Generation Z's Perception of Servicescape, Their Satisfaction And Their Retail Shopping Behavioral Outcomes

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Abstract

Generation Z are the first group of people born in the digital world. They are highly educated, technologically savvy, and innovative. These people have become a large target group for brands, as they tend to dominate the market. Nevertheless, Generation Z are said to be less loyal to retailers, and retailers find it difficult to hold their attention. This study aims to investigate whether retailers' servicescape could have a significant impact on Generation Z's retail shopping behavioral outcomes. Servicescape dimensions consisting of substantive staging and communicative staging are the independent variables, while consumer repurchase intention and perceived quality of life are the dependent variables. Consumer satisfaction was hypothesized to mediate the relationship between the independent and dependent variables. The research results were statistically analyzed using Structural Equation Modeling. The analysis revealed that Generation Z's retail shopping behaviors were significantly influenced by servicescape. The findings have considerably contributed to marketing practices in the digital world in that physical servicescape apart from online world is still of importance.

Keywords: *Servicescape, Retail Marketing, Experiential Marketing, Generation Z, Consumer Satisfaction*

Introduction

Generation Z are an attractive target group for retailers due to their growing numbers and dominance in global markets. However, compared to other generations, they have challenged retailers worldwide by showing less loyalty to specific brands. Retailers, therefore, seem to find difficulty in grabbing and holding their attention (Priporas, Stylos, & Fotiadis, 2017). Born in 1995 or later in the digital era, Generation Z are highly educated, innovative, and technologically savvy (Bassiouni & Hackley, 2014; Priporas et al., 2017). Literature has shown that Generation Z are interested in new technologies, prefer ease of use, desire to feel safe, desire to escape from realities, have high expectations, and care more about experience (Wood, 2013; Priporas et al., 2017).

Besides online stores, consumer experience also involves cognitive, affective, emotional, social and physical responses to retailers of physical store settings (Grewal, Roggeveen, & Nordfält, 2017). The servicescape of retail stores, such as theme restaurants or shopping centers, is consequently designed to fulfill consumers' utilitarian, social, as well as psychological needs (Bagozzi, 1975).

Generation Z represent approximately 18.3%, or 12.5 million people, of Thailand's population. According to Millward Brown (2017)'s *AdReaction: Engaging Gen X, Y, and Z*, Generation Z worldwide includes those Thais who are the most difficult group to access using advertising campaigns. They prefer ad content to other compositions, such as presenters or music. In addition, they tend to be selectively exposed to ad campaigns in which they are interested, and not those that intrude upon their privacy.

There are limited studies regarding retail servicescape and Thai Generation Z's retail behavior that can contribute to retailing success.

Scope of the Study

This study emphasizes Thai Generation Z's perception of retail and service physical evidence in terms of servicescape dimensions (substantive staging and communicative staging), and their retail shopping behavioral outcomes, which include repurchase intentions and perceived quality of life. Thai Generation Z are the focal respondent group of this study due to their growing numbers and their influence on retail and service revenue streams.

Research Objectives

This research aims to investigate the influence of retail and service physical evidence on Generation Z's behavioral outcomes. The objectives consist of two parts: 1) whether substantive staging and communicative staging of servicescape significantly influence Thai Generation Z's satisfaction with service reception; and 2) whether Thai Generation Z's satisfaction with service reception has a significant impact on repurchase intention and perceived quality of life.

Significance of the Study

The study has value for service and retail organizations, especially theme restaurants and specialty stores in which customers spend quite a long time using the services. Literature has shown that tangible quality of servicescape contributed to customers' commitment, staying longer, spending more money, and return (Zeithml, Bitner, & Gremler, 2016). If the results from Generation Z are positive and consistent with other generations, aligning service design and standards to satisfy Generation Z customers should then be more highlighted.

Conceptual Framework and Hypothesis Development
Independent Variables: Substantive Staging and Communicative Staging of Servicescape

Servicescape has been defined in many different ways by many researchers (Bitner, 1992). For instance, Bitner (1992) defined servicescape as the landscape where services are experienced. In addition, Bagozzi (1975) defined servicescape as the place where customers fulfill their functional, social, and psychological needs through marketplace exchanges.

