



Abstract

This paper examines the complex issue of how small traditionally family owned businesses compete with larger, more sophisticated and better financed corporate run competitors. To this end we use as a case study a small service firm from the funeral industry. We explore managerial dilemmas related to making both tactical and strategic decisions about administering the physical environment in order to develop and expand a competitive advantage in an increasingly multifaceted and growing industry. Furthermore, we propose a servicescape framework for managers across the funeral service industry to consider before investing limited business resources.

Key words: Servicescape, Physical Environment, Funeral Home

Resumen

¿Cómo puede una firma de familia, tradicional y pequeña, competir con firmas grandes, más sofisticadas y mejor financiadas? Las respuestas a esta pregunta pueden ser muy complejas. Este artículo, sin embargo, utiliza una firma de servicio de vida real para explorar dilemas administrativos relacionados con la toma de decisiones; tácticas y estratégicas sobre cómo manejar el entorno físico a fin de desarrollar y expandir una ventaja competitiva en una industria cada vez más compleja y creciente. Un marco de *servicescape* se les ofrece a los gerentes de la industria funeral para que lo consideren antes de invertir sus recursos limitados.

Palabras clave: Servicescape, Entorno Físico, Funeraria

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Managing the servicescape for the Funeral Home Industry

In a diverse and emerging global community located in the southeastern part of the United States, a relatively small funeral service provider struggles with managerial issues that apply to all service providers regardless of their size or geographic location. This paper focuses on an aspect of services marketing strategy that has been consistently overlooked by the mainstream marketing literature: that of managing a service firm's physical environment. We will discuss a service firm's managerial dilemmas as they relate to making both tactical and strategic decisions about managing physical facilities in order to develop and expand a competitive advantage in an increasingly aggressive and growing industry. A servicescape framework is used as a basis for making strategic managerial recommendations for the family oriented funeral home company. Our initial hypothesis is that this firm, along with other service providers, needs to develop a targeted strategy focused on strategic aspects in order to maximize its competitive advantage.

With competition fierce in virtually every American industry, firms that provide superior value to consumers appear to outperform com-

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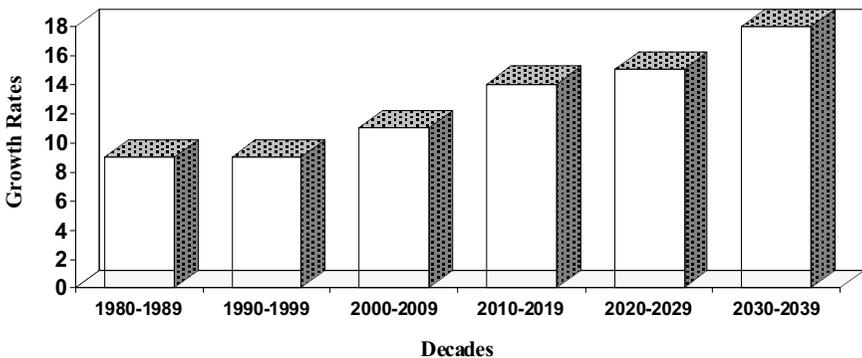
petitors that do not deliver perceived value. The service firm discussed here, the funeral home *Pax Villa USA*, experiences the normal pressures to outperform competitors. The funeral service industry was selected for discussion for several reasons. The first reason is a general lack of focus by marketing researchers/educators on this substantial sector of the service economy. The second reason is the importance of the service encounter in this industry (i.e., a firm may not get the chance to recover from a service failure; typically once a serious mistake occurs the consumer will switch funeral service providers permanently).

The third reason is the proposition that if a servicescape managerial framework can be provided in such an industry, then the potential benefits of this framework may be applied to other service industries as well.

Funeral Home Industry

In 2002 annual funeral home industry sales revenue was approximately \$12 billion (1997 U.S. Census of Services Industries [NFDA], 2000). From 1980 to 2000 the funeral home industry had a flat nine percent growth rate. Projected growth rates into the future are expected to be in the double digits (see Graph 1) largely due to the aging baby boom generation.

