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Reinventing the branch: An empirical assessment of banking strategies to environmental differentiation

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Today, you need to have coffee and a plasma screen just to get in the game. Ten years ago, that was clever and unique [...] now it's the price of entry. [...] The question today is, what can I do [...] to provide an experience that is unique and better?[3]

1. Bank differentiation using atmospheric strategies

Online-transactions, extensive debit usage and low-cost banking, the ever developing range of financial services has put pressure on the long-established bank branch to claim back its dominant position. Seen as indispensable for many, it stands as a unique element of bank evaluation (Greenland and McGoldrick, 2005), occasion for personal interaction (Durkin et al., 2003) and window for product selling. And yet, the aging traditional branch seems bound for a complete make-over (Bielski, 2007). Under the present wave of revamping, the market has come up with different types of "improvements" to attract back customers: opening in grocery stores, co-locating with coffee shops, building kids corners, abolishing waiting lines for sofas, etc.

As widespread and expensive as these refurbishments are, however, few managers can declare being capable of predicting beyond intuition the impact of these changes in their store environment on customers (Bitner, 1992). Scholars did provide guidance on how environmental cues affect consumers. Some of their earlier studies in retailing comprise colors (e.g. Crowley, 1993), lighting (e.g. Areni, 1994), scent (e.g. Chebat and Michon, 2003), crowding (e.g. Eroglu et al., 2005) and music (e.g. Dubé et al., 1995; Hui et al., 1997; Milliman, 1986; Yalch and Spangenberg, 2000). Some also dealt with interactive effects, mostly music and scent (Mattila and Wirtz, 2001; Morin et al., 2007; Spangenberg et al., 2005). Overall, based on their conclusions, useful hints for the present issue can be inferred.

Nevertheless, the fact that a vast majority of these studies have focused on one (or two) single environmental element at a time leaves the question of atmospheric cues' holistic effect unanswered. As mentioned repeatedly (Baker et al., 2002; Reimer and Kuehn, 2005; Wakefield and Baker, 1998), studies assessing the global effect of retail environment modification on customers are still too scarce. Furthermore, as reviewed in Turley and Milliman (2000) and presumably for logistic reasons, too few of those studies have the merit of reporting results taken, outside a simulation context, in real retail setting.

Building around this unexploited gap in literature, the objective of this study is to propose and test a theoretical framework explaining the impact of the global environmental effect on customers' emotional and behavioral responses. We illustrate how environmental cues affect perceptions of services,

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emotions and behavior with a specific example, that of bank branches. The reason of this choice is that we can control for the homogeneity of frontline employees training, the nature of their jobs and the pricing of the services. In doing so, we believe that our findings can be extended to a number of service sectors. In addition, the present banking sector is an excellent case for analyzing the effects of environmental cues since a number of banks are testing the effects of atmospheric cues in a trial and error way in order to understand which type of environment brings about the best effects on their clients.

Namely, this study will empirically compare the traditional branch with two types of contenders: the coffee-bank and the upscale branch. Then, it will examine how these singular environments are behaving in a model linking the bank evaluation to customers' emotional and behavioral responses. The resulting contribution should prove indispensable for mangers by providing guidance in their selection of improvements to retail settings, in this case bank managers. As well, it should be of major importance for scholars by representing a step further toward the application, understanding and theory building on the influence of atmospherics in utilitarian services setting.

2. Banking environment and customer responses

Two Schools of thought can be considered here: are emotions shaping perceptions or is it the other way around? On the one hand, the Servicescape School (Bitner, 1990) inspired by the major works by Mehrabian and Russell (1974) propose that emotions shape perceptions. In other words, atmospheric cues are assumed to generate emotions (i.e., combination of pleasure, arousal and dominance), which in turn shape perceptions. On the other hand, some researchers found that atmospheric cues trigger cognitive responses rather emotional responses (Chebat and Michon, 2003; Morrin and Ratneshwar, 2000; Spangenberg et al., 1996). In addition and in the same vein, Bateson and Wirtz (1999) found that the economic calculus between service performance and service expectation triggers pleasure (not arousal). A theoretical development by Chebat (2002) may help us in choosing which of the two Schools is more likely to be the appropriate one. He reasons that in the case of utilitarian services, as this is the case in the banking sector, atmospheric cues are likely to generate first thoughts then emotions. We suggest that this is the case in our study too. Briefly, as developed below, we propose the following causal sequence:

atmospheric cues-> perceptions->behavior.

