant factor influencing customer loyalty for international restaurants in Saudi Arabia (Tunsi, 2000).

Additionally, positive publicity can create a positive image for a restaurant and thus may be used as another effective marketing communication tool (J. Miller, 1993). It is estimated that nearly one half of American businesses are built upon this informal communication “word-of-mouth” (Gitomer, 1998; Reck, 1991). Customer retention is increasingly being seen as an important managerial issue (Ahmad & Buttle, 1999). Improvement in customer retention by even a few percentage points can increase profits by 25% or more (Griffin, 1995). Reichheld (1996, 2001) said that 5% increase in customer retention yields 75% increase in net present value. Bitner (1990) confirmed that the word-of-mouth becomes more positive as satisfaction increases. Zenithal et. al. (1993) indicated that the repeated dining and positive word of mouth is a result of the customer satisfaction with the service provider. Cacippo (2000) concluded that the 5% increase in customer loyalty increases profits by 25%. A very satisfied customer is nearly 6 times more likely to
be loyal and recommend the restaurant service than a *normally satisfied* customer.

Based on the above literature support on satisfaction and the word of mouth, fifth hypothesis is formulated:

**H5: There is a positive relationship between Servicescape factors and word-of-mouth endorsements.**

### 5.2.5. Hypothesis related to research objective 5

**Research objective 5: To analyse the effect of servicescape on consumer’s willingness to pay premium for the service.**

Managing and maintaining Servicescape is a costly business. Consumers enjoy various elements of Servicescape such as high quality comfortable furniture, luxurious carpets, decorated walls and floors but whether they are willing to pay a premium for the services which delight them is still an unsolved puzzle for the management. Since there is a lot of cost incurred in maintaining these high end Servicescape elements; the management is seeking the scope of charging a premium on such service. At the customer’s end, dining in an Upscale and Midscale restaurant is already costly because of heavy taxes on these services and consumers are actually not getting the equal value of the amount they pay. In such circumstances, managing the cost of service becomes very difficult.

On the basis of the above discussion and literature explored on the above topic, the next hypothesis is formulated as:
H6: Servicescape factors positively influence consumer’s willingness to pay premium for the restaurant service

5.2.6. Hypothesis related to research objective 6

**Research objective 6:** To study the effect of servicescape in closing gaps of service quality i.e. the gap between consumer expectations and perception.

Upscale and Midscale restaurants are limited in number in a particular geographical area. The target consumers for these restaurants belong to a defined class e.g. the upper and middle income group. Customers of these restaurants are aware about it and the offerings of the restaurant in advance. When they actually experience the service, they calculate the offerings and preconceive expectations. If consumers do not experience the service as per their expectations, service quality gap occurs. To fill this service quality gap, Servicescape can play an important role. To examine this role of Servicescape, seventh hypothesis of the study is formulated as:

**H7: Servicescape factors helps in closing service quality gap (customer gap)**

5.2.7. Servicescape and demography

Age, gender, culture, ethnicity and income are some of the demographic factors on which Servicescape elements like music genres, temperature, colors, wall paintings, furniture, cutleries and lighting etc. are designed and selected for the Midscale and Upscale restaurants. However, these
restaurants are not specifically targeting any particular age group and almost all age bracket customer visits the restaurant but the social class (income criteria) is predefined. Therefore, Servicescape elements are used in such a way that it can cater to the demand of the targeted social class. From the sound quality of the music played in the restaurant to its powder room (wash room), everything seems perfect in serving its guests. In some of the Servicescape elements a little customization is possible while in others it is not. Suppose at any point of time, a group of young college graduates enters the restaurant and they demand some rock music, whether it is possible for the management to play the music while respecting the choice and demand of other consumers present in the restaurant at that time or not is a matter of question to be studied upon.

Sometimes in an Upscale and Midscale restaurant, massive presence of consumers affects the satisfaction level of each others. The reason behind it is the low customization in the Servicescape elements for a large number of consumers at a time. It is a fact that the choice of music in different age bracket people varies and for any restaurant it is difficult to manage the choice and preferences of music for all the customers at the same time. It is a herculean task for the management to strike a balance so that none of the consumers get agitated or unpleased. The variation between two demographic variables i.e. gender is examined with t- test and the variation among all the other demographic variables are examined through one way ANOVA.
5.3. Model Development

For the purpose of meeting the above objectives and correlating to the proposed hypotheses a multidimensional and hierarchical research model has been adopted in this study. (See fig. 5.1).

**Fig. 5.1**
Proposed Research model for the study

5.4. Chapter summary

This chapter starts with the formulation of research hypothesis. Further, the rationale behind each hypothesis is discussed in detail. With the help of review of literature, outcome of focus group and depth interview, the rationale is developed and presented in this chapter. At the last, a pictorial representation of the proposed model is given.