Graph 1
Funeral Home Industry Growth Rates



The Pax Villa, USA Funeral Home

As a result of the political and economic situation in Haiti, the Haitian-American population has experienced substantial growth in the Pax Villa community. Consequently Pax Villa USA caters primarily to Haitian-Americans. In Pax Villa's community the number of Haitian-American deaths has increased. The Haitian-American community is not alone in this regard; the growing number of deaths in ethnic groups with specific funeral expectations has been identified by the National Funeral Directors Association (NFDA) as an emerging trend within the industry that may change the way funeral service is delivered. American "[...] funeral directors now serve people with differing funeral customs from all parts of the globe" (NFDA 2000, P.4).

Along with the particular expectations of their constituency, Pax Villa USA confronts a myriad of issues common to service providers. In order to address these issues we have determined that Pax Villa's management needs to examine the most cost-effective strategy for managing the funeral home. These issues are critical to the firm's ability to survive long term. Our research revealed that as a starting point, a decision must be made with respect to the funeral home facility itself. *The importance of this strategic decision is not unusual: it is generally the case that a service providers' largest investment is in the facility itself.*

Servicescape Background

The literature examined sustains that consumers rely on ambient cues in much the same way that they rely on packaging to categorize and form their initial beliefs about consumer goods (Bitner, 1992; Hightower et al., 2002). In addition it establishes that consumers may seek tangible indication (i.e., servicescape) to predict the quantity of the service provided. We agree with this thesis and propose that to consumers, the importance of the service provider's physical facility is a function of the nature of the service provided and the service consumption experience. Additionally, the physical environment is also capable of performing several different roles at once. Baker, Grewal, and Parasuraman, (1994), Hightower, Brady and Baker (2002) suggest that the physical environment can take the role of a package, a facilitator, a socializing agent, and a differentiator.

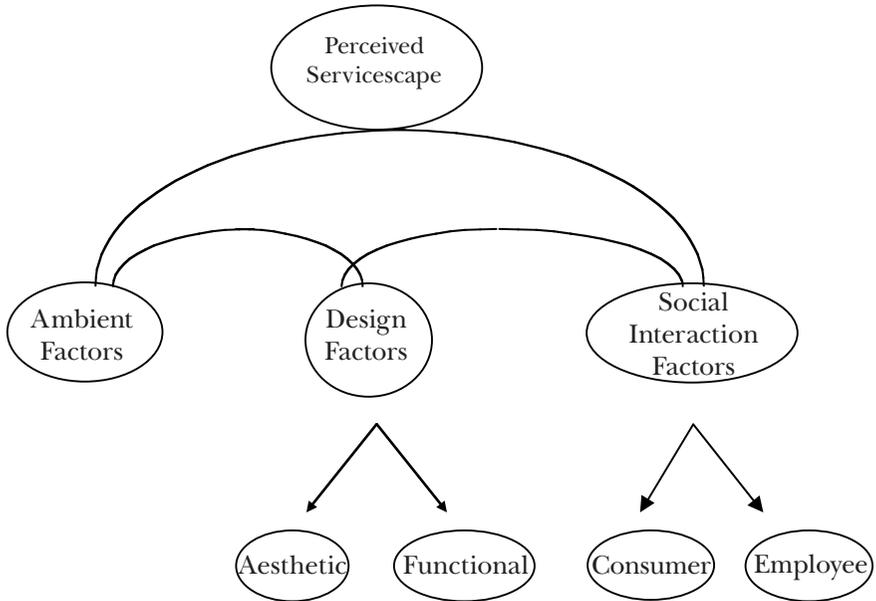
Physical *surrounding* can play a role similar to a physical good's package in that it basically communicates an image of what is included in the service (Wakefield and Blodgett 1994). The *facilitator role* is demonstrated when the physical environment increases or restricts the efficient flow of activities during the service encounter. The *socializing role* of the physical environment is evidenced when it communicates various roles, behaviors, and relationships to employees and consumers (Hightower, Brady, and Baker 2002). It is also stated that a service firm can use its physical facilities to signal the target market(s) and differentiate its services firm from its competitors. For example, Bitner (1992) expose that because of services' high intangibility and inseparability they generally "[...] afford fewer intrinsic cues on which to form beliefs about service quality [...]" therefore, the consumer must rely on altruistic cues like the servicescape to infer quality, (P. 63).