When investigating the impact of a retail environment, the banking industry deserves special attention due to the particular nature of its services. Unlike the prevailing situation in a majority of service encounters, few customers are patronizing banks for other than strictly utilitarian purposes, as categorized by Babin et al. (1994). Besides, the existence of technological infrastructures enabling conducting everyday transactions from outside the bank implies that most visits are made for high-involvement presumably stressful transactions (i.e. new investment, loan application, mortgage renegotiation). Up to now, only few environmental studies have devoted their attention to this particular context.

Bank atmospherics as a whole were identified by Baker et al. (1988) as a major factor operating on clients and employees. The authors suggest that bank managers use environmental modification as an instrument for influencing customers' evaluation and choice of a bank. Similarly, Reimer and Kuehn (2005) related the branch environment to the quality perception of the bank, while Greenland and McGoldrick (2005) concluded that more modern branch styles and features are more likely to introduce favorable customer reactions. Contrasting in their conclusions, Veloutsou et al. (2004) were however only able to identify the bank environment as a weak predictor of consumer loyalty. On a more focused base using single cues, Dubé et al. (1995) established the impact of music in banks on customer emotional responses, while later Hui et al. (1997) measured its influence on perceived wait duration. Overall, based on those previous conclusions, the usefulness of environment as a competitive tool in the banking industry can be reasonably established. However, recent developments regarding new concepts of branches have heightened the need for integrated assessment of the value of the dissimilar differentiation strategies available.

Two different approaches to banking differentiation were compared to traditional branch. While the later was often qualified as "an impressive, austere setting" (Greenland and McGoldrick, 2005), it is of prime interest to evaluate how this familiar institution compares against new and unusual competition. The first approach studied here, referred to as *Cappuccino*, was developed based on the idea that a banking experience will be more pleasurable if coupled with a familiar hedonic atmosphere of an exciting and trendy coffee shop. With similar aims but different means, the second approach, referred here to as *Ambiance*, emerged from the idea that patronizing a bank is more pleasurable if the layout is upscale and relaxing.

3. Hypotheses and model building

3.1. The PAD tradition

The framework of this study is built around one of the most often used and validated approach to environmental impact on shopping behavior, the PAD model (pleasure, arousal and dominance) introduced by Mehrabian and Russell (1974). According to the PAD conceptualization, a retail environment is influencing customers' approach and avoidance behaviors while being mediated by three emotional states: pleasure, arousal and dominance. The dominance component was often discarded due to its poor predictor power. Pleasure and arousal have proven useful in numerous studies in explaining alone shopping behavior in both retail (e.g. Donovan et al., 1994) and online setting (Eroglu et al., 2003). Consequently, a retail setting perceived as pleasing and arousing should be appealing to one's feeling mechanism and lead customer to display approach behavior. Namely, the so-called approach behavior is concerned with the desire to stay, explore and affiliate with the surrounding retail environment. Hence, we propose:

H1. The relation between retail environment and approach behavior is mediated by consumers' affect.

3.2. Service quality as a potential mediator

Multiple studies additionally suggest that the relation between environment and emotions can be mediated by cognitive constructs such as the quality perception of other retailing components. First, an abundant body of literature validated the idea that the environment influences directly the quality perception of products and of services provided by employees. Those were included as mediator in the retail environmental work of Baker et al. (1994) on store image and of Baker et al. (2002) on merchandise value and patronage. Meanwhile, other studies concentrated on only one of those two components of consumers' experience at a time. For example, Obermiller and Bitner (1984) showed that a retail product displayed in a pleasing environment is evaluated more positively than the same product in an unpleasant one. Similarly, Greenland and McGoldrick (2005) demonstrated that the perception of services provided by bank employees is significantly better in refurbished branches. Next, research results suggest that perceived quality of retail components has a positive effect on consumers' emotions. For example, Wakefield and Baker (1998) found a positive relationship between the evaluation of tenants' variety and mall patrons' excitement. Similarly, Wakefield and Blodgett (1999), identified employees service quality as a determinant of emotions experienced by customers in service settings.

