The Influence of Store Environment on Perceived Experiential Value and Behavior Intention

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Abstract

This study attempts to embed perceived experiential value into the integrated model of perception and behavior intention to exploit the relationships between environmental stimuli, perceived service quality, perceived merchandise quality, perceived price, emotion, and behavior intention. We employ LISREL to analyze the research framework and a modified model. We conclude that social cues would have little effect on the perceived price and emotion, while ambient cues have a small impact on the perceived merchandise quality. We consider that emotion not only mediates between design cues and the perceived price, but also directly or indirectly influences the perceived experiential value, which then contributes to behavior intention. Notwithstanding the importance of the perceived merchandise quality in prior studies, this study proposes that it is not so crucial when juxtaposing other cues in stores, thus providing another insight into store management.

Keywords: Store environment, perceived experience value, perceived quality, perceived price, emotion

1. Introduction

The trend of consumption is now shifting from commodities, goods, and services to experiences (Schmitt, 1999). For years, people have pursued a higher quality and value of life, and the aesthetics economy has thrived. Unique and creative design ideas have been incorporated into industrial development, creating another potential marketing arena for companies (Pine and Gilmore, 1999). Marketers and researchers have long attempted to comprehend what triggers a customers' consumption. To further understand the tendencies of experiential marketing, Schmitt (1999) proposed five strategic experiential modules: sensing, feeling, thinking, acting, and relating. He concluded that it is necessary for marketers to have consumers involved in specific events or environments.

The hedonic experience is important particularly when information is either overloading or ultra-insufficient (Hirshman and Holbrook, 1982). Hedonic value taps the experiences elicited through emotional arousal (Hirshman and Holbrook, 1982), aesthetic designs, and process involvement, which then builds a strong connection between consumers and a brand, a store, a service, or a product. Berry et al. (2002) contended that a perfect experience for customers should be established by first recognizing clues that are related to functionality or emotion. This is because that consumers with limited prior knowledge regarding their purchasing choices tend to gather information on product-related attributes or marketing signals as indicators of quality judgments (Brucks et al., 2000), which thereby influences their intention towards a store and a brand.

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A growing body of research has manifested consumers’ perceived value. It drew upon the works of Zeithaml (1988), suggesting that extrinsic cues (such as prices, brand names, and store names) would affect consumers’ perceptions of product quality and monetary sacrifice, and in turn, increase their perceived value. Nevertheless, empirical research has done little to develop current understanding of this field by examining perceived value from the perspective of experiential marketing, which then inspires this study. Besides, early research on perceived value focused on cognitive assessment without noticing the importance of emotion. Emotional arousal may not be an end in itself, but compose a large part of hedonic value, and in turn, influence consumers’ behaviors. This paper intends to look into perceived experiential value and the relationships between store environment, consumers’ perceptions, emotion, and behavior intentions grounded on the Stimuli-Organism-Response (SOR) model (Mehrabian-Russell, 1974).

The SOR model demonstrates that environmental stimuli would influence external behaviors through internal assessment. Many studies stated that the store environment in terms of music, lighting, olfactory sensations, crowding, symbols, color, layout, and employee behavior would exert an influence on emotional or cognitive perception (Donovan and Rossiter, 1982; Spangenberg et al., 1996; Sweeney and Wyber, 2002). Though physical environment is believed to affect the purchasing behavior, few studies discussed how it affects perceived experiential value through both cognitive and emotional evaluation. Regarding the retailing industry in past studies, store environment is usually divided into three facets: social cues, ambient cues, and design cues (Baker, 1986). To examine the influence of the store environment on the purchasing process and customers’ perception, this research (a) assesses three dimensions of store environment as the external stimuli; (b) treats the cognitive assessment, the perceived quality, the price, and the emotional contact included as the organism; and (c) uses the purchasing intention as the response.

2. The conceptual model and hypotheses

Baker et al. (2002) integrated theories from both cognitive and environmental psychology with Zeithaml’s (1988) proposal on value perceptions. Our conceptual framework adapts from the model conceptualized by Baker et al., but differs in a few ways as follows. Firstly, Baker et al. focused on consumer perceptions and infer that these perceptions would mediate between external store cues and store patronage intention. However, the perceptions are mostly derived from cognitive evaluation with little discussion on the role of emotions. The role of consumers’ emotional states in marketing has received burgeoning attentions and has been argued to influence consumers’ information processing as well as behavioral intention (e.g. Essén and Wikström, 2008; Sherman et al., 1997). Therefore, we incorporate emotion in the framework. Consumers are likely to process the external stimuli through both cognitive and emotional mechanisms (Sweeney and Wyber, 2002).

Secondly, the ambient cue chosen in prior studies are mainly on store music without incorporating other unobserved cues at the same time. This argument suggests the mere presence of music in a store could contribute to a favorable atmosphere. However, researchers have found that the congruity of other ambient factors could influence consumers’ affective responses and perceptions. These cues are all of importance and should be taken into consideration at the same time. For example, Michon et al. (2005) indicated that ambient odors would positively affect consumers’ perception under medium retail density. Other cues like temperature, lighting, and scents are also suggested to affect consumers’ emotion, satisfaction, and purchase behaviour (Turley and Milliman, 2000). Hence, this study extends the range of ambient elements to see how these cues combined impinge upon the perceptions as well as emotion.
Thirdly, while merchandise value perceptions is used as the mediator in their study to capture the economic value received by consumers, our study measures the experiential value perceptions that also tap the hedonic value in a restaurant. Besides, this study didn’t include “time/effort perception” and “psychic cost perception” in the conceptual framework. According to Baker et al. (2002), time/effort perception is defined as consumers’ “perceptions of time and effort that they are likely to expend shopping at a store.” It is the time that consumer spent looking for goods or services, which implies that consumers are at a relatively active role to search for goods in retailing stores by themselves. However, in most experiential restaurants, except buffet, consumers are served during the process of ordering and enjoying meals. Though consumers may wait for services, the perception of being served promptly is already included in our construct of perceived service quality.