Scholars in tourism agreed that servicescape consists of two dimensions, namely substantive staging and communicative staging (Dong & Siu, 2013; Chang, 2016). Substantive staging of servicescape refers to the physical form of the service environment (Arnould, Price, & Tierney, 1998; Dong & Siu, 2013). Physical elements in the substantive staging include the following features: spatial layout (e.g. entrance and exit – Bitner, 1992), equipment layout (e.g. machinery or furnishings – Ryu &Han, 2011), facilities (e.g., architectural design, color, exterior, and interior design), symbols and artifacts (e.g. signage or decorations), ambience (e.g. air quality, music, temperature, and odor – Bitner, 1992; Ryu & Han, 2011), and equipment (e.g. dishes, spoons or forks). The communicative staging of servicescape refers to the human clues present in the service environment (Arnould et al., 1998; Dong & Siu, 2013). Such elements include staff's performance, competence, physical attractiveness, willingness to help customers (Harris & Ezeh, 2008; van Dolen, de Ruyter, & Lemmink, 2004) and cultural aspects (e.g. organizational culture) (Chang, 2016; Dong & Siu, 2013).

Studies have suggested that physical and social stimuli influence the customer service experience; thus, people would respond holistically to pleasant environmental stimuli (Donovan & Rossiter, 1982; Mehrabian & Russell, 1974; Nilsson & Ballantyne, 2014; Rosenbaum & Massiah, 2011). Bitner (1992) also suggested that in the context of theme restaurants, customers feel comfortable if the lighting, background music, spatial layout, and functionality are appropriate. In addition, customers' positive perceptions and feelings would be enhanced if employees were attractive, polite, willing to help them, and give them special attention (Dong & Siu, 2013). Moreover, Chang's (2016) empirical study substantiated that perceived servicescape, such as the interaction between the employees and customers, influences customers' emotions.

Mediator: Customer Satisfaction

Satisfaction is the customer's fulfillment response, as well as a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption-related fulfillment (Zeithml et al., 2016). Zeithml also verified that customer satisfaction is influenced by product and service features, customer emotions, attributions for service success or failure, perceptions of equity or fairness, other customers, family members, and coworkers.

According to the information above, research hypotheses H1 and H2 regarding servicescape and customer satisfaction are formulated as follows:

H1: Substantive staging of servicescape has a positive and significant impact on Thai

Generation Z's satisfaction.

H2: Communicative staging of servicescape has a positive and significant impact on Thai Generation Z's satisfaction.

Dependent Variables: Repurchase Intentions and Perceived Quality of Life

The purchase intention represents a customer's likelihood to purchase a product or use a service in the future (Zeithaml et al., 2016). Consumer purchase intention can be defined as the desire of consumers to make a purchase (Ku, 2011). Before a consumer has a purchase intention, he or she usually has beliefs that represent the information he or she had (Fishbein & Ajzen, 1975). According to Chu & Lu (2007), purchase intention is determined by the perceived value based on an overall assessment of the costs and benefits of a given market offering. In addition, purchase intention can be in the stages of pre-purchase and post-purchase decisions. A study by Roy, Balaji, Sadeque, Nguyen and Melewar (2017) also indicated that customer satisfaction enhanced consumer purchase intention. In this context, the term 'repurchase intention' is used to identify Generation Z's behavioral intention after they have paid for the services.

Perceived quality of life has become a focus as a behavioral outcome of service transaction process since the 1980s. Quality of life reflects well-being, happiness, and life satisfaction of individuals (Roy et al., 2017; Meng & Choi, 2017). Dagger and Sweeney (2006) postulated that quality of life reflects an individual's subjective evaluation of his or her current life circumstances regarding various life domains such as personal health, consumption, work, family and leisure. Today, products and services have been designed to significantly enhance consumers' quality of life (Lee & Sirgy, 2004). Furthermore, previous studies indicated that customers' subjective well-being and overall quality of life are formed by satisfaction from the consumption process (Andereck & Nyaupane, 2011). Dagger and Sweeney (2006) also found that, in a health service setting, service satisfaction had a positive impact on perceived quality of life. Similarly, Neal, Sirgy, and Uysal (1999) found a relationship between customer satisfaction with tourism experiences and their overall quality of life.