Emerging View of the Service Provider's Physical Environment

This section will define servicescape and discuss it as an emerging trend towards increasing customer satisfaction and maximum profitability. The servicescape is conceptualized as consisting of three components: ambient factors, design factors, and social interaction factors. The three components of servicescape are identified in the Diagram 1. It is believed that the physical environment has a direct relationship to behavior.

For the purposes of this discussion, the servicescape is defined as everything that is physically present to the consumer during a service encounter. This environment affects and shapes cognitive and emotional responses. An example of a possible cognitive response to the servicescape might occur when a patron in a restaurant observes a waiter drop food on the floor and serves it to another consumer anyway. In this example the restaurant floor, the food, the waiter, etc. all contribute to and/or help define the restaurant's physical environment (servicescape). The patron that witnesses this "dropped food event" may have a cognitive response to the restaurant's servicescape that leads the patron to believe (think) that the restaurant's food is bad. To further the example, the patron's behavior

Diagram 1



may be affected by this cognitive response to the servicescape (thinking about what they saw at the restaurant) and may cause their future behavior to change regarding the restaurant (for example they may not let that particular waiter serve them or they may simply decide to not eat in the establishment again).

Facility Decisions

At the time this research took place, Pax Villa’s management was considering several facility investment decisions; changes to the chapel, embalming room additions, and cremation capacities. This research revealed a need for investment decisions in a number of areas beyond facility improvements. Nevertheless, this paper focuses investments in the physical environment. For example when dealing with the Haitian market, Pax Villa, USA chapel requires particular attention. Chapel size and appearance, (especially from a color perspective), as well as furnishings are to be taken into consideration. Also of significant importance is the lighting in the preparation area versus the repose area (i.e., Kotler 1973, Holbrook 1987, Baker,

Grewal, and Levy 1992, Wakefield, Blodgett, and Sloan 1996, Wakefield and Barnes 1996, Hightower, Brady, and Baker 2002). Additionally, if Pax Villa USA is to strategically increase its competitive advantage by tailoring its services to its target population, one determination they will have to make is regarding the size of the chapel in its funeral home(s). The expected growth of needed funeral services for the growing Haitian-American population will provide justification for multiple chapel facilities to accommodate running simultaneous services in the same location. We suggest that in making changes to the design of the servicescape, employee input should be solicited, especially in terms of furnishings and lighting selection (Babin and Attaway, 2000).

Pax Villa's management also considered the possibility of, adding preparation and embalming rooms to the current facility. These functions are currently performed at a separate location. Adding an embalming room would involve a substantial investment of capital due to county and state ordinances that regulate the building and maintenance of drainage and ventilation systems in such businesses. In addition, a large storage cooler would need to be installed.

Other amenity investment decisions were regarding cremation facilities. Currently Pax Villa subcontracts cremations. In order to effectively cater to their market, management examined the possibility of adding this capability in-house. In making this decision it was important for Pax Villa management to consider overall profitability. Although there is an increasing trend within the industry toward cremations; in 2001 there were 2.41 million deaths nationwide and approximately 24 percent resulted in cremations (U.S. Death Statistics [NFDA], 2000). It is perceived by Anglo-Americans as a cost-effective alternative to earth burial or entombment. Haitian-Americans do not presently follow this growing trend. This in turn, is an obviously important factor to incorporate as funeral service providers plan for facility improvements. Within this context we suggest that, despite the rising industry averages for cremations, a company like Pax Villa USA should not invest its limited resources on expanding the cremation facilities in-house.