Furthermore, Baker et al. (2002) defined “psychic cost perceptions” as the “mental stress or emotional labor during the shopping experience” and argued this variable represented the negative affective reactions to the external environment. Nevertheless, the measurements they used are highly correlated with the ambient cues in addition to the negative emotions, such as “unpleasant atmosphere,” “displeasing atmosphere,” and “uncomfortable atmosphere.” These are closer to the ambient cues that we aimed to explore. In Baker et al.’s concern, the ambient cue they manipulated is the music so that it would not be a serious problem to use these measurements. However, in our study, the ambient cues embrace these measurements. We do not think it is proper to have the two constructs, “ambient cues” and “psychic cost perceptions,” together displayed in our framework.

Our conceptual model, shown in Figure 1, demonstrates that the store environment, divided into social cues, ambient cues, and design cues, would affect the perception and emotion of the customer. This then would induce some perceived experiential value, and thereby influence the behavioral intention. The perceptions in our model refer to subjective inferences pertaining to service quality, merchandise quality, and monetary price, while the emotional inferences reflect how consumers feel when they experience the consumption.

**Figure 1. The conceptual model and hypotheses.**

**2.1 Store environment cues and consumers’ criteria of assessing perceived value**

Prior studies have conceptualized a stimulus as something that rouses or incites to action (e.g. Bagozzi, 1986) such as store environment. Store environment refers to the physical surroundings, composed of elements like music, lighting, layout, symbols and human beings. Baker (1986) divided store environment into three dimensions, namely social cues, ambient cues, and design cues. The three cues, inseperable from the decision process, were believed to influence an individual’s quality perception, perceived price, and emotions.
2.1.1 Social cues

Social cues refer to factors about human beings, including consumers and salespeople, two-way transaction behaviors, the crowding density of a store, privacy, lines for in and out, and even children’s racket (Aylott and Mitchell, 1999). In our study social cues entails how attendants appear to customers and how attendants communicate with customers during the service process. The interaction between employees and consumers is confirmed to affect how consumers assess service quality (Baker, 1986).

Grönroos (1984, p. 38) defined service quality as “a perceived judgment, resulting from an evaluation process where customers compare their expectations with the service they perceive to have received.” Consistent with Grönroos’s definition, Parasuraman et al. (1988:17) expounded service quality as “the degree of discrepancy between customers’ normative expectations for the service and their perceptions of the service performance.” The perceived service quality is interpreted as the outcome of consumer’s perceptions on the service per se (Zeithaml, 1988; Wong and Sohal, 2002). A service organization is acclaimed to be of “high quality” if it meets customers’ preferences and expectations consistently (Seth et al., 2005). Thus, consumers’ perceived service quality refers to consumers’ judgments on whether the service experienced meets their expectations.

Customers are likely to conjecture the reliability and trustworthiness of a service encounter based on their evaluation of store employees. This is because the way that employees behave and look could imply the extent to which customer value is conveyed (Smith and Wheeler, 2003). The verbal and non-verbal communication, courtesy, neat dressing, vitality, helpfulness in service, attitude, tone of voice, capability to handle complaints, and friendliness of an attendant are often used to measure how social stimuli influence consumers’ perceptions on reliability, assurance, responsiveness, and empathy (Baker, et al., 2002; Seth et al., 2005). Accordingly, this study posits H1a.

**H1a: Social cues are positively related to consumers’ perceived service quality.**

Moreover, Baker et al. (2002) used the term “merchandise quality perception” to explain consumers’ perceptions of the superiority of a group of products sold in a retail context. In a similar vein, this study adapted the definition of perceived merchandise quality to examine the food and meal quality in a setting of a restaurant. The perceived merchandise quality, therefore, refers to the consumer’s judgment on the superiority of the food and meal that they enjoyed in the restaurant. Consumer psychology has expounded that people are likely to rate a store according to the observed characteristics and dress of those who serve in a restaurant as well as those who visit it. Given insufficient information in a restaurant, consumers may surmise the food quality according to the clothing of its attendants and visitors. Besides, when customers seat themselves in the restaurant and take their meals, attendants’ service attitude, facial expressions, and clean appearance may influence their judgment on food quality. Therefore,

**H1b: Social cues are positively related to consumers’ perceived merchandise quality.**

Zeithaml (1988) viewed perceived price as what consumers gave up in an exchange entailing both monetary and non-monetary sacrifice perceived by consumers. According to Zeithaml’s, we looked into how social cues influence consumers’ perceived price. First, we believe that having a provoking and unpleasant service experience would diminish customers’ shopping desires, deteriorate the quality and images perceived, and reduce the pleasure and arousal they receive in mind. Unfriendly attendants with a poor service attitude are able to increase customers’ perceived sacrifice of psychic and monetary costs, and thus increase their perceived price. Consequently, **H1c** is proposed.

**H1c: Social cues are negatively related to consumers’ perceived price.**
Emotion has received growing attention as a central role in service quality management (e.g. Oliver, 1997; Wong, 2004). Despite of none generally agreed definition on emotion, Bagozzi et al., (1999; p. 184) defined emotions as “a mental state of readiness that arises from cognitive appraisals of events or thoughts.” Following their definition, we regarded emotion as a set of emotional responses elicited specifically in consumption experience.