According to the information above, research hypotheses H3 and H4 regarding customer satisfaction and purchase intention as well as perceived quality of life are stated as follows:

H3: Satisfaction has a positive and significant impact on Thai Generation Z's repurchase intention.

H4: Satisfaction has a positive and significant impact on Thai Generation Z's perceived quality of life.

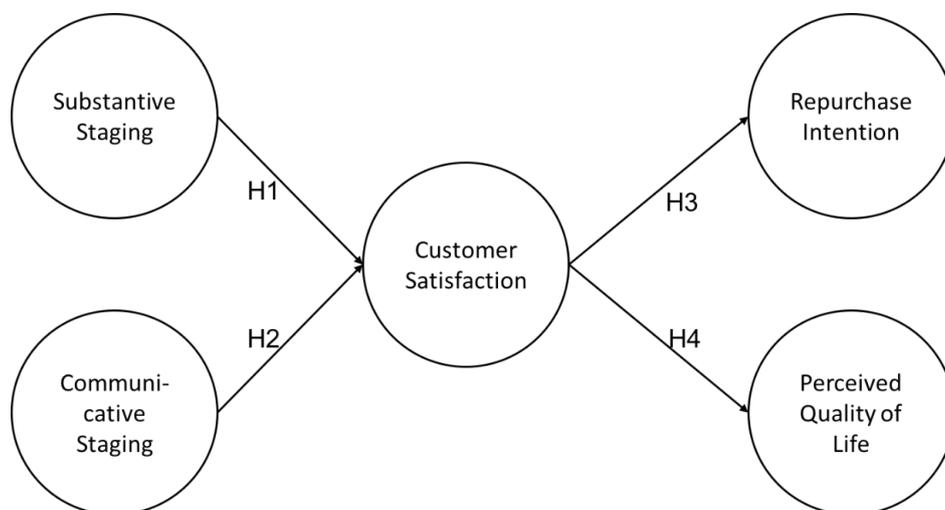Figure 1 represents the conceptual model of this study, depicting relationships among all the hypotheses.

Figure 1: The Conceptual Model

Research Methodology

Study Respondents and Sampling Procedure

The target population was Thai Generation Z who were born after 1995, and who spend a great deal of time using the services of their favorite retail stores, especially theme restaurants or specialty stores. The target respondent's attributes encompassed Bangkok University's undergraduates (as they are Generation Z), who had their favorite retail stores as previously specified. The selection of target respondents was based on a purposive sampling method, which depended on the researcher's judgment that the sample would represent the target population. As the target respondents were the author's students, they were approached via LINE application groups for each of the five class sections. Selected students were asked to complete online questionnaires posted in each LINE group. The pre-test sample size was 200 respondents to test the reliability of the measures.

Research Instruments / Questionnaire

For the independent variables, substantive staging and communicative staging measurements were guided by the research work of Meng and Choi (2017). Substantive staging consisted of 7 items (Cronbach's α = 0.93). Communicative staging consisted of 8 items (Cronbach's α = 0.94). The independent variables from this research were based on Meng and Choi's (2017) measurement items of substantive staging and communicative staging of servicescape.

For the mediating variable, customer satisfaction, the measurements were adopted from Roy et al. (2017) with 3 items (Cronbach's α = 0.75).

Table 1. Summary of Measures and Item Reliability

Measures	Items	Cronbach's α
Substantive Staging 1. The background music of my favorite store is pleasant. 2. The theme of my favorite store looks cheerful. 3. The atmosphere of my favorite store is cheerful. 4. My favorite store is clean. 5. My favorite store looks attractive. 6. The style of decoration is fashionable. 7. The facilities are maintained well.	7	0.91
Communicative Staging 1. The staff are willing to help. 2. The staff are polite and friendly. 3. The staff give me personal attention. 4. The staff are passionate. 5. The staff usually provide relief and comfort to me. 6. The staff are neat and gracefully dressed. 7. The staff look attractive. 8. The staff reflect positive culture of the organization.	8	0.91
Customer Satisfaction 1. Overall, I am satisfied with the service offered by my favorite store. 2. The service exceeds my expectations. 3. The service is close to my ideal store.	3	0.85
Repurchase Intention 1. Given a chance, I will continue using service from my favorite store. 2. I am willing to use this service in the near future. 3. I will continue using services from my favorite store.	3	0.91
Perceived Quality of Life 1. My favorite store plays a role in enhancing quality of life. 2. My favorite store plays a very important role in my social well-being.	2	0.81

The measurements of purchase intention (3 items, Cronbach's α = 0.81) were adapted from Jaafar, Lalp, and Naba's (2011), and perceived quality of life (2 items, Cronbach's α = 0.71) from Roy et al.'s (2017).