Moreover, two studies presented those two aforementioned relationships in an integrated conceptualization. Chebat and Michon (2003), based on Lazarus (1991) insights, validated a model supporting the hypothesis that products' quality perception mediates the relationship between ambient scent and consumers' moods. Babin et al. (2004) established that environmental qualities (i.e. appropriateness) alter products quality evaluation which in turn, influences consumers' affect. Hence, our second set of hypotheses that retain two important components of the banking experience: perception of employees and perception of offered financial services.

H2a. The relation between retail environment and consumers affect is mediated by employees' perception.

H2b. The relation between retail environment and consumers affect is mediated by financial services' perception.

However, the mediation process could be different in the two types of branches, since one is designed as clearly hedonistic (i.e. *Cappuccino*). Consequently, the affect mediation could differ according to the type of bank design, as developed now.

3.3. *Environmental congruency*

The idea that a retail environment should be congruent with the "expected definition" of its given business has attracted much attention in consumer research. In other words, the confirmation of customers' anticipations regarding the important constituents of a given retail category should facilitate the appreciation of the consumption experience. For example, Ward et al. (1992) addressed the critical importance of *prototypicality* in retailing: the sharing of a large number of characteristics deemed typical of the category in which the firm is competing. The authors identified the importance of typical fast-food exteriors cues in forging post to consumption consumers' attitude towards particular fast-food restaurants. Likewise, Areni and Kim (1993) reported increased approach behaviors among wine store shoppers when exposed to classical music as opposed to top-forty music. Such finding is suggesting that an environmental cue (i.e. pop music) although generally deemed pleasant could appear either appropriate or incongruent depending on the shopping context.

Lack of environmental congruency could conveniently explain altered from optimal consumers' reactions towards shopping experience. For instance, Babin and Babin (2001) reported that deviations of retail elements from the expected schemata of a retail store such as name, location and appearance of its staff are related to diminished patronage intentions and shopping values. As well, Babin et al. (2004) observed that the diminished perceptual appropriateness of a mall environment is associated with customers lower positive affect, lower product quality rating and perception of personal shopping value and fewer approach behaviors. The authors provided explanations for their proposal by arguing that congruent cues were preferred since they more easily processed by consumers than mismatched ones. Such conclusions reinforce for the idea that regardless of their intrinsic values, the valence of environmental cues influences depends of their congruence with the retail context.

Likewise, a stream of research has focused more particularly on the idea of arousal congruency with customers' expectations. In psychology, Walter et al. (1982) suggested that when the level of pleasure is generally low, such as in utilitarian services like banks, an optimal level of pleasure is found at moderate levels of arousal. The authors associated lower than average levels of arousal with boredom and higher than average levels with anxiety. Applied to retailing, Wirtz et al. (2000) suggested that since customers seek different arousal levels depending on their consumption goals, their responses should be maximized when the retail environment matches their looked for arousal level. Therefore, when a retail environment exceeds or fails to meet consumer expected level of stimulation (arousal), satisfaction and approach behavior should be reduced (Wirtz, 2007). The same authors also promoted, but did not test, the usage of moderate deviation from the norm when customers doesn't have particular arousal expectations (neither low or high) such as in a bank. They argue that such approach would likely offer potential for differentiation of the service offering and consequently should be perceived as positive and enhance response behaviors (Mattila and Wirtz, 2006).

Along the same line of thought, in an effort to explain divergent results found in the literature, Kaltcheva and Weitz (2006) proposed that shoppers' motivation moderates the relationship between arousal and pleasure. Doing so, they offered one explanation for conflicting observed outcomes concerning consumers' approach behavior at given arousal levels. They suggest that for recreational shoppers, arousal has a positive effect on pleasantness, while it has a negative effect for task oriented shoppers.

In the present context, it would seem reasonable to consider that consumers are mainly motivated by the desire to accomplish specific financial tasks, rather than by the sole pleasure of bank patronizing. Therefore only mildly arousing layout should appear congruent with the retail category. Out of the three approaches under study, the one embodied by the *Ambiance* concept would appear most suited for the financial services context. It is pleasure oriented and mildly arousing, therefore leading most probably to maximized consumer pleasure and approach behavior. Also, we could predict the *Cappuccino* concept, as pleasurable and exciting as it may be designed, might be considered as incongruent for the consumption goals of bank services, as being too arousing. In other words, the hedonic aims of the coffee business are incongruent with the utilitarian nature of financial services.