Importance of Servicescape Decisions

Visiting a funeral home is an experience the consumer may never forget and thus given the circumstances, management should try to make this a pleasant process. The servicescape can be critically important as a means of communicating positive and alluring service messages. Management should be cognizant of this and be prepared to manipulate the physical environment in order to differentiate their service from their competitors while increasing customer satisfaction. As aforementioned, our stance is that a service provider, regardless of the industry, enhances favorable outcomes when it is able to differentiate itself from the competition.

Merchandising Decisions

Merchandising at the funeral home (i.e., caskets, urns, markers, flowers) is an additional matter that involves space utilization. It is significant to carry merchandise that is appropriate to and preferred by the targeted market (Hightower, Brady, and Baker 2002). Other merchandising decisions include determining how much space should be allocated for this function as well as the presentation and arrangements of items to the potential customer. Another vision included, providing space for additional merchandising. This is an important part of the business that can, if done successfully, also contribute to differentiating one company from another.

Market research regarding industry averages, along with obtaining information from the targeted consumers to better determine how to meet their specific needs relating to merchandising will enable service owners to make informed and thus more accurate business decisions. Some questions management might ask could include:

- Would consumers like to have a full selection of actual caskets on display rather than the quarter panels that Pax Villa currently displays?
- Should or how might headstones, urns, and flower arrangements be presented?

As an example, a funeral home director could spend a great deal of their limited resources on things such as urn merchandising, which may not be of importance to the targeted market. This would be the case for Pax Villa: since Haitian-Americans generally do not value cremations. Haitian-American consumers are likely to be more interested in full size casket merchandising and thus this should consist in the primary marketing focus.

Servicescape Decisions

Service providers can have an immediate effect on the efficacy of the physical facilities budget. More specifically, the service manager may incorporate the employee and consumer input (i.e., servicescape) instead of solely using their own judgment. Mehrabian and Russell (1974), Turley and Fugate (1992), Zeithaml, Berry, and Parasuraman (1996) expose that service managers who focus on their physical environments may be better positioned to create, maintain, and or expand a competitive advantage when compared to similar firms that do not focus on managing their physical environment. It has been suggested by Hightower, Brady, and Baker (2002) that a particular focus on the ambient, design, and social interaction factors included in the servicescape may be especially effective at increasing service outcomes and customer satisfaction.

The framework for managing the servicescape suggests that the funeral home industry, as well as other industries, can utilize the servicescape to attract consumers to a place of business, keep them there longer, and convince them to come again. Thus, consumers purchasing services remain in an environment (i.e., at funeral homes) with more favorably perceived atmosphere longer than they intended and spend more money. In addition, if consumers think the establishment is clean, well decorated, well lighted, and has a comfortable climate, they are more likely to employ that company's services again (Wakefield and Blodgett 1994, Wakefield and Blodgett 1999).

The ambient focus within the funeral home industry is a straightforward strategy. Competition on the design and social interaction factors of the servicescape has become "common place". In other words, a majority of funeral homes tend to have similar

design factors both from an aesthetic and functional standpoint and the competing owners all understand (i.e., know how to manage the nature of funeral services and employees) the social interaction factor. Therefore, it appears that the greatest room for creating a competitive advantage for this particular industry may be to focus on the physical environment dimension of the servicescape.

Managerial Implications

Firms have begun to realize that consumers do not always buy the highest quality service or the lowest cost service. Therefore, it appears that service organizations with limited resources may need to focus on areas other than typical ones (physical/product and process components) as sources for developing, maintaining, and expanding a competitive advantage in their industry. Because of the level of competition faced, managers have had to make decisions that could literally make or break the organization.

Smaller service providers are seeking success in an increasingly more competitive international marketplace. Hult (1999) discusses the difficulty present in today's global business environment by stating that "[...] organizations need to stress innovativeness and cultural behaviors that lead to the capacity to innovate [...] new products and services to be successful", (P.8). The physical environment in which a service takes place could well be one of those areas where service providers could innovate and better serve consumers.