The respondents were asked to indicate their response to all questions on a scale of 1 to 5 consisting of 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree.

Table 1 shows the measures of all variables, including the number of items and Cronbach's Alphas (α). The Cronbach's Alphas for all items for 200 samples ranged from 0.81 to 0.91, which are acceptable as being reliable according to Maholtra (2007).

Data Gathering Procedure

Primary data were gathered via self-administered questionnaires from the respondents. A link to the online questionnaire was sent to all target respondents through LINE groups. The process of data gathering took 5 days (from September 8 – 12, 2017). In total, 446 responses were received, higher than the minimum requirement of appropriate sample size as recommended by Berenson & Levine (1999). All questions were answered because they were required and could not be skipped.

Research Results
Demographic Profile of Respondents

The demographic profiles in this study comprised four main sections, including gender, income, frequencies of visiting favorite stores, and method of travel to their favorite stores. The Google Form provided descriptive data, including frequency and percentage; the results are shown in Table 2.

Table 2: Demographic Profile of Respondents

Demographic Profile of Respondents from SNSs		Descriptive Statistics	
		Frequency	Percent
Gender	Male	194	43.5
	Female	252	56.5
Income	Below 5,000 Thai Baht	86	19.3
	5,000 – 10,000 Thai Baht	222	49.8
	10,001 – 20,000 Thai Baht	110	24.7
	Over 20,000 Baht	28	6.3
Frequencies of Visiting Favorite Stores	Less than once a month	34	7.6
	Once a month	113	25.3
	2 – 4 times a month	222	49.8
	More than 4 times a month	77	17.3
How to Travel to the Favorite Stores	Walking	46	10.3
	Personal car	277	62.1
	Public transport (e.g. bus, taxi)	111	24.9
	Carpool	12	2.7

According to Table 2, out of a total of 446 respondents, the majority were female (252, or 56.5 percent), while 194 respondents (43.5 percent) were male.

Regarding income levels, a majority of respondents (222, or 49.8 percent) had monthly income levels of between 5,000 – 10,000 Thai Baht. The minority of respondents had monthly income of over 20,000 Thai Baht, which comprised 28 respondents, or 6.3 percent.

With respect to respondents' frequencies of visiting their favorite stores, the majority, 222 or 49.8 percent, visited 2-4 times a month, whereas the minority, 34 respondents or 7.6%, visited less than once a month.

Lastly, most respondents, 62.1 percent, traveled to their favorite stores by personal cars.

Table 3 shows the means and standard deviations of all variables for the conceptual framework (n = 446). The highest mean for each variable indicates that most respondents felt the same way about

the measure while the lowest mean indicates the largest number of respondents who thought differently about the measure or question.

Table 3: Means and Standard Deviations of All Variables of Conceptual Framework (n = 446)