Moreover, anecdotal evidences suggest that the *Traditional* bank is judged satisfactory in playing its expected role of the typical low arousing bank. However, the low pleasure load of this approach makes it a sub optimal medium for the bank of tomorrow. For those explanations we suggest:

H3. Customers' positive affect and approach behavior are maximized by the *Ambiance* concept over the *Cappuccino* and *Traditional* concepts.

Two additional arguments provide support for the idea that investing in the *Cappuccino* concept should be preferred by managers over the *Traditional* approach. First, the *Cappuccino* concept is clearly aimed at promoting pleasure as opposed to the *Traditional* approach. Second, insights provided by Greenland and McGoldrick (2005) validate the idea of consumers preference for modern styles of branches. In contrast with those arguments, results taken from Wirtz (2007) in a service context suggest that an over stimulating store environment is creating less approach behavior than an under stimulating one. Hence, based on the few available and contradicting insights we propose the following set of mutually exclusive hypothesis:

H4a. Customers' positive affect and approach behavior are maximized by the High Pleasure- High Arousal branch (*Cappuccino*concept) over the Low Pleasure –Low Arousal branch (*Traditional* concept).

H4b. Customers' positive affect and approach behavior are maximized by the Low Pleasure –Low Arousal branch (*Traditional* concept)over the High Pleasure- High Arousal branch (*Cappuccino* concept).

4. Research method

4.1. Modern branch concepts

The two concepts under study were developed and implemented by a major North American bank as pilots to evaluate the future positioning of the traditional branch. The first concept, *Cappuccino*, embodies a hedonistic packaging approach. Through an alliance with a well known and popular coffee-chain, the bank should be perceived as dynamic, innovative and ahead of its time. Co-locating in the same setting with a coffee shop, this branch type is built around a lounge with sofas and brochures, next to the coffee bistro area. It is painted in lively colors (dark orange and blue, reds) and lit with bright suspended lamps. The banking services counters have been replaced by semi-separated offices allowing transactions to be conduct with privacy. The music is dynamic and referred from actual pop chart lists while a surrounding odor of fresh coffee emanates from the coffee counter. The declared objective of this concept is to catch the attention of a new and young clientele drew in by the coffee business.

The second concept, *Ambiance*, personifies the upscale and modern refurbishment approach. It comprises a lounge adjoining an area presenting financial brochures, includes a kids' corner and a quarter dedicated to community involvement. The chosen materials seek to convey an upscale identity: hardwood floors, suspended softened lighting, warm colors (raspberry, lime and beige walls) as well as plants. There is even a light-wall constantly changing color next to the waiting line. Subtle background music surrounds the branch while, as in the *Traditional* branch, no particular odor can be identified. The objective of this concept is to induce a cozy, relax and inviting feeling while facilitating interpersonal exchanges.

4.2. Sample

A hundred surveys were collected from each of the three concept branches of the same bank located in the same neighborhood of a major North-American city (a total of 300 usable field questionnaires). Customers were intercepted upon entrance of the branch by trained interviewers. To allow controlling for a minimum of exposure to the environment, customers were invited to wait until the end of their visit to complete the questionnaire. Only customers visiting the branch were contacted, the ones exclusively using the entrance ATM were not surveyed. As for the *Cappuccino* concept, only clients of the bank were surveyed and not the ones exclusively visiting the coffee shop. Each customer was given brief verbal instructions on the survey along with the self-response questionnaire containing the necessary measures. They were provided with a large table and chairs centrally located in the branch to answer comfortably their questionnaires. Interviewers were available to answer their queries at all times. Special attention was given to make sure that the setting of this area was similar through the different branches. As a token of gratitude, cakes and beverages were offered during the survey completion. Our final sample was composed of 154 women and 146 men equally distributed through the branches. Overall the measured demographics were generally found to be comparable through the settings. Though, respondents were found to be in average relatively younger and had lower income in the *Traditional* concept, while the *Ambiance* customers had not attained the same level of education as the other ones.

Means and standard deviations of the composite variables are shown in Table 1.