Prior research suggests that salespeople play a critical role in influencing consumers’ moods and satisfaction (Baker et al., 2002). As a part of consumption communication, emotion is induced by interpersonal interactions. Researchers on emotional contagion argued that customers tend to ‘imitate’ and ‘catch’ employees’ display of attitude, such as emotion, concern towards customers, courtesy, and even service behaviors. This in turn would induce customers’ senses of pleasure, warmth, or arousal (Hatfield et al., 1994). Consequently, this study infers hypothesis as H1d.

\[ H1d: \text{Social cues are positively related to consumers’ emotional states.} \]

2.1.2 Ambient cues

Ambient cues refer to the non-visual elements of a store’s environment (Baker et al., 2002), such as smell, lighting, music, temperature etc. Insights from certain researchers (Baker, 1986; Sweeney and Wyber, 2002) indicate that ambient factors are likely to influence consumers’ perception of service quality and merchandise quality. Reda (1998) supported the importance of music in the marketing strategy of retailing stores. In addition, volume, tempo, and types of music have been shown to influence the perception process, and thereby generate consumer’s behavioral intention in terms of avoidance or approach (Sweeney and Wyber, 2002). Accordingly,

\[ H2a: \text{Ambient cues are positively related to consumers’ perceived service quality.} \]

Morrin and Ratneshwar (2000) pointed out that ambient scents are likely to improve the evaluation of products that are unfamiliar or not well understood. Smell can influence respondents in regard to elaborative image, affective and evaluative responses, purchase intention, and behaviors (Bone and Ellen, 1999). Adding a pleasant fragrance to a product display would induce a positive attitude of customers towards the product, purchase intention, and willingness to pay a higher price (Michon et al., 2005). In a restaurant, food smell is considered important to whet customers’ appetites. Therefore, H2b is inferred.

\[ H2b: \text{Ambient cues are positively related to consumers’ perceived merchandise quality.} \]

Favorable music induces feelings of pleasure and arousal in consumer’s minds and prolongs the time they spend in stores by reducing the psychic cost and time and effort cost (Baker et al., 2002). This study proposes that favorable ambient cues such as music and scents are likely to make consumers consider the price paid to be worthwhile and acceptable, even though the price may comparatively higher than that in other store.

\[ H2c: \text{Ambient cues are inversely related to consumers’ perceived price.} \]

High temperatures, noisy music, broadcast in stores, and overly bright lighting trigger anxiety and pressure in consumers (Aylott and Mitchell, 1999). In addition, when juxtaposed with stores without olfactory triggers, stores with a favorable smell are proven to be more likely to impress consumers. Therefore, the odor filling a retail store would elicit an emotional response in customers (Michon et al., 2005). Being fond of the smell, consumers would tend to positively assess the store they visit, and likely be more inclined to consume in the store (Spangenberg et al., 1996).

\[ H2d: \text{Ambient cues are positively related to consumers’ emotional states.} \]
2.1.3 Design cues

Store design is complex and comprises various elements (Vazquez and Bruce, 2002). A good environment design could convey the brand image and quality signals to target customers. Baker (1986) categorized the visual part of the store environment into design factors including layout, color, cleanliness, clutter, space, and so forth. These design components have been confirmed to influence interpersonal service quality (Baker, 1986; Baker et al., 2002). Convenient movements, relaxing space design, and delicate layout would strengthen customers’ confidence that the store is capable of completing what they promise to do for customers. Customers usually infer the store’s reliability according to its exterior layout. As a result,

\[ H3a: \text{Design cues are positively related to consumers’ perceived service quality.} \]

Tangible design cues serve as clues for consumers to judge the merchandise quality (Mazursky and Jacoby, 1986). For example, a theme restaurant probably implies what kind of food it offers. Interior decoration and facilities such as tables, seats, restrooms, an open kitchen, layout, and painting on the walls would provide consumers a comfortable dining space. The whole restaurant could be a play in which cooks in the open kitchen perform outstanding techniques in cooking, elaborate dishes convey a unique taste in life, and comfortable seats ensure a safe place to eat. Moreover, in a neat and tidy restaurant, customers are more likely to believe that they are being served fresh dishes from a carefully-handled cooking process.

\[ H3b: \text{Design cues are positively related to consumers’ perceived merchandise quality.} \]

The overall image of a store is associated with consumer’s behavior responses. Some empirical studies have found that a well-designed layout would facilitate the efficient flow of store occupants (Titus and Everett, 1995) and reduce the perception of crowding (Aylott and Mitchell, 1999) which in turn eliminates the psychic costs (Baker, et al., 2002) and diminishes the perceived prices.

\[ H3c: \text{Design cues are negatively related to consumers’ perceived price.} \]

Wakefield and Blodgett (1999) mentioned that tangible physical environment often appears emotionally, particularly when involving hedonic consumption during which customers are highly sensitive to aesthetic quality. In a retailing store, inconvenient layout design is likely to cut down on shopping efficiency, elicit anger and impatience in customers, and reduce repurchasing intention (Baker et al., 2002). Instead, consistent and elaborate environment design would encourage customers to build relationships with the brand or store. Additionally, colors, one part of design cues, are ensured to incite consumer’s emotions and impress customers (Crowley, 1993). For example, cool colors engender a more pleasant feeling than bright ones, though bright colors may attract more attention from customers. Based on the discussion above, this study infers that:

\[ H3d: \text{Design cues are positively related to consumers’ emotional states.} \]

2.1.4 Determinants of perceived experiential value

Perceived value, according to Zeithaml (1988), is the consumer’s overall assessment of the utility of a product and the perception of what is received and what is given. While perceived value has encompassed the economic value assessed by consumers, the antecedents scrutinized are relatively restricted to cognitive components of perceptions. To outline the emotional and hedonic value accompanied with the experiential marketing design, we attempt to extend the meaning of the perceived value and thereafter choose the term, “experiential value,” used by Schmitt (1999), so as to give a more complete annotation about the perceived value during consumers’ experiential consumption.
As Mathwick et al. (2001) noted, experiential value should embrace more than extrinsic value that mainly derived from utilitarian benefits but also intrinsic value that related to fun and playfulness offered by an experience. Perceived experiential value may be more appropriate used to see how both cognitive and emotional mechanisms mediate between the external stimulus of a store and consumers’ behavioral intention. Therefore, following the experiential modules proposed by Schmitt (1999), we define the experiential value as the utilitarian and the hedonic value perceived by customers via sensing, feeling, thinking, acting, and relating. A sense experience is designed by stimulating and pleasing perceptions received through seeing, hearing, smelling, tasting, and touching. A feel experience, composed of positive or negative emotions, can be sophisticated and have consumers immersed in a certain situation. A thought experience can inspire consumers to think in a creative way and thereby spark their imagination. An act experience requires consumers’ physical participation and interaction with a brand and even other customers. A relational experience creates a sense of consumer belonging and identification in society. Thus, this study therefore inferred that

\[ H4: \text{Perceived service quality is positively related to perceived experiential value.} \]