Managing the Servicescape in the Funeral Home Industry: Service Quality vs. Satisfaction

The servicescape provides clues that consumers need to formulate a mental reality of the service "product." Managers who indiscriminately adopt the widely accepted satisfaction → service quality conceptualization may inappropriately utilize strategies that focus on service quality as the outcome of the service encounter without placing appropriate emphasis on consumers' satisfaction with the service provider or vice versa. The result may be lower profitability due to a strategic emphasis on service quality perceptions rather than consumer satisfaction. This may occur even though a service firm delivers high service quality; the consumers may not

Table 1
Funeral Home Facilities Management

Firms that have a priori determined their targeted market(s) make better decisions regarding the use of their physical facilities than firms that do not know their target markets.

Firms that effectively plan the use of their physical facilities are more profitable than those firms that do not effectively plan for their physical facilities

A firm's physical environment that is designed with employees' and consumers' needs in mind is more satisfying to consumers than a firm whose physical environment does not consider employees' and consumers' needs.

A firm's physical environment has various levels of influence in the consumer decision making process because some consumers have to form opinions of the service through means other than direct physical contact during part or all of the service delivery process (consumers typically are not present during the body preparation process i.e. recovery, preparation, embalming, and or cremation in the funeral service industry).

A firm's physical environment provides the potential consumer with cues regarding the firm's ability to deliver quality service that help the consumer make a more informed purchase decision in service industries which include a high degree of credence qualities and or that have relatively little inseparability.

Service firms that realize consumer's think of the servicescape at three different levels and manage their business based on these levels (i.e. overall servicescape, dimension-ambient, design, and social interaction, and sub dimension- functional, aesthetic, employee, and patrons) are more profitable than firms that do not make this distinction.

The servicescape conveys the firm's overall image to the consumer.

A firm that focuses on managing the servicescape is more market oriented than a firm that does not place as much focus on managing the servicescape.

A service provider regardless of the industry can use the servicescape to differentiate itself from the competition

Note: This framework is suggested for service providers (with a physical environment) to consider with respect to developing a competitive advantage. Those firms with lean or minimal consumer servicescapes should address these issues from an internal (company employees) organization perspective.

return because they are not satisfied with the service provider for reasons not related to the quality of the service received (i.e., the family did not like the amount of parking at the funeral home, but greatly appreciated the funeral service). However, a satisfied consumer is likely to return to conduct business in the future, or recommend the business to others. Therefore, management needs to be aware that managing the servicescape in conjunction with satisfaction (as compared to service quality) may affect the consumer decision-making criteria differently.

We suggest a framework (see Table 1) that can assist funeral home owners/operators create a competitive advantage in their industry. The framework suggested here should be used in conjunction with an entrepreneur's style and innovativeness in order to help create a sustainable competitive advantage in the funeral services industry.

The implication is that it is important for managers to focus not only on managing the quality of the service provided, which is appropriate when the consumer appears to make cognitively based decisions, but to also focus on managing the firm's servicescape because it appears that they work together to influence consumers' behavior. Managers should be better able to understand consumer behavior if they focus on the quality of service provided (i.e., the object) and the servicescape (i.e., the situation).

Similarly, service firms benefit substantially from providing satisfying outcomes for their patrons. That is, when satisfaction (i.e., emotive based) is more important than service quality in determining consumer purchase behavior, the confirmation of the service quality satisfaction relationship helps to clarify where and how management should focus their efforts to increase profitability. Managers who are aware of the need to focus on service quality elements, consumer satisfaction and the servicescape can implement programs that utilize service quality elements (i.e., empathetic interaction with family members; accessibility of funeral director; reliable preparation of decedent, etc.) in conjunction with various satisfaction antecedents (i.e., examples of the funeral home servicescape) as a means of improving consumers' satisfaction with the service provider to increase their firm's profitability via increased satisfaction and loyalty. In addition, when servicescapes create positive feelings, they are likely to

attract consumers. Servicescapes are perceived as unpleasant or inappropriate; they tend to be avoided by the consumer. Therefore, it is important that service managers should pay careful attention to creating, managing, and improving physical facilities for these same reasons.