Number	Measures	Mean	Standard Deviation (S.D.)
	Substantive Staging of Servicescape		
SS1	1. The background music of my favorite store is pleasant.	4.13	0.809
SS2	2. The theme of my favorite store looks cheerful.	4.25	0.785
SS3	3. The atmosphere of my favorite store is cheerful.	4.28	0.756
SS4	4. My favorite store is clean.	4.37	0.782
SS5	5. My favorite store looks attractive.	4.19	0.791
SS6	6. The style of decoration is fashionable.	4.19	0.778
SS7	7. The facilities are maintained well.	4.22	0.741
	Average Scores of Substantive Staging	**4.23**	**0.777**
	Communicative Staging of Servicescape		
CS1	1. The staff are willing to help.	4.29	0.808
CS2	2. The staff are polite and friendly.	4.29	0.788
CS3	3. The staff give me personal attention.	4.22	0.786
CS4	4. The staff are passionate.	4.17	0.819
CS5	5. The staff usually provide relief and comfort to me.	3.85	0.924
CS6	6. The staff are neat and gracefully dressed.	4.16	0.768
CS7	7. The staff look attractive.	3.91	0.842
CS8	8. The staff reflect positive culture of the organization.	4.12	0.796
	Average Scores of Communicative Staging	**4.13**	**0.816**
	Customer Satisfaction		
S1	1. Overall, I am satisfied with the service offered by my favorite store.	4.22	0.715
S2	2. The service exceeds my expectation.	4.25	0.730
S3	3. The service is close to my ideal store.	4.04	0.806
	Average Scores of Customer Satisfaction	**4.17**	**0.750**
	Purchase Intention		
PI1	1. Given a chance, I will continue using service from my favorite store.	4.31	0.718
PI2	2. I am willing to use this service in the near future.	4.23	0.757
PI3	3. I will continue using services from my favorite store.	4.23	0.761
	Average Scores of Repurchase Intention	**4.26**	**0.745**
	Perceived Quality of Life		
QL1	1. My favorite store plays a role in enhancing quality of life.	3.82	0.904
QL2	2. My favorite store plays a very important role in my social well-being.	3.86	0.913
	Average Scores of Perceived Quality of Life	**3.84**	**0.909**

Confirmatory Factor Analysis

The main objective of Confirmatory Factor Analysis (CFA) is to determine the degree of model fit. According to Hair, Black, Babin, Anderson, and Tatham (2006) and Ho (2006), there are two important types of goodness-of-fit in order to determine the results of the measurement model. First is an Absolute Fit Measure assessing the level of fit for the proposed model with the actual data (Ho, 2006). The key indices used for statistical analysis include Chi-square statistics, Goodness-of-Fit Index (GFI), and Root Mean Square Error of Approximation (RMSEA) (Hair et al., 2006; Ho, 2006).

According to the rules of thumb, an insignificant difference between the actual and predicted matrices is expected for Chi-square statistics (χ^2), which should not be more than 2. However, according to Hair et al. (2006), there is no generally acceptable point for Chi-square statistics because the Chi-square ratio result is sensitive to the sample size, especially when the number of respondents is larger than 200. Researchers are thus warned not to rely only on Chi-square statistics. The other recommended key indices are GFI and RMSEA (Ho, 2006). The CFA results from this study (Table 4) with the use of modification fit indices show that the model fits with the dataset, χ^2(N = 446, df = 207) = 1.993, p < 0.05, and GFI shows quite an acceptable fit at 0.927, which is close to 1 (0 = poor fit, and 1 = perfect fit). For the Root Mean Square Error of Approximation (RMSEA), values ranging from 0.05 to 0.08 are considered acceptable, values from 0.08 to 0.10 indicate mediocre fit, and those greater than 0.10 indicate poor fit (Ho, 2006). In addition, since the recommended value for the incremental fit indices should be above 0.9 (Hair et al., 2006; Ho, 2006), the baseline comparison fit indices of Comparative Fit Index (CFI), Normed Fit Index (NFI), Relative Fit Index (RFI), Incremental Fit Index (IFI), and Tucker-Lewis Index (TLI) for this study show improvement for the hypothesized model (default model). When compared to the null model, from 0.031 (or 1 – 0.969) to 0.074 (or 1 – 0.926) appears to be so small as to be of little practical significance. Therefore, the model fits well with the dataset.

Table 4: Summary of CFA Fit indices of Measurement Model

|	Measures of Absolute Fit			Measures of Incremental Fit				
	χ^2/df	RMSEA	GFI	NFI	RFI	IFI	TLI	CFI
Requirement	< 2.0	Acceptable at 0.05 - 0.08	Close to 1	0.900	0.900	0.900	0.900	0.900
Model	1.993	0.047	0.927	0.939	0.926	0.969	0.962	0.969

Hypothesis Testing

Structural Equation Modeling (SEM) was used to investigate and explain the relationships among the predictor variables and dependent variables. Table 5 shows the summary of SEM Fit Indices of the Measurement Model.