Like perceived service quality, perceived merchandise quality refers to the subjective perception of consumers based on their past experiences and cognitions about the products or goods (Hsu, 2003). Insights from empirical studies identify perceived product quality as a significant factor in perceived value (Baker et al., 2002; Snoj et al., 2004). As a result, this study hypothesizes that perceived merchandise quality (or perceived product quality) will positively influence perceived experiential value.

\[ H5: \text{Perceived merchandise quality is positively related to perceived experiential value.} \]

Price is an important factor in customers’ satisfaction (e.g. Zeithaml, 1988; Cronin et al., 2000). It is the trade-off occurring in an exchange for certain products or services (Hawkins et al., 1983; Zeithaml, 1988). Oh (1999) finds that perceived price has a negative effect on customer’s perceived value. From a consumer’s viewpoint, price is often perceived together with equity or fairness when he/she judges the gain and loss in an exchange (Oliver, 1997). In other words, the perceived price is similar to the perceived sacrifice and is likely to decrease the value that a customer recognizes during the purchasing process (Bei and Chiao, 2001). The higher the perceived price is, the lower the perceived value remains (Baker et al., 2002). This study therefore posits that:

\[ H6: \text{Perceived price is inversely related to perceived experiential value.} \]

Some researchers consider emotion a temporary state of mind, while some view emotion as a synonym of affect and mood (Sherman et al., 1997). Though a growing number of studies have examined emotion based on the SOR model and find that emotion plays a significant role in influencing consumers’ behavioral response (Donovan and Rossiter, 1982; Sweeney and Wyber, 2002), few of them look into the relationship between emotion and perceived value. Counter to those who pursue instrumental consumption, customers who desire hedonic consumption are likely to seek emotional arousal and pleasure for a higher added value in the consumption process (Wakefield and Blodgett, 1999). Therefore,

\[ H7: \text{Emotional state is positively related to perceived experiential value.} \]

2.1.5 Perceived experiential value and behavior intention

Perceived value is a primary factor influencing purchase intention (Chang and Wildt, 1994). It has a positive effect on consumer satisfaction and determines whether the consumers will repurchase in the same store or not (Iglesias and Guillén, 2004). Inferring from the SOR model and the work of Zeithaml (1988), previous studies proposed that the store environment would determine the behavioral intention through cognitive or emotional processing (Brady
and Cronin, 2001). Both cognitive and emotional assessments lead to the consciousness of value. The hypothesis is proposed as follows:

\[ H8: \text{The perceived experiential value would positively influence the behavior intention.} \]

3. Methodology

3.1 Sampling and data collection

This study conducted SEM and Maximize Likelihood Estimate (MLE) modeling to examine the relationships between the latent variables. Baker et al. (2002) mentioned that previous studies about store environment usually use experimental design, such as videotapes or a simulated environment described on questionnaires. In these kinds of experiments, one of the store environment components is usually controlled and others remain the same. They suggested that stores with different attributes should be studied individually because various attributes combined may generate different outcomes. However, it will require an extremely large sample if multiple cues are manipulated in experiments at the same time. In this study, we asked restaurant to evaluate the multiple cues and fill in questionnaires after enjoying their time there. The influence of multiple cues here, though limited to the possible bias of self report, is likely to be more real. Therefore, we choose a restaurant with sophisticated cues as the research sample. In addition, most previous studies about store environment focused on the retail industry but ignored the trend of experiential marketing in other industries. This study chose an experiential restaurant that would probably have customers immersed in the environment through five senses. The restaurant offered sophisticated foods in natural material for customers, particularly those who looked forward to keep healthy and search for an easy and simple life.

To ensure the content validity of the questionnaire, this study followed the operational definition of practitioners and developed measured items in the questionnaire. Customers in the restaurant were invited to fill in the questionnaire after enjoying their meals. Additionally, for two reasons, this study chose not to change any single design element in the store, but regarded the overall environment as the external stimuli. First, it is technically difficult to manipulate all the environmental cues in a real restaurant. Secondly, consumers tend to assess the whole experience in a store rather than a single component.

Of the total 314 questionnaires returned, 289 copies were valid and 25 copies were excluded due to omitted answers or similar answers in almost every question. The response rate was 92%. There was an average distribution of respondents in gender (46% of them were male; 54%, female). However, the distribution of age was different. More than 63% of respondents were between 35 and 55 years old and 8.7% of them were between 15 and 25 years old. This extremely asymmetrical distribution was attributed to the design theme of the restaurant, which portrays a rural and natural lifestyle. This probably attracts consumers who pursue an easy and simple life. In line with the conclusion made after an interview with the restaurant manager, the asymmetric distribution in age is related to the restaurant’s target market. Customers above age 35 not only have a higher consumption power, but also tend to be fastidious about a green and healthy lifestyle. Besides, they usually like to spend more time with their families or close friends in a place where they can truly relax.

3.2 Questionnaire design and measurements

The questionnaire was designed with a Likert seven-point scale to assess the extent to which respondents identify with the questions. Following the measurements of a store environment adopted by Sherman et al. (1997) and Baker et al. (2002), our measurements were slightly modified to suit our research context. Four items were designed to evaluate the
social cues. Another five items were designed to evaluate the ambient cues. As for the design cues that customers receive through eyes and contacts, this study adapted another ten questions to test customers’ perceptions. According to Parasuraman et al. (1985), four items about service tangibility, reliability, responsiveness, and assurance were developed. We also designed three items for the perceived food quality. Additionally, we designed two questions to measure perceived price based on Bei and Chiao (2001). Regarding the measurements of emotion, this research used two constructs, respectively pleasure and arousal, mentioned by Russell (1978) and developed three items for each construct. The third construct that Russell proposed, dominance, was excluded from our measurements because some researchers thereafter found little explanatory power of dominance on emotion (e.g. Donovan and Rossiter, 1982). One noticeable point is that we added an item of satisfaction as an emotional component because satisfaction per se, despite of being partly cognitive, is also partly affective assessment of the experience (Wong, 2004) and thereby should also be evaluated in service settings (Wirtz and Bateson, 1999).