4.3. Measures

Items describing important tangible constituents of the retail atmosphere of the bank that related to each of the three concepts we used to measure the evaluation of the environment. Specifically, customers were asked to evaluate their appreciation of each element using "*Unpleasant 1 … 7 Pleasant*" scales. Items include for example, *entrance*, *used colors*, *odors* as well as *installations*. The perception of the employees was measured using a scale developed by Cronin et al. (2000). Also, the perception of the financial services was judge using multiple existing marketing scales adapted for the needs of the studied financial institution. Consumers feeling of pleasure and arousal were assessed using the original version of a scale developed by Mehrabian and Russell (1974). Finally, desire of approach behavior caused by a retail environment were judged using a scale developed by Mattila and Wirtz (2001) based on the original work of Donovan and Rossiter (1982). Once the data were collected, an exploratory factor analysis was performed using principal component analysis and Varimax rotation on each scale to confirm their uni-dimensionality. The items with the best behavior and highest load on the factors were retained; overall each scale demonstrated satisfactory reliability (see Table 2 for details on the final scales).

5. Results

5.1. Measurement results

A 21-item measurement model regarding the global impact of environment in financial services was created using the 300

Table 1
Means and standard deviations of the composite variables for each type of branch.

	Branch	Mean	Std. deviation
Environment evaluation	Traditional	28.24	7.50
	Cappuccino	33.94	7.13
	Ambiance	39.34	3.41
Employees perception	Traditional	18.20	2.97
	Cappuccino	18.28	2.78
	Ambiance	19.73	2.00
Financial services perception	Traditional	14.96	3.41
	Cappuccino	14.48	3.84
	Ambiance	17.46	3.58
Pleasure	Traditional	14.91	4.33
	Cappuccino	16.92	3.84
	Ambiance	18.43	2.72
Arousal	Traditional	13.77	4.21
	Cappuccino	16.39	3.53
	Ambiance	18.00	2.80
Approach behavior	Traditional	12.51	3.82
	Cappuccino	12.49	3.24
	Ambiance	15.39	3.95

$n_{\text{Traditional}} = 100$, $n_{\text{Cappuccino}} = 100$, $n_{\text{Ambiance}} = 100$.

respondents' answers. It was validated using AMOS 16 (Artbuckle 2007) confirmatory factor analysis with maximum likelihood computation method resulting in the following fit statistics. The model χ^2 is 270.0 with 174 degrees of freedom ($p \leq 0.001$) for a 1.552 χ^2/df statistic. Other fit indexes were measured: the standardized root-mean residual (SRMR) is of .038 while the root mean squared residual (RMSEA) is of .043, the goodness of fit (GFI) is of 0.92 and its adjusted form (AGFI) is of 0.90, also the comparative coefficient Tucker-Lewis Index (TLI) is of .974 and its associated comparative fit index (CFI) is of .978. All statistics show a good fit between the data and the uni-dimensional scales (Hu and Bentler, 1998; Jöreskog and Sörbom, 1989).

As presented in Table 3, the discriminant validity was confirmed by having for each variable an exceeding averaged items' squared multiple correlation (coefficients α) over the squared inter-variables correlation (Fornell and Larcker, 1981). Also, all factors loadings are highly significant ($p \leq 0.001$) while their reliability estimates are largely adequate (>0.5) suggesting convergent validity. An exception comes from approach behavior α coefficient which suffered from common issue related to the use of reversed items. Moreover, conditions relative to the statistical power (.99 ≥ .90) and orthogonal error terms were fulfilled (MacCallum et al., 1996; McQuitty, 2004).

5.2. Structural equation model

Fig. 1 illustrates the structural model obtained from imposing the above mentioned theoretical relationships on the data set using maximum likelihood estimation method. The model fit was significantly improved after modification indices' suggestion linking the theoretically independent, but in practice often highly correlated, pleasure and arousal dimensions. Since imposing a direction to such path is debatable, a correlation of error terms between both constructs was preferred. The resulting structural model offered an estimated χ^2 of 303.5 with 178 degrees of freedom ($p \leq 0.001$) for a resulting χ^2/df equal to 1.705. RMSEA is .049, GFI is .915 and AGFI is .889, SRMR is 0.58 and finally CFI is .972 while TLI is .967, all suggesting an excellent fit.