Table 5: Summary of SEM Fit indices of Measurement Model

	Measures of Absolute Fit			Measures of Incremental Fit				
	χ^2/df	RMSEA	GFI	NFI	RFI	IFI	TLI	CFI
Requirement	< 2.0	Acceptable at 0.05 - 0.08	Close to 1	0.900	0.900	0.900	0.900	0.900
Model	1.994	0.047	0.927	0.938	0.927	0.968	0.962	0.968

The results of SEM indicate that the unstandardized regression weights are all significant by the critical ratio test (C.R. > ±1.96, p < 0.05). The explained variances for all independent variables are represented by the squared multiple correlations (R^2). The percentage of variance explained ranges from 0.44, or 44% (perceived quality of life) to 0.886, or 88.6% (customer satisfaction). For all measurement variables, the residual variances (1-R^2) ranged from 11.4% to 56%. Figure 2 shows the structural path model with hypotheses 1 to 4. All the solid lines represent the hypotheses supported by the findings. The arrows pointing to the latent constructs of customer satisfaction, purchase intention, and perceived quality of life represent unexplained (residual) variances for these 3 factors.

The residual variances are calculated by subtracting the factors' squared multiple correlations (explained variances). Hence, for this hypothesized model, 11.4% of variation in customer satisfaction is unexplained, or 88.6% of the variance is accounted for by the joint influence of substantive staging and communicative staging of servicescape. Similarly, 35% of variation in purchase intention may be influenced by other factors, or 65% of the variance is accounted for by the joint influence of substantive staging and communicative staging of servicescape, as well as customer satisfaction. Lastly, 56% of the variation in perceived quality of life is unexplained, or 44% of variance is accounted for by the joint influence of substantive staging and communicative staging of servicescape, as well as customer satisfaction.
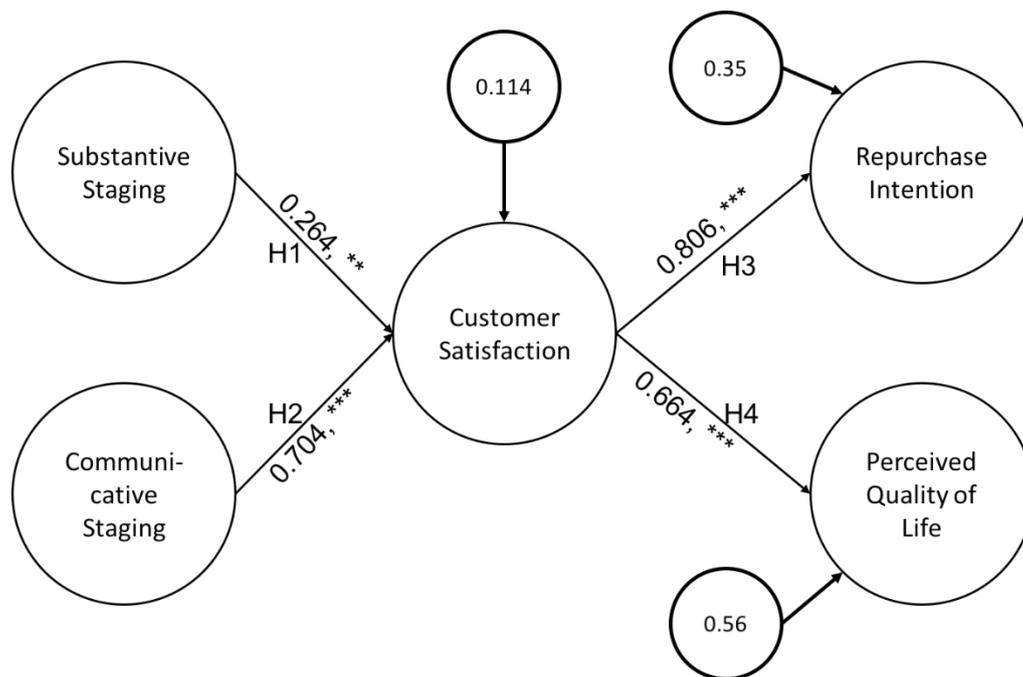
Notes: ** p < 0.01, *** p < 0.001
Figure 2: Structural Path Model with Summary of Findings

According to the structural path model with standardized path coefficients (Figure 2), substantive staging of servicescape had a significant and positive impact on customer satisfaction (β or standardized regression weight = 0.264, p < 0.01). Communicative staging of servicescape also had a significant and positive impact on customer satisfaction (β = 0.704, p < 0.001). Customer satisfaction had a significant and positive impact on repurchase intention (β = 0.806, p < 0.001). Customer satisfaction also had a significant and positive impact on perceived quality of life (β = 0.664, p < 0.001).