Moreover, the measurements for perceived experiential value were mainly adapted from Brakus’s (2001) unpublished dissertation of Columbia University. He developed 25 items for five experiences (i.e. experience of sense, feel, think, act, and relate) from an exploratory study. These items were different from traditional measurements of perceived value. In a retail context, Baker et al. (2002) employed 3 items to reflect the cost-benefit trade off that customers recognized, including “fair gift prices,” “good value,” and “economical gifts.” To see whether the traditional items were suitable to indicate the perceived experiential value, we also adapted the three items in questionnaires. Finally, this study used another four items including the extent of willingness to dine again, to stay longer, to recommend, and to keep consuming in the future, according to the operational definitions of Donovan and Rossiter (1982) and Sweeney and Wyber (2002).

4. Analysis and results

4.1 Data analysis

Table 1 shows the statistical outcome of the two models, the theoretical model and the modified model. The modified model offers another heuristic thought regarding how a store environment influences behavioral intention. However, neither of these two models can be proved to better explain the authentic relationships of cause and effect among variables.

4.2 Reliability and validity

Since the questionnaire design was based on previous studies, it is considered to match their content validity. To ensure the construct validity, this study used principal component factor analysis along with factor analysis to extract items with common factors higher than 0.5 (Kerlinger, 1986). Those items with common factors lower than 0.5 were eliminated. Regarding the measurements of the perceived experiential value, we found only components of sense, think, and relate were remained. The results might be associated with the specific experience that our sample provided. We then averaged the items of each dimensional component as the measurement variable in the structural equation model.

This study used Cronbach’s α, lambda loading, and SMC (Squared Multiple Correlations) to examine reliability. Cronbach’s α ranges from 0.6132 to 0.9170. Lambda loading, ranging from 0.70 to 0.99, indicates the extent to which the ratings of items depend on the latent variable. As shown in Table 1, SMC ranges from 0.50 to 0.98, higher than the threshold of 0.5 suggested by Hair et al. (1992) except “brightness” (SMC = 0.42). In general, the reliability of this questionnaire is good. Additionally, the AVE (Average Variance Extracted) of each
construct ranges from 0.57 to 0.95, implying that each manifest variable could well explain the latent variable (Chen and Cherng, 1998).

### Table 1. Measurement model results for the theoretical model and the modified model.

<table>
<thead>
<tr>
<th>Item</th>
<th>Theoretical model</th>
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<th>Modified model</th>
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<tbody>
<tr>
<td></td>
<td>Lambda loadings</td>
<td>SMC</td>
<td>AVE</td>
<td>Cronbach's α</td>
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<td>Social cues</td>
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<td>Vitality</td>
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<td>Ambient cues</td>
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<tr>
<td>Brightness</td>
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<td>0.7593</td>
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<td>Pleasant atmosphere</td>
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<td>Pleasant music</td>
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<td>Design cues</td>
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<td>Cleanliness</td>
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<td>Needs satisfied</td>
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<td>Perceived food quality</td>
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</tr>
<tr>
<td>Emotion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfied</td>
<td>0.87</td>
<td>0.76</td>
<td>0.87</td>
<td>0.76</td>
</tr>
<tr>
<td>Relax</td>
<td>0.90</td>
<td>0.82</td>
<td>0.90</td>
<td>0.82</td>
</tr>
<tr>
<td>Arousal</td>
<td>0.83</td>
<td>0.70</td>
<td>0.83</td>
<td>0.69</td>
</tr>
<tr>
<td>Perceived experiential value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sense</td>
<td>0.84</td>
<td>0.70</td>
<td>0.85</td>
<td>0.72</td>
</tr>
<tr>
<td>Think</td>
<td>0.87</td>
<td>0.77</td>
<td>0.87</td>
<td>0.76</td>
</tr>
<tr>
<td>Relate</td>
<td>0.88</td>
<td>0.77</td>
<td>0.87</td>
<td>0.76</td>
</tr>
<tr>
<td>Behavior intention</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stay longer</td>
<td>0.86</td>
<td>0.74</td>
<td>0.86</td>
<td>0.74</td>
</tr>
<tr>
<td>Willingness to recommend</td>
<td>0.99</td>
<td>0.98</td>
<td>0.98</td>
<td>0.97</td>
</tr>
<tr>
<td>Repurchasing intention</td>
<td>0.91</td>
<td>0.82</td>
<td>0.91</td>
<td>0.82</td>
</tr>
</tbody>
</table>

**Fit statistics**

<table>
<thead>
<tr>
<th>Fit statistics</th>
<th>Theoretical model</th>
<th>Modified model</th>
</tr>
</thead>
<tbody>
<tr>
<td>WLS χ² with 232/229 df</td>
<td>583.62</td>
<td>425.91</td>
</tr>
<tr>
<td>χ² ratio</td>
<td>2.52</td>
<td>1.86</td>
</tr>
<tr>
<td>GFI</td>
<td>0.86</td>
<td>0.89</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.81</td>
<td>0.86</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.073</td>
<td>0.055</td>
</tr>
<tr>
<td>CFI</td>
<td>0.93</td>
<td>0.96</td>
</tr>
<tr>
<td>RMR</td>
<td>0.037</td>
<td>0.024</td>
</tr>
</tbody>
</table>
4.3 The theoretical model

4.3.1 Fitness of model

The indicators of the theoretical model fitness are shown as follows (shown in Table 1): The $\chi^2$ ratio equals 2.52, lower than the standard value of 3, revealing a good fitness of the model. The GFI (Goodness of Fit Index) is 0.86, indicating a moderately good fitness. The AGFI (Adjusted Goodness of Fit Index) is 0.81, a little bit lower than the suggested value of 0.9. RMSEA (Root Mean Square Error of Approximation) is 0.073, under an acceptable ceiling. The CFI (Comparative Fit Index) and RMR (Root Mean Square Residual) also indicate a good fitness of the theoretical model.