The relationship between the bank environment and consumer's pleasure ($\beta_{std} = .57$, $t = 6.82$) as well as arousal ($\beta_{std} = .49$, $t = 6.90$) combined with the relation between arousal and approach behavior ($\beta_{std} = .74$, $t = 4.04$) were found significant. Taken as a whole, they provide general support for H1 regarding the influence of environment on behavior via one's feeling mechanism in the financial services industry. Still, the relation between pleasure and approach behavior ($\beta_{std} = -.10$, $t = 0.07$) has failed to appear significant. The particular utilitarian nature of financial services provides an avenue to explain the absence of pleasure in the global model results.

H2a and H2b regarding the mediating role of service constituents' quality evaluation between environment and consumer's affect appear partially supported. Employees perception is influenced by retail environment ($\beta_{std} = .37$, $t = 7.45$) and stimulates consumers' sense of arousal ($\beta_{std} = .17$, $t = 2.40$), but just fails to support categorically consumer's feeling of pleasure ($t = 1.88$, $p \leq 0.060$). As well, evaluation of financial services is affected by the environment ($\beta_{std} = .55$, $t = 7.90$) and is an antecedent of consumer's pleasure ($\beta_{std} = .20$, $t = 3.13$) but fails to create a feeling of arousal ($t = 1.78$, $p \leq 0.076$). Overall, the idea developed in H2a and H2b is only partially supported in the global model but should prove useful in offering enhanced opportunities for group comparisons between branches' concepts.

Table 2
Factor analysis.

Items	Communalities	Loading	Items	Communalities	Loading
Environment evaluation (α = .906 ; Var ex. = 68.55%; Mean/St.D = 33.84/ 7.74)			**Pleasure (α = .949 ; Var ex. = 90.86% ; Mean/St.D = 16.75/3.95)**		
Exterior sign	.730	.854	Happy	.924	.961
Entrance	.708	.841	Pleased	.907	.952
Cleanness	.665	.815	Hopeful	.895	.946
Colors	.745	.863	**Arousal (α = .881 ; Var ex. = 80.94% ; Mean/St.D = 16.05/3.96)**		
Odors	.645	.803	Stimulated	.889	.943
Installations	.621	.788	Wide awake	.856	.925
Employees Perception (α = .863 ; Var ex. = 78.69% ; Mean/St.D = 18.74/2.70)			Jittery	.683	.827
Attentive and easy to understand	.705	.840	**Approach Behavior (α = .630 ; Var ex. = 57.76% ; Mean/ St.D = 13.46/3.91)**		
Dependable and honest	.843	.918	Avoid other people and avoid talking to them **R**	.469	.685
Groomed and tidy	.812	.901	Feel friendly and talkative to a stranger near you	.662	.813
Financial Services Perception (α = .905 ; Var ex. = 84.03% ; Mean/ St.D = 15.63/3.83)			Enjoy spending time in this place	.602	.776
Diversified	.836	.914	*Bartlett test (p.value): all ≤ 0.001*		
Adapted to my needs	.861	.928	*KMO: Environment = .911; Employees = .707; Financial Services = .751; Pleasure = .770 ; Arousal = .680 ; Approach = .623*		
Competitive compared to the ones of competitors	.824	.908			

Table 3
Inter -construct correlation estimates (standardized ϕ).

	Environment	Employees	Financial Services	Pleasure	Arousal	Approach Behavior
Environment	*0.62*					
Employees	0.22	*0.69*				
Financial services	0.25	0.16	*0.76*			
Pleasure	0.39	0.17	0.22	*0.86*		
Arousal	0.42	0.19	0.18	0.70	*0.74*	
Approach behavior	0.26	0.13	0.23	0.21	0.30	*0.38*

Coefficients α shown in italics on diagonal.