Elements of the Servicescape: Physical Facilities

For many service providers, especially funeral homes, the largest investment is in the improvement of their physical facilities. The servicescape framework contributes to marketing management by identifying components of the physical environment (design, ambient and social interaction factors) that consumers may consider to be most important in their evaluation of a service provider. With this type of knowledge, managers can focus on what the consumer considers to be the important aspects for any given service firm (i.e., the number of employees available; their ability to interact with consumers; sensitivity to the particular needs of a family; etc.).

Managers that are more aware of the emerging view of the servicescape are better able to determine to what extent a service encounter can be enhanced by changes to the servicescape, and to thereby identify where facility budgets can be most effectively spent. Management should base their servicescape decision on the preferences of their target market. Basing these decisions on consumer preferences will allow managers to make the most economical use of their scarce resources.

These ideas suggest specific strategies for service businesses. The key implication is that management's attention should be focused on each given aspect of the servicescape (i.e., ambient, design, or social interaction factors as well as the aesthetic, functional, employee, and consumer sub dimensions) to ensure that consumers are satisfied not only with the primary service, but also with the entire service encounter. It is also suggested that different industries require different strategies to effectively manage their servicescape.

In the funeral home industry, management's focus on social interaction with the bereaved is significant, which can be a function of experience (i.e., experienced versus inexperienced funeral

directors; experienced versus inexperienced embalmers; effective versus ineffective office managers, etc.) along with other types of employee characteristics (i.e., their appearance, dress, demeanor, personality, among others) as opposed to the design (i.e., architecture, layout, flooring, furniture, among others) or ambient features (i.e., lighting, temperature, scent, music, among others) of the servicescape.

Layouts can range from the traditional small family owned funeral homes to the large corporate facilities that offer every possible option on site for funeral services. Our observations conclude that in order to maximize servicescape design, Pax Villa USA will at some point need to add their own preparation, embalming, and storage rooms to their in-house facilities. Nevertheless, local government regulations and zoning ordinances will influence how, when, and where this is done. Based on the number of cremations requested by their current market, Pax informed that they will forego including a crematory room in-house at this time. However, we propose that their strategic plans (i.e., acquiring new property or improving existing locations) include an inexpensive option of adding a crematory in the future.

In order to achieve maximum customer satisfaction delivery the funeral home owner will need to hire experienced employees rather than focus solely on the physical building. In turn this manager should understand that he or she has to oversee dress codes and customer interactions. Likewise, the manager should address other factors such as, seating format within the establishment in order to minimize the potential for consumers feeling crowded. While the key points suggested here for the funeral service industry focus on the social interaction dimension of the servicescape, the framework suggests that it is also important for owners to be aware of the design and ambient dimensions of the servicescape as well.

Conclusions

This case study uses a framework that reveals that firms that focus on managing the servicescape may be better able to develop a competitive advantage over their competitors. This suggests that managers

should determine if their firm's servicescape conveys the appropriate message to consumers in terms of the service quality perceptions and their satisfaction in doing business with the establishment. Management should also give careful consideration to the servicescape not only as it directly influences a consumer's satisfaction, but also how it indirectly influences satisfaction through consumers' service quality perceptions.

The servicescape framework can be used to evaluate the means to improve, obtain, and/or maintain consumer satisfaction. Regardless of the industry, managers should constantly evaluate the firm's service quality and consumers' level of satisfaction through a regular measurement program. Finally, managers should also seek input from employees and consumers on a regular basis as to what improvements can be made in the service process to increase consumers' service quality perceptions and their level of satisfaction with the service provider. Service managers, in the funeral industry and possibly other utilitarian service industries as well, can use the servicescape framework to leverage their sizable investment in the physical facilities in order to establish and expand a competitive advantage.

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