4.3.2 Hypotheses verification and path analysis

Shown in Table 2, most paths were found significant except 4 paths. The influence of social cues on perceived price (t-value = -0.79) and emotion (t-value = 1.25) are insignificant. $H1c$ and $H1d$ receive no support. Moreover, perceived merchandise quality is revealed irrelevant to both ambient cues (t value = 0.97) and design cues (t-value = 0.89). The result opposed to our inference on $H2b$ and $H3b$. Besides, $H3c$ also receive no support because the effect of design cues on perceived price reveals insignificant (t-value = -1.23). Though the effect of perceived merchandise quality on perceived experiential value ($H5$) is significant with t value equals to -2.54, the coefficient is negative and contrary to our expectations.

Table 2. Hypotheses and path coefficients.

<table>
<thead>
<tr>
<th>Path</th>
<th>Expected sign</th>
<th>coefficient</th>
<th>T value</th>
<th>Accept</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H1a$: social cues $\rightarrow$ perceived service quality</td>
<td>+</td>
<td>0.34***</td>
<td>5.23</td>
<td>Yes</td>
</tr>
<tr>
<td>$H1b$: social cues $\rightarrow$ perceived merchandise quality</td>
<td>+</td>
<td>0.38***</td>
<td>5.89</td>
<td>Yes</td>
</tr>
<tr>
<td>$H1c$: social cues $\rightarrow$ perceived price</td>
<td>—</td>
<td>-0.05</td>
<td>-0.79</td>
<td>No</td>
</tr>
<tr>
<td>$H1d$: social cues $\rightarrow$ emotion</td>
<td>+</td>
<td>0.07</td>
<td>1.25</td>
<td>No</td>
</tr>
<tr>
<td>$H2a$: ambient cues $\rightarrow$ perceived service quality</td>
<td>+</td>
<td>0.22***</td>
<td>2.92</td>
<td>Yes</td>
</tr>
<tr>
<td>$H2c$: ambient cues $\rightarrow$ perceived price</td>
<td>—</td>
<td>-0.35***</td>
<td>-4.15</td>
<td>Yes</td>
</tr>
<tr>
<td>$H2d$: ambient cues $\rightarrow$ emotion</td>
<td>+</td>
<td>0.41***</td>
<td>5.51</td>
<td>Yes</td>
</tr>
<tr>
<td>$H3a$: design cues $\rightarrow$ perceived service quality</td>
<td>+</td>
<td>0.47***</td>
<td>6.53</td>
<td>Yes</td>
</tr>
<tr>
<td>$H3b$: design cues $\rightarrow$ perceived merchandise quality</td>
<td>+</td>
<td>0.06</td>
<td>0.89</td>
<td>No</td>
</tr>
<tr>
<td>$H3c$: design cues $\rightarrow$ perceived price</td>
<td>—</td>
<td>-0.09</td>
<td>-1.23</td>
<td>No</td>
</tr>
<tr>
<td>$H3d$: design cues $\rightarrow$ emotion</td>
<td>+</td>
<td>0.35***</td>
<td>5.68</td>
<td>Yes</td>
</tr>
<tr>
<td>$H4$: perceived service quality $\rightarrow$ perceived experiential value</td>
<td>+</td>
<td>0.41***</td>
<td>5.33</td>
<td>Yes</td>
</tr>
<tr>
<td>$H5$: perceived merchandise quality $\rightarrow$ perceived experiential value</td>
<td>+</td>
<td>-0.14</td>
<td>-2.54</td>
<td>No</td>
</tr>
<tr>
<td>$H6$: perceived price $\rightarrow$ perceived experiential value</td>
<td>—</td>
<td>-0.23***</td>
<td>-4.11</td>
<td>Yes</td>
</tr>
<tr>
<td>$H7$: emotion $\rightarrow$ perceived experiential value</td>
<td>+</td>
<td>0.30***</td>
<td>4.71</td>
<td>Yes</td>
</tr>
<tr>
<td>$H8$: perceived experiential value $\rightarrow$ behavior intention</td>
<td>+</td>
<td>0.58***</td>
<td>9.55</td>
<td>Yes</td>
</tr>
</tbody>
</table>

4.4 The modified model

The GFI and AGFI in the theoretical model are not good enough and the modification indices in the statistical report suggest that there is room for model improvement. This study attempted to make some modifications to obtain a better model by removing insignificant paths and adding another four paths. The main purpose of modification was not to change the framework, but to seek a better and more reasonable inference to clarify the relationships between these variables. As Shown in Table 1, the modified model represents a better fitness: the $\chi^2 = 1.86$, the GFI = 0.89, the AGFI = 0.86, the RMSEA = 0.055, the CFI = 0.96, and the RMR = 0.024.
The modified model shown in Figure 2 suggests some heuristic thoughts in interpreting the possible relationships between latent variables. Four paths are added based upon some prior researches. These paths imply that the interaction between cognitive assessment and affective reaction may exist. So far such relationships have received limited attention and require further discussion. Notably, the effect of perceived merchandise quality on perceived experiential value remained unchanged. We argued that perceived food quality is pivotal, especially in attracting customers in a restaurant. It would be improper to explain the consumption experience if the path is removed.

![Figure 2. The modified model.](image)

We now explain the reason why four paths are added and our statistical results of the four paths. First, Hansen (2005) found that experienced eating quality would positively influence respondents’ pleasure-feeling. Chebat and Michon (2003) as well found that perceived product quality would affect emotions with significant predictive power. Consistent with their findings, this study revealed a tentatively significant relationship between perceived merchandise quality and emotion (path coefficient = 0.24; t-value = 4.64). The food quality is particularly important in the consumption experience of a restaurant. Unlike the retail industry in which product quality can only be proved after a purchase, restaurants prove the food quality to their customers while customers are consuming and while the customer is still in the store.

Secondly, previous studies have attempted to explain how moods affect consumers’ cognitive judgment and decisions (Chebat and Michon, 2003; Michon et al., 2005). People in a positive emotional state would usually perceive a lower extent of loss or risks (Fedorikhin and Cole, 2004). Since the perceived price is a kind of perceived loss, we expected a negative relationship might exist between emotion and perceived price. The result shows a significant and negative effect of emotion on perceived price (path coefficient = -0.25; t-value = -3.25). In other words, a pleasant and arousing mood may alleviate the trade-off sacrifice perceived by consumers.

Thirdly, as the approach/avoidance theory (Donovan and Rossiter, 1982; Sweeney and Wyber, 2002) suggested, emotions elicited by the external stimuli could give rise to a consumer’s approaching or avoiding decisions. Chebat and Michon (2003) believed that consumers with favorable moods are inclined to bond with others, stay longer in the store environment, and purchase more. They further found that consumers with favorable mood
would tend to behave in an approaching way. This study adds a direct path between emotion and behavioral intention. The path coefficient equals to 0.39 (t-value = 6.14).

Fourthly, people tend to believe what they see and regard it as signals to form perceptions on experiences. Design cues that connot the visible elements of the store environment often symbolize brand association and create brand memories as well as experiences. Therefore, we inferred that design cues might directly influence perceived experiential value. The statistical outcome revealed a tentatively significant coefficient (0.26) with t value of 3.39.

Table 3. Direct and indirect effect of the modified model.

<table>
<thead>
<tr>
<th></th>
<th>Perceived service quality</th>
<th>Perceived merchandise quality</th>
<th>Perceived price</th>
<th>Emotion</th>
<th>Perceived experiential value</th>
<th>Behavior intention</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Path</td>
<td>t-value</td>
<td>Path</td>
<td>t-value</td>
<td>Path</td>
<td>t-value</td>
</tr>
<tr>
<td><strong>Social cues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>0.22</td>
<td>2.92</td>
<td>0.39</td>
<td>6.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.02</td>
<td>-2.49</td>
</tr>
<tr>
<td>Total</td>
<td>0.22</td>
<td>2.92</td>
<td>0.39</td>
<td>6.90</td>
<td>-0.02</td>
<td>-2.49</td>
</tr>
<tr>
<td><strong>Ambient cues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>0.27</td>
<td>3.32</td>
<td></td>
<td></td>
<td>-0.25</td>
<td>-3.11</td>
</tr>
<tr>
<td>Indirect</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.10</td>
<td>-2.87</td>
</tr>
<tr>
<td>Total</td>
<td>0.27</td>
<td>3.32</td>
<td></td>
<td></td>
<td>-0.35</td>
<td>-4.82</td>
</tr>
<tr>
<td><strong>Design cues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>0.46</td>
<td>6.09</td>
<td></td>
<td></td>
<td>-0.09</td>
<td>-2.87</td>
</tr>
<tr>
<td>Indirect</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>0.46</td>
<td>6.09</td>
<td></td>
<td></td>
<td>-0.09</td>
<td>-2.87</td>
</tr>
</tbody>
</table>

In addition, the direct and indirect effect of the modified model is shown in Table 3. Emotion is found to mediate between perceived merchandise quality and perceived price. The indirect effect of perceived merchandise quality on perceived price is –0.06 (t = -2.68). That is to say, the taste of food would elicit emotional responses such as pleasure. This would then reduce the perceived cost that customers pay for the consumption. Besides, while design cues may directly influence perceived experiential value (path coefficient = 0.26, t-value = 3.39), design cues would also influence both affective (path coefficient = 0.34, t-value = 6.01) and cognitive perception (path coefficient = 0.46, t-value = 6.09). Therefore, by creating design of aesthetics, store managers could have their customers immersed in an unforgettable consumption experience. The indirect effect of design cues on perceived experiential value is 0.20 with a t-value of 4.08. From the results mentioned above, this study concludes that perceived experiential value, reinforced by the extent of perceived service quality, perceived price, and emotion, would mediate between different cues of the store environment and behavioral intention (t-value = 3.85, 5.42, and 7.01 respectively).
5. Discussion and implication

5.1 Discussion

Social cues are proved to influence consumers’ perception on food quality and service quality. As inferred in the literature review above, this study proposed that the cleanliness and tidy appearance of attendants may serve as signals and inform consumers that the food is well prepared and the ingredients are fresh. Moreover, in a restaurant, attendants have to assign seats, introduce everyday specials for customers, and handle complaints or conflicts. Therefore, the service attitudes and courtesy will not only influence the extent to which customers trust the attendants, but also reflect whether this restaurant has the capability to fulfill its promise to customers. Accordingly, customers decide to dine there next time or not based on the value they receive in the restaurant.

Against our expectations, however, social cues were found to insignificantly influence perceived price and emotion in the theoretical model. The cause of this may be attributed to the chosen population in the experiment. In this theme restaurant, customers either seek to immerse themselves in tranquility or share the restful atmosphere with their families and friends. At the same time, attendants usually do not disturb customers unless problems occur; as a result, the frequency of interaction and communication between attendants and customers is not high. In that case, customers would pay more attention to the environment than the employees. As a result, it is design cues and ambient cues that significantly influence the perceived price and emotional state rather than social cues. Besides, like the statistical outcome in this study, Baker et al.’s research also indicates that employees have little impact on consumer perceptions except on the perceived interpersonal service quality.

Ambient cues and design cues are found to directly influence perceived service quality and emotion. Consumers experience things through their senses, such as seeing, hearing, smelling, tasting, and touching. Therefore, any exterior signals that customers have contact with are likely to convey messages about brand image and quality. For example, the design of convenient facilities may imply the tangibility as well reliability of service quality. In a store featuring a comfortable design and atmosphere, customers are more likely to trust the services provided and truly enjoy themselves in the consumption process. People by nature tend to love beautiful things. The aesthetics and unique design that people prefer may symbolize their personality and taste. A sophisticatedly-designed store environment can stimulate a change in emotional state and in turn affect the perceptions of store value.

Consistent with the study outcome of Baker et al. (2002), the results of this study indicate that ambient cues will not influence perceived food quality. Favorable ambient cues do not change consumer perceptions of food taste and food quality, even though they can improve the emotional state of customers. This study also found an insignificant effect of design cues on perceived food quality. If the research sample was not a restaurant, then the cause and effect may have been different. For example, prior researchers such as Baker et al. (2002) used a retail store as the research sample and show a significant relationship between design cues and perceived merchandise quality.

In addition to the influence of store environment on consumer’s perception, our study also contributes in the following ways. First, emotion, as shown in the modified model, is found to be negatively related to the perceived price. Although prior scholars (e.g. Baker et al., 2002) have looked into the cognitive evaluations as well as perceptions of consumers, we contend that these cognitive evaluations are associated with their emotional feelings. The cognition and emotion are not distinctive functions, but two sides of the same coin; nonetheless, the link between cognitive evaluations and emotional assessment has been neglected in the current
literature (Essén and Wikström, 2008). Consequently, it is important to examine consumers’ cognitive perceptions and emotions at the same time.

According to theory of “affect-as-information” (Schwarz and Clore, 1996), consumers tend to rely on their emotions to make judgments about a target. In the analysis of our modified model, this study confirms that customers in a positive emotional state would perceive a lower sacrifice or psyche cost. As Fedorikhin and Cole (2004) stated, customers tend to evaluate loss and risks based on their emotional state. That is to say, when customers feel pleasant or excited in the store, they consider that the price they pay is relatively low and worthwhile, which therefore increases their perceived experiential value.

Second, the relationships between perceived quality, perceived price, and emotion have received little attention. The additional paths in the modified model display a possible cause and effect between cognitive perceptions and affective reflection. This study infers in the theoretical model that favorable design cues are likely to lower customers’ perceived price; however, the path coefficient is insignificant. Nevertheless, from the statistical outcome in the modified model, this study finds an indirect effect of design cues on perceived price, in which emotion acts as a mediator. Aesthetic design can intrinsically elicit positive emotion. The more pleased or excited the customers feel, the less cost they would perceive to pay.

Third, while prior studies have focused on the retail context and contributed to the understanding of consumers’ perceived product value (Baker et al., 2002; Zeithaml, 1988), not many of them regarded product value as merely one part of the whole service and experience. This study re-examines the perceived value from the perspective of experiential marketing by employing Schmitt (1999) and Brakus’s (2001) concept and proceeds with an empirical analysis. Also, the relationships between consumers’ perceptions and the perceived experiential value were examined. The direct relationship between perceived merchandise quality and perceived experiential value was also found to be insignificant. It is possible that customers visit the restaurant mainly to enjoy the artistic environment design, and therefore would not be so picky about the food as long as the food quality is acceptable. In spite of the insignificant direct effect, perceived food quality is still considered important because it may impinge upon experiential value through the mediator, emotion. Specifically, a favorable taste and quality of food would cause pleasant feelings in customers and thereby embellish the consumption experience as well as perceived experiential value. By and large, emotion mediates between the exterior stimuli, the perceptions, and behavioral intention.

To recap, the present study addresses the influence of store environment on consumers’ cognition and emotions by exploring the intertwined nature of these two components. We look into how consumers react to the three dimensions of store environment (namely social cues, ambient cues, and design cues) in a setting of experiential restaurant. The results suggest that emotional care is an essential aspect of experiential service, which is likely to influence consumers’ perceptions.

5.2 Managerial implications

This study regards emotion as an indispensable variable in the process of assessment. Some relationships might become significant if emotion serves as a mediator. Store managers are recommended to carefully train employees at the front line and enhance their capability of dealing with customers’ wants as well as complaints. The interaction and communication between attendants and customers would not only influence customers’ judgment in perceptions, but also serve as the best way to create store memories. A good employee image usually reflects the trustworthy image of a brand or restaurant and at the same time impresses customers by eliciting pleasant feelings in the meal consumption. This then increases perceived experiential value. Therefore, rather than focusing on pulling in as many customers as possible by external marketing, store managers should spend more time in internal
marketing. That is to say, to convey the business value and build consumer belief in brand reliability, managers are recommended to train their attendants to value the needs of consumers and behave beyond customers’ expectations. In doing so, customer satisfaction and loyalty, which ultimately bring lifetime value, can be created and reinforced.

In an experiential environment, it is important for managers to make sure that all the design elements are adequate and consistent with the theme, which in turn could influence the perceptions and emotions of customers. Therefore, by eliminating contradictory elements in the environment and keeping all the elements in harmony within stores, managers can raise prices to increase profit. In a sophisticatedly designed store, consumers would be willing to pay more to enjoy and immerse themselves in hedonic value.

5.3 Research limitations and suggestions for future study

The relationships between these latent variables may differentiate owing to differences in store environment types and industrial characteristics (Baker et al., 2002; Sweeney and Wyber, 2002). Future research is recommended to make further discussion on other industrial types and compare different effects in different environments so that the conceptualized model can be constantly verified and tested. In addition, by virtue of the single experiential store environment selected, the population and respondents are restricted in certain ways. For example, they may all think and act in similar ways which may engender bias in sampling.

Though this study looks into perceived experiential value from the perspective of a store environment, possible determinants of perceived value such as consumers’ past experiences, consistent brand image, product attributes, and brand trust may remain unraveled. Few studies examined the perceived value from these facets. To make the conceptual model more complete and more accurately reflect the complex consumption process, these variables are suggested for consideration. When evaluating consumption stimuli, customers are likely to experience different levels of perception and emotion in light of their product involvement, gender, and lifestyle. For example, consumers of high product involvement may be more likely to assess the stimuli via cognitive information processing than those of low product involvement; females may be more sensitive than males in a service encounter. As a result, it is recommended that the influence of store environment together with moderate variables should be explored. This may lead to a more valuable contribution to the academics of experiential marketing.

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