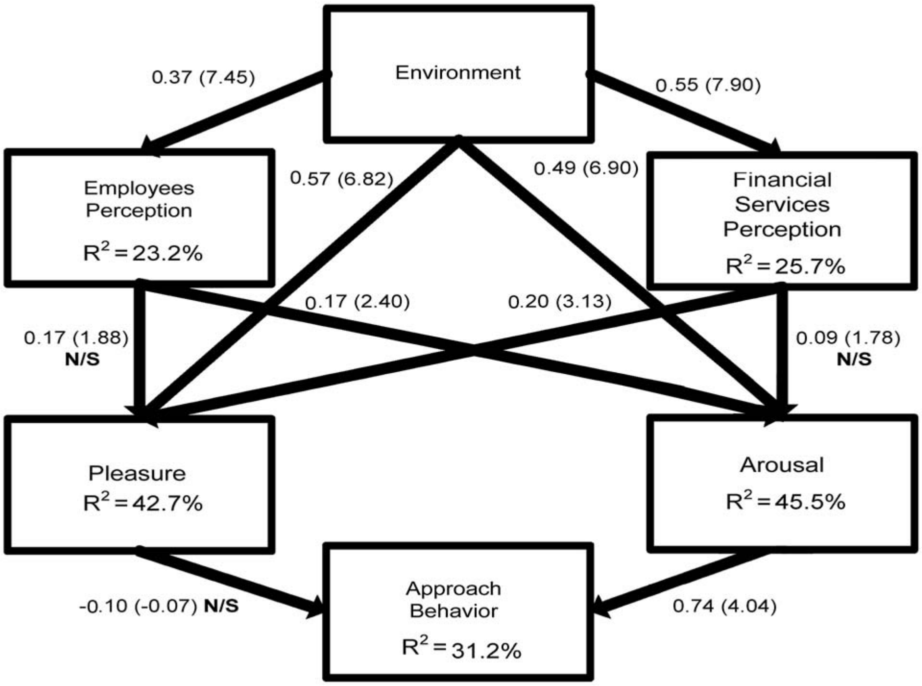


Fig. 1. Standardized theoretical path coefficients (z-value). Fit: χ^2/df = 1.705, RMSEA = .049, AGFI = .889, GFI = .915, SRMR = .058, CFI = .972, TLI = .967.

5.3. Group comparisons

Table 3 provides a summary of the structural comparisons between the three concepts after assessing configural and metric invariance between those samples of the same population. Using the $\Delta\chi^2$ criterion, the hypothesis regarding structural invariance between the three concepts had to be rejected (all $\beta_{\text{Trad}} = \text{all}$ $\beta_{\text{Capp}} = \text{all}$ β_{Ambi}: $\Delta\chi^2 = 40.981$, df = 20, $p \leq 0.004$). Therefore, significant differences are observed in the way the environment influences quality perception of service constituents, consumers' affect as well as behaviors depending on the type of environment.

First, in the *Traditional* concept the bank environment creates pleasure ($\beta_{\text{std}} = .35$, $t = 2.33$) as well as arousal ($\beta_{\text{std}} = .40$, $t = 2.59$), then arousal generates approach behavior ($\beta_{\text{std}} = .89$, $t = 3.24$). In this concept, pleasure fails however to be associated significantly with approach behavior. Also, the retail environment appears to influence positively the quality evaluation the employees ($\beta_{\text{std}} = .40$, $t = 3.33$) and of the financial services ($\beta_{\text{std}} = .60$, $t = 4.72$). Nevertheless, these two enhanced features fail to be internalized by customers through the creation of emotions. As a result, we can conclude that the *Traditional* environment partially succeeds in creating some approach behavior. And yet, the *Traditional* environment fails to support this behavior by an enhanced appreciation either its employees or its services, or simply by creating a feeling of pleasure. Taken as a whole, this type of layout appears to create mixed feelings, it's is not uninviting, but does few to attract customers.

Second, in the *Cappuccino* branch, the environment creates pleasure ($\beta_{\text{std}} = .51$, $t = 4.51$) and arousal ($\beta_{\text{std}} = .43$, $t = 3.48$) as well as influences positively the quality perception of employees ($\beta_{\text{std}} = .48$, $t = 4.51$) and of financial services ($\beta_{\text{std}} = .40$, $t = 3.70$). Nevertheless, these positive influences of the environment fail to translate in any approach behavior. Still, it must be acknowledged that some of the relations between the constructs are only found non-significant by a small margin: employees' perception in creating pleasure ($t = 1.80$, $p \leq 0.073$) and later pleasure in creating approach behavior ($t = 1.31$, $p \leq 0.069$). The earlier mentioned arguments regarding a lack of congruency between the financial services objectives and the arousing environment offers a credible explanation for those results. Anecdotal feