
Impact of Servicescape on Customer Perceived Value in Fine Dining Restaurants

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Customer value, the difference between the values of what customer gets in total for what he pays in buying situations, is central to marketing strategy today. Particularly, market-oriented companies continuously thrive on creating and aligning value with the expectations of the target market. In service firms, the customer value goes beyond service attributes and costs and largely depends on the quality of service experiences, which in turn is greatly affected by servicescape. Servicescape or service environment, in which service is delivered, is known to have a profound effect on the desired customer experiences and their satisfaction. However, empirical evidences to prove its impact on perceived customer value is very scarce. Therefore, this research was undertaken primarily to analyze the impact of servicescape on customer perceived value in fine dining restaurants. A field survey was conducted in Bangalore among 422 diners in selected restaurants and data were analysed using SPSS. Scale reliability was checked using Chronbach's alpha and KMO and Bartlett's Tests established the data suitability for factor analysis. An Exploratory Factor Analysis revealed five-factor structure of servicescape comprising of ambient, hygiene, exterior, aesthetic and tangible components, explaining up to 58.35% of the variance. Further, Multiple Regression Analysis showed that only aesthetic, ambient and hygiene factors significantly impacted customer perceived value whereas exterior and tangibles were not statistically significant. The study results thus provide empirical evidences to show that servicescape essentially plays a critical role in creating and enhancing customer value. Finally, paper discusses managerial implications, particularly in the fine dining restaurant context.

Keywords: Servicescape, customer value, physical environment, fine dining restaurant, dining behaviors.

INTRODUCTION

Today, successful companies are strongly customer oriented and are placing greater importance on customer satisfaction and loyalty. However, they have realised that to build profitable relationships with their customers it is essential to create and deliver superior customer value (Kim, 2010). Therefore, the essence of marketing is to create value via customised marketing-mix elements and multiple forms of engagement (Srivastava et al. 2001). In fact, the most important task of marketing management is to consistently create and communicate customer value to drive their satisfaction, loyalty, and profitability (Kumar and Reinartz, 2016). Providing higher value not only leads to long term profitability and growth but can be a good source of competitive advantage too (Woodruff, 1997). There is vast literature in services marketing which shows that customer satisfaction and service quality in service industry are direct effects of customer value (Parasuraman, Berry & Zeithaml, 1991). It is the major determinant of customer satisfaction (Chiou, 2004) and significantly determines the repurchase intentions of customers (Ha and Jang, 2010). Further, higher perceived value also results in lower intentions to switch organization. However, delivering customer value is not a short-term strategy. Firms must continuously thrive on anticipating what their customers will value and keep delivering it better than the competition. Moreover, customer value is a relativistic concept, because it reflects comparative

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product and service attributes; differ between customers and depend on the time and situation (Holbrook, 2005). This explains the growing significance of customer value as a research agenda which is grabbing the attention of global researchers.

Basically, customer value is the difference between what customer gains from a product and the costs of obtaining the product. It is the trade-off between the total benefits that customer perceives to be receiving in any buying situation compared to the total pay-offs to acquire it (Monroe, 1990). However, customer value in the 21st century extends simple trade-offs between perceived benefits and perceived costs to more complex values, which has been captured well in the recent definition. Woodruff (1997), defined it as 'customer's perceived preference for, an evaluation of, those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations'. This definition also indicates that there are two aspects to customer value: desired value and perceived value (Shanker, A. 2012). Perceived value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given (Zeithaml, 1988). When choosing between competitive market offers, rational customers choose the offering perceived to deliver superior value, thus potentially creating competitive advantage. Furthermore, customer perceived value is a multi-dimensional concept and has been examined at different levels. At a lower level, customer derives value from the attributes of a product or service whereas at a higher level, customers derive value from the economic, functional, and psychological benefits from a total market offering (Zeithaml, 1988). According to Woodall (2003) the dimensions of perceived value, are not only related to monetary costs, but also involves time consumption, effort and human energy consumption. Similarly, Gunawardane (2011) classified perceived (service) value dimensions based on the perceptions of core services, functional outcomes, emotional outcomes,

physical environment and social interaction. Despite the acknowledged importance, the broader perspective of value creation has received limited research attention more particularly the role of physical environment or servicescape in creating value. Therefore, this research attempts to analyse the impact of servicescape in creating customer value.

What is Servicescape?

Servicescape is the way in which physical facilities of a service firm are designed and used for the effective service creation and delivery. Term servicescape coined by Bitner (1992), has been defined as 'the totality of physical setting and ambient conditions designed and managed by service firms in which the service is assembled, seller and customer interact, and service delivery takes place'. It is also been defined as 'everything that is physically present to the consumer during the service encounter' (Hightower, 1997). Representing the totality of service environment, servicescape essentially includes anything physical to which consumer is exposed and interacts during service encounter in addition to ambient conditions. Also referred to as 'atmospherics', is generally perceived in terms of visual, aural, olfactory and tactile factors (Kotler, 1973). More precisely, it is a built environment made up of tangible, intangible, exterior and interior spaces. Due to its tangible dominance nature, servicescape assumes strategic importance and plays multiple roles in the marketing of otherwise intangible services (Lovelock and Wirtz, 2004). First of all, it 'wraps' the service as a package does in case of physical good and helps in conveying the service features, thereby facilitating purchase decision. Carefully designed servicescape allow for smooth flow of service activities both from employees and customers. Further, a unique servicescape enables differentiation within the competition. Therefore, today's managers are particularly attentive of servicescape and the same has been increasingly used in strategic marketing.

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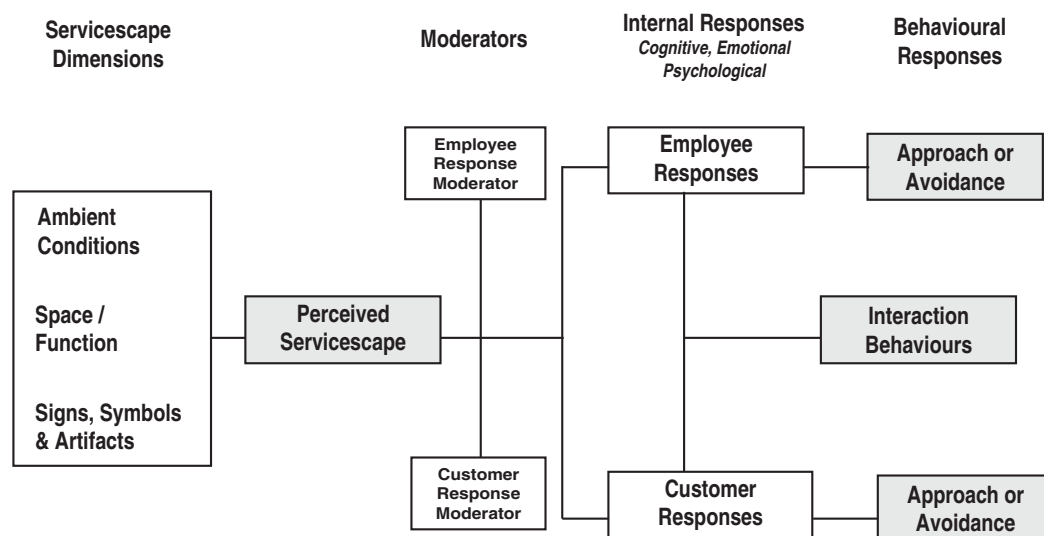
Theoretical Framework

The pioneering research on servicescape and its impact on human behaviour was conducted by Mehrabian and Russell (1974). Based on environmental psychology theories, they developed a model to show how servicescape can substantially influence consumer behavioural intentions. As per this model, the perception of various servicescape cues, either conscious or subconscious induces emotions in the mind of consumers. These emotions were bifurcated into pleasure and arousal where pleasure is the degree of happiness or joy and arousal is the degree of stimulation or excitement, an individual feel in the environment. These emotions subsequently drive consumer to exhibit either approach or avoidance behaviours. Approach behaviours are positive responses such as desire to stay, explore and interact in the environment where as a voidance behaviours are negative responses