Table 6 (please see following page) shows the hypothesis statements, unstandardized regression weight, critical ratio, p-value, and whether each hypothesis is supported by the dataset.

Discussions and Conclusions

This study has fulfilled two main research objectives. The first objective was to find out whether substantive staging and communicative staging of servicescape significantly influence Thai Generation Z's satisfaction with service reception. The results show that both substantive staging and communicative staging of servicescape had significant and positive impacts on satisfaction of Thai Generation Z, and Hypotheses 1 and 2 were supported by the findings. These results were also supported by Zeithaml, Berry and Parasuraman's (1996) studies that customer satisfaction and emotions are influenced by physical ambience and human clues. In addition, the research results were also consistent with Wood's (2013) and Priporas et al.'s (2017) studies in that Generation Z are highly influenced by experience from the servicescape. As servicescape embraces store music, the study result was also consistent with Millward Brown's (2017) findings in that Generation Z are satisfied with components such as presenters or music embedded in advertising campaigns.

Table 6: A Summary of Hypothesis Testing

No.	Path of Relationship	Unstandardized Regression Weight	Critical Ratio (CR)	p-value	Hypothesis Supported
H1	Substantive staging of servicescape has a positive and significant impact on Generation Z's satisfaction.	0.283	2.916	0.004	Yes
H2	Communicative staging of servicescape has a positive and significant impact on Generation Z's satisfaction.	0.720	6.882	0.000	Yes
H3	Satisfaction has a positive and significant impact on Generation Z's repurchase intention.	0.925	15.142	0.000	Yes
H4	Satisfaction has a positive and significant impact on Generation Z's perceived quality of life.	0.954	12.473	0.000	Yes

The second objective was to find out whether Thai Generation Z's satisfaction with service reception has a significant impact on repurchase intention and perceived quality of life. The empirical evidence shows that Thai Generation Z's satisfaction had significant and positive impacts on both repurchase intention and perceived quality of life. Hypotheses 3 and 4 were also supported by the findings. The research results were consistent with Zeithaml et al.'s (2016) and Roy et al.'s (2017) studies in that customer satisfaction may lead to purchase intention. Furthermore, regarding perceived quality of life, the research results were also consistent with Andereck and Nyaupane's (2011) and Neal et al.'s (1999) studies in that perceived quality of life may be formed by customer satisfaction.

Research Implications

This study provides some useful implications for retail and service contexts. This research has bridged the gap of servicescape influenced by demographic factors such as age or generation and ethnicity. Design of servicescape in terms of physical ambience and employee is meaningful to influence a customer's purchasing continuance and perceived quality of life. Generation Z also showed their positive reactions to servicescape alignments. As Generation Z are digital consumers, their lifestyles are connected to the virtual world. They are inclined to capture and share their physical experiences in online space using smart mobile devices. Literature has shown that physical evidence signifying all tangible elements of servicescape is used for sensory marketing. In sensory marketing, consumer behavior is influenced by sights (e.g. colors, design, lighting, or artifacts), sounds (e.g. store music), smells (e.g. aroma, smell of coffee, or flowers), tastes (e.g. foods and drinks) and textures (e.g. temperature) (Solomon, 2017). Human elements such as staff empathy and appearance also have significant impact on customer satisfaction and emotions. As Generation Z have selective exposure, they pay attention to what satisfies them. If marketers understand their insights, there will be considerable opportunities to generate financial and social benefits from them.

Limitations and Suggestions for Further Research

The main limitation of this study is that it was conducted in a private university in which most respondents had a high level of purchasing power. Furthermore, the respondents are all Thai nationals, which may not represent Generation Z in general. Future research is encouraged to expand comparisons between Generation Z and other generations.

About the Author

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