Bitner (1992) in an attempt to expand the Mehrabian and Russell (1974) model, identified three dimensions of servicescape: ambient conditions; spatial layout and functionality; signs, symbols and artefacts (Fig. 1). Ambient factors are intangible

background variables such as lighting, aroma, noise, music, air quality and temperature which affect mostly the non-visual senses (Jeon and Kim, 2012). Spatial layout refers to the size and shape of furnishings and equipments, the way in which these are arranged with functionality indicating the ability of these items to facilitate service performance. Signs, symbols, and artifacts, refers to the use of signage, decor, and other physical elements used to communicate and enhance a certain mood, or to direct customers to desired destinations (Bitner, 1992). Further, the model proposes the influence of servicescape on employee behaviours in addition to consumer behaviour. Though, servicescape is basically a 'built environment', Baker (1986) contrasted this view to include the 'social factor' referring to employees and other customers present at the service delivery sites. Turley and Milliman (2000) elaborated 'social element' to include consumer characteristics, crowding and density as well as employee personnel characteristics, uniform, and privacy. Rosenbaum and Massiah (2011) proposed a model of servicescape comprised of physical, social, symbolic and natural stimuli, all of

Figures and Tables
Figure 1: Bitner's (1992) Integrated Servicescape Model



(Source: Bitner (1992), "Servicescapes: The Impact of Physical Surroundings on Customers and Employees", *Journal of Marketing*, Vol. 56, April, pp. 57-71.)

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which can significantly drive approach and avoidance behaviours.

Review of Literature

Services marketing literature has vast evidences to show that servicescape is a major determinant of customer satisfaction and behavioural intentions across service industries such as 'Healthscape' (Hutton and Richardson, 1995), 'Dinascap' (Ryu, 2005), 'E-servicescape' (Vilnai-Yavetz, Rafaeli, 2006), 'Musicscape' (Oakes, 2000), 'Festivalscape' (Lee et. al, 2008) and 'Social-servicescape' (Tombs and McColl-Kennedy, 2003). However, the importance of servicescape is more apparent in leisure services such as 'sportscape' where customers spend extended time in the service facility and is consumed primarily for hedonic purpose (Wakefield and Blodgett, 1994). Particularly, the approach behaviours such as loyalty, desire to stay longer, unplanned spending, and willingness to recommend have been successfully examined (Donovan and Rossiter, 1982) in service environments.

Music is the most researched ambience element which affects both time and money spent in retail and restaurant environments (Milliman, 1986; Mattila & Wirtz, 2001). Music genre, tempo, volume, mode, preference and even structured vs. unstructured music treatment, can affect consumer evaluations of enjoyment, time perceptions and intentions to return (Zolas, 2012). Servicescape layout can have a strong impact on quality perceptions, pleasure, and excitement levels, and desire to return in a shopping mall (Wakefield & Blodgett, 1994). Similarly, Ariffin, Bibon, and Abdullah (2011) found that restaurant layout and furnishings significantly affect behaviours of word of mouth, revisit intentions, and attitude towards the restaurant among young consumers. Ryu (2005), identified facility aesthetics, ambience, lighting, service product, layout, and social factors as key factors affecting restaurant servicescape quality which had positive effect on pleasure and arousal as well as behavioural intentions. However, arousal

did not have significant influence in a Spa (Kang, Boger, Back and Madera, 2011). Lee Y-K, et. al., (2008) found seven factors of festival scape namely convenience, staff members, information, program content, facilities, souvenirs and food quality which significantly influenced positive emotion, satisfaction and loyalty. Similarly, functional, aesthetic, safety and social factors influenced positive emotions and behavioural intentions in airport service (Jeon and Kim, 2012). Mofoka (2011) found seven factors namely scoreboard quality, refreshments, facility aesthetics, space allocation, accessibility, seating comfort and cleanliness of Sport Stadiums where all these factors had positive correlation with future attendance and desire to stay.

In a rare study, Kumar, et.al, (2010) examined the role of servicescape in creating shopping value where only ambient scent and temperature were found to be significant. Further, perceived value was found to mediate the influence of servicescape on behavioural intentions (Liu & Jang, 2009).

RESEARCH GAP AND NEED FOR THE STUDY

Literature review shows that there are plenty of studies which indicate the prime role of servicescape in driving behaviours. However, empirical studies indicating its role in the creation and perception of value, particularly in dining environment are scarce. Therefore, this study was conceived with the primary objective of examining the impact of servicescape on customer perceived value in a fine dining restaurant. Further, literature points that there are no consensus on the dimensionality of servicescape. Therefore, it was decided to explore the dimensions in the study context.

SIGNIFICANCE OF THE STUDY

Dining out is more of an 'experience' today; a family entertainment; a way of socializing in the community where consumer looks for interesting, enjoyable, and meaningful sensory experiences (Datamonitor, 2009). Though, food quality is still

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critical to restaurant industry, consumers are increasingly considering the hedonic benefits of food that are significantly influenced by the environment in which the food is consumed (Schmidt and Benson, 2009). Therefore, servicescape is of prime importance in the success of any restaurant business.

Further, Fine dining restaurant is the third most popular format in India after fast food and casual dining. It is the highest priced among all the segments where average price per person falls in the range of Rs.750 – Rs. 3000. The start-up investment cost of fine dining restaurant ranges from Rs.15 to 30million and a major share is spent on locating and creating physical facilities. Hence, servicescape is high investment decision in fine dining restaurants.

With a healthy share of 14% in the organized restaurant sector, this segment shows fine growth prospects, currently growing at a CAGR of 19% as per Indian Restaurant Report (2012). This promising growth potential, backed by expanding service sector and increasing consumer affluence, the sector is attracting many players both from International and domestic arena. Industry experts are foreseeing huge investments to happen in this sector either in creating new service facilities or expanding existing ones (such as Birla Private Equity s investing up to \$15 million in Olive Bar and Kitchen, Speciality Restaurants with brands like Mainland China, Oh! Calcutta planning 45 new restaurants, New Silk Route Growth Capital to invest \$100 million). However, there is a dire lack of systematic knowledge which can help these firms to judiciously allocate resources while designing servicescapes so as to create higher value to the target market. Therefore, this research in Indian Fine dining restaurant sector assumes significance.

OBJECTIVES AND HYPOTHESIS

The objectives of the study are:

1. To identify the dimensions of servicescape in the context of fine dining restaurants.

2. To examine the impact of servicescape dimensions on customer perceived value.

Study hypothesis was:

H0: There is no significant impact of servicescape dimensions on customer perceived value.

Ha: There is significant impact of servicescape dimensions on customer perceived value.

RESEARCH DESIGN

A descriptive research methodology was adopted with quantitative research approach involving survey of diners in fine dining restaurants (Fig.2).

Inclusion Criteria

For the purpose of this study, fine dining restaurant was operationally defined as 'multi-cuisine, full service restaurant where food is made from the scratch, offering personalised services to guests with the average check per-person per meal ranging between Rs. 1000 to Rs. 1500'. The study area was chosen as Bangalore city. Only restaurants meeting this criterion were included in the sampling frame.

SAMPLING DESIGN

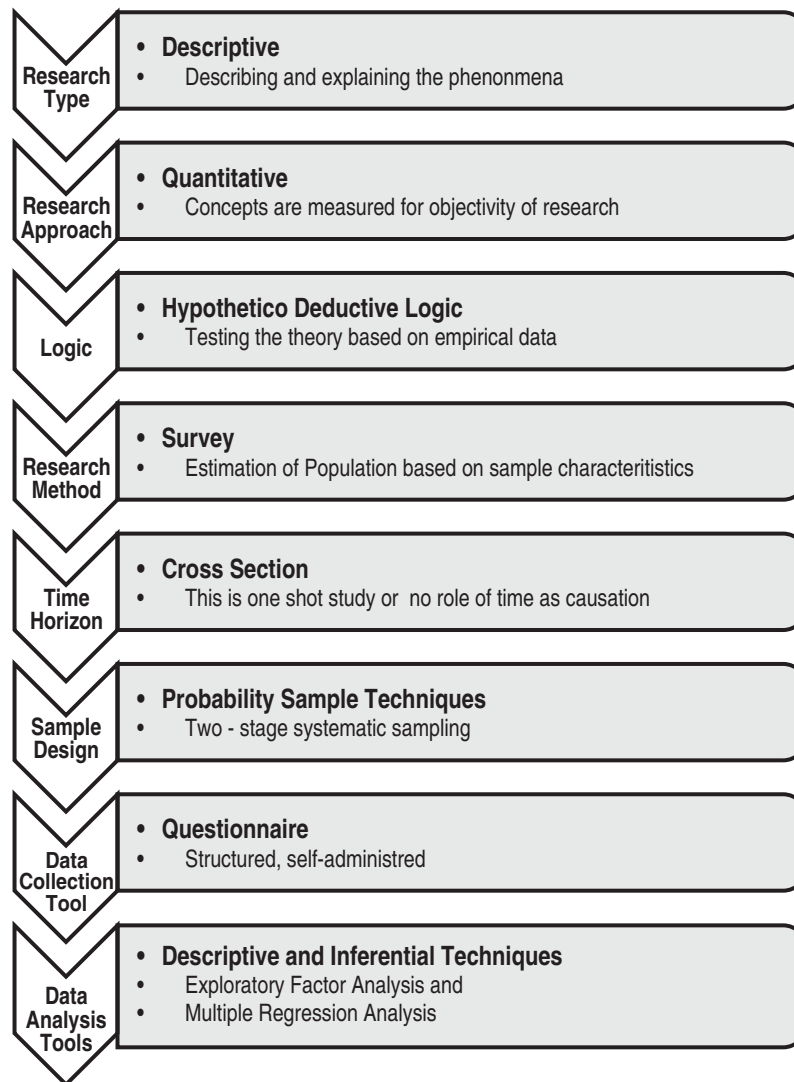
Target Population – All the people who dine at fine dining restaurants are considered to be the part of target population.

Sample Unit – Individuals who dine at fine dining restaurants in Bangalore city.

Sampling Scheme – As target population is infinite, it is not practically possible to compile a sampling frame of all the diners. Therefore, the sampling frame of fine dining restaurants was compiled. The list of fine dining restaurants in Bangalore city was compiled using published sources such as Zomato Restaurant Guide 2012, Times Bangalore City Restaurant Guide 2012 and online sources such as www.burrrp.com, www.asklalia.com. A list of 135 fine dining restaurants was prepared as per inclusion criteria.

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Figure 2: Research Design adopted for the Study



Sampling Technique - Probability Sampling Technique of Two-Stage Sampling has been adopted for the purpose of this study which is deemed more appropriate in a situation where the sampling frame is available for the primary units (fine dining restaurants) but not the secondary sample units (diners). In the first stage, 25 fine dining restaurants were drawn by using systematic sampling. In the second stage, diners were chosen from each of the selected restaurants over two-day period (through Monday to Friday) during lunch hours.

SURVEY INSTRUMENTS AND MEASUREMENT OF VARIABLES

A structured questionnaire with closed ended, pre-determined options was used for this study. Multiple-items servicescape scale was compiled from past literature and interaction with restaurant managers. Similarly, multiple-items scale of customer perceived value was adopted from previous literature (Cronin et al. 2000). These

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variables were measured on a seven-point Likert-type scale with 1= strongly disagree and 7 = strongly agree. Finally, the respondent's demographic information was captured.

Data Collection and Sample characteristics

In a mall-intercept type interview, questionnaires were personally administered when respondents were actually experiencing the servicescape. Total of 422 filled questionnaires were used for final analysis. Demographic analysis (Fig.3) showed that 252 respondents were male, and 170 respondents were female respondents. Majority of the sample were in the age group of 20-29yrs, married and had children, professionals by occupation, falling in the monthly income of Rs.20,000-60,000. Further, majority of the respondents dine-out either once a week or occasionally and the current reasons for dining-out were either celebration or family outing.

DATA ANALYSIS AND RESULTS

The data were analysed with the help of SPSS software (version 20.0) and the results are presented below.

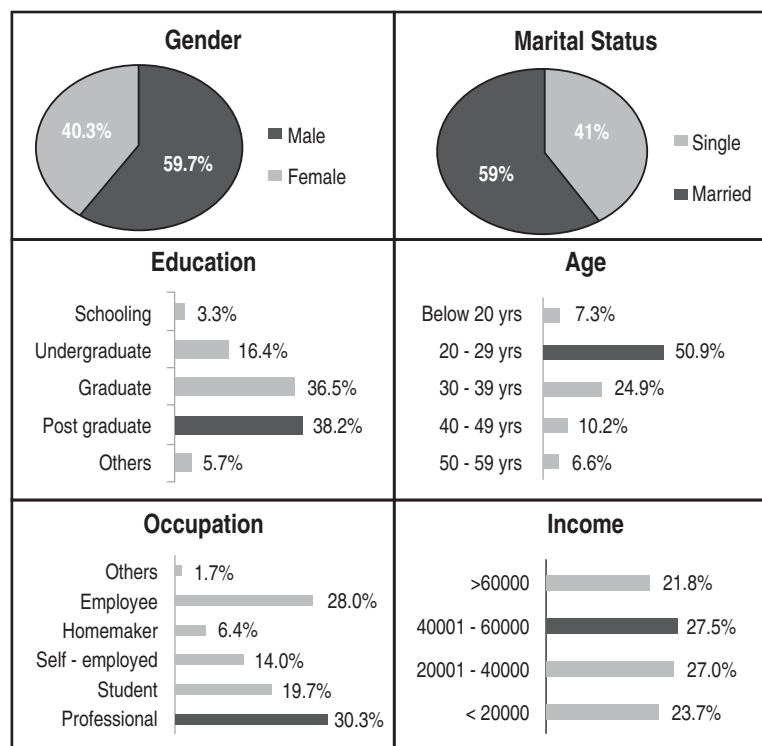
Pilot study and item analysis

Suitable modifications were made on servicescape scale based on the results of pilot study where items related to web site quality, signage, colour scheme were deleted. Items related to natural elements, music volume and crowding were deleted due to low corrected item-total correlations ($< .30$).

Reliability Statistics

Reliability test was conducted to assess the internal consistency of the multiple-item scales (table 1). Alpha coefficients were .808 and .950 which exceeded the minimum standard of 0.7 (Nunnally, 1978) thus, establishing high reliability.

Figure 3: Demographic Profile of Respondents



(Source: Primary data)

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Table 1: Reliability Statistics

Scale Attributes	α Values	No. of Items
Servicescape	.950	36
Perceived Value	.808	3

(Source: Primary data)

KMO and Bartlett's Test

First objective of this study was to identify factors of restaurant servicescape. To test the suitability of the data, KMO and Bartlett's Test statistics were computed, and the results are presented in table 2. The KMO value of 0.943 (> 0.80) ensured that sample is adequate. The Bartlett's Test (p value $0.00 < 0.05$) indicated the significance of the correlation matrix thereby the suitability of data to apply factor analysis.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.943
Bartlett's Test of Sphericity	Approx. Chi-Square	5235.608
	df	351
	Sig.	.000

Exploratory Factor Analysis

To identify the factors of servicescape, exploratory factor analysis was conducted using Principal Component Analysis Method. Varimax Rotation method was adopted with Kaiser Normalization. It extracted 5 factors with eigen values greater than 1 and together explained 58.35% of the total variance. The analysis converged in total 7 iterations. However, items with factor loadings < 0.4 were removed. The rotated factor matrix is shown in the table 3.

Labelling and Description of Derived Factors

1. Ambient factor

The first factor with highest eigen value of 3.698, explaining 13.698% of the total variance includes

variables related to temperature, aroma, noise level, air quality, lighting and warmth created by the colours used. All these variables together represent the 'ambient' condition of Bitner (1992) model.

2. Hygiene

The second factor with eigen value of 3.164 explaining 11.719% of the total variance, includes three variables related to cleanliness of dining areas, walkways and exits, and restrooms. These clearly state the general hygiene conditions maintained in the restaurant. This factor also includes spatial layout and seating arrangement.

3. Exterior

The third factor explained 11.584% of the variance with eigen value of 3.128. This factor included variables such as restaurant visibility, surrounding area, convenient location, and adequate parking representing external servicescape factors.

4. Aesthetics

The fourth factor with eigen value 2.958 explained 10.956% of the variance. This included five variables such as architectural style, interior décor, natural elements, theme and furniture related to aesthetic design of a restaurant.

5. Tangibles

The fifth factor with eigen value 2.806 explained 10.394% of the variance. This included six variables such as tableware, linens, table setting, menu design, variety of food & drinks and food presentation, all related to tangible items of SERVQUAL in a restaurant service (Parasuraman, Berry, Zeithaml, 1991).

Multiple Regression Analysis

Step-wise Multiple Regression analysis was carried out to test for the predictive power of servicescape factors on customer perceived value.

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Table 3: Rotated Component Matrix^a					
Factors and Variables			Component		
	1	2	3	4	5
Aesthetics					
Architectural style of this restaurant is attractive				.590	
Interior décor is visually appealing.				.619	
Natural elements are pleasant				.663	
Décor authentically reflects the theme				.751	
Furniture is of high quality				.626	
Ambient factor					
Temperature is just right	.515				
Aroma is enticing	.684				
Noise level is acceptable	.682				
Air quality is good	.532				
Colors create a warm atmosphere	.653				
Restaurant lighting is appropriate	.587				
Lighting makes feel welcome	.651				
Hygiene					
Dining areas are clean		.656			
Restrooms are clean		.586			
Walkways and exits are clean		.584			
Layout makes it easy to move around		.559			
Seating arrangement is comfortable		.687			
Tangibles					
Tableware is of good quality					.463
The linens are of good quality					.514
The table setting is visually attractive					.715
Menu design is attractive					.715
Menu has good variety in food & drinks					.685
Food presentation is visually attractive					.497
Exterior					
This restaurant is conveniently located			.692		
Surrounding area is good			.692		
Parking at the restaurant is adequate			.612		
Visibility of the restaurant is good			.761		
Eigen value	3.698	3.164	3.128	2.958	2.806
TVE = 58.35%	13.698	11.719	11.584	10.956	10.394

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 7 iterations.

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Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.515 ^a	.266	.264	.74699	.266	136.340	1	377	.000
2	.559 ^b	.313	.309	.72344	.047	25.944	1	376	.000
3	.583 ^c	.340	.334	.71028	.027	15.061	1	375	.000

a. Predictors: (Constant), F1

b. Predictors: (Constant), F1, F2

c. Predictors: (Constant), F1, F2, F4

Table 5: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.593	.300		5.310	.000
	F4	.236	.059	.240	3.986	.000
	F1	.245	.070	.230	3.514	.000
	F2	.275	.070	.254	3.960	.000
	F5	-.095	.069	-.084	-1.362	.174
	F3	.026	.055	.026	.468	.640

a. Dependent Variable: Perceived value

The results are shown in the table 4&5. The model was statistically significant at the confidence level of 99% ($p=0.000$) with R^2 value of 0.343 and $F=38.939$. However, only three factors were significant such ambient ($\beta = .230$, $p < 0.01$), hygiene ($\beta = .254$, $p < 0.01$) and aesthetic factors ($\beta = .240$, $p < 0.01$) whereas exterior and tangibles were not significant. Therefore, it can be concluded that only ambient, hygiene and aesthetic factors are strong predictors of perceived value, together predicting up to 33.4% (adjusted $R^2 = 0.334$).

DISCUSSION

The first contribution of this study is in terms of identifying factors which are critical in the perception of restaurant servicescape. According to this study, five factors which are critical to restaurant

servicescape are Ambient, Hygiene, Aesthetic, Exterior, and Tangible factors. The key factor is 'Ambient factor' much in line with Bitner (1992) model and more so in a dining experience (Ryu, 2005). This indicates that ambient conditions though represent basic, non-visual, background variables, but are of critical value to a restaurant environment. The significance of second factor, Hygiene was again in consistent with previous studies (Wakefield and Blodgett, 1994) which also show that most reported problems in servicescape failures are of cleanliness issues (Lia et. al., 2009). This factor also includes spatial layout and seating arrangement variables though unrelated, but have been greatly associated with dining experience (Lin, 2004). Further, neat layout and seating arrangement can reflect the hygiene levels maintained in the restaurant. The third factor Exterior has been known for its role in the choice of restaurant (Tinne,

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2012), although empirical evidences are rare as a servicescape factor. Similarly, aesthetics and tangibles have been significantly related with servicescape quality in restaurants and customer satisfaction (Venkatraman and Nelson, 2008; Ryu, 2005).

Further, this study also contributes to the scant literature available on the role of servicescape in creating customer value. Results showed that in an experience-centric service such as fine dining restaurant, servicescape has strong, positive impact on customer perceived value. Particularly, hygiene, aesthetic and ambient factors were found to be strong predictors, indicating that managers must focus on these variables and allocate resources accordingly. Restaurants must primarily focus on cleanliness and hygienic maintenance of dining and wash areas as it is perceived to offer superior value. Similarly, spot-less walkways, neat and easy to navigate layout, reasonably spaced tables add further value. However, managers need to be concerned with aesthetic values as well. Unique architectural design with eye-catching interiors matching with restaurant theme enhances the value. With rising inclination towards nature, presence of natural elements such as indoor plants, artificial fountains/waterfalls and fresh flowers could be more effective. Similarly, high quality, comfortable furniture is what diners look for. Finally, right temperature, pleasant aroma, good air quality and moderate noise levels enhance the service value. Appropriate lighting and soothing colour combinations are also important in creating right emotions in the target market. Exterior and tangible factors though insignificant, cannot be ignored due to the possible moderating effect on perceived value. Therefore, a successful value proposition for a fine dining restaurant must start with aesthetics, ambience and hygienically maintained servicescape.

LIMITATIONS AND FUTURE RESEARCH

The study was able to identify core factors of servicescape in a dining environment. However, it

was confined to fine dining restaurants only. This may affect generalizability of findings and future research must essentially focus on other popular formats such as fast food and casual dining restaurants. Further, survey was conducted in Bangalore city alone on selected fine dining restaurants. Moreover, regression model though significant could be able to predict only one-third of the variance in perceived value. Therefore, empirical research using large samples drawn across the country is need of the hour.

CONCLUSION

The study results have contributed to both body of knowledge and practicing managers. It is universally accepted that servicescape takes a central role in shaping customer experiences and driving consumer behaviours. Additionally, this study proved its role in creating and enhancing customer perceived value in experience-centric services such as fine dining restaurant. Further, ambient factors, hygiene and aesthetic factors found to be the major value drivers in the dining environments. This heightened value perception in turn may lead to higher customer delight and long-term associations. As the fine dining segment is here to stay with promising growth prospects, managers who design and use servicescape strategically are going to lead the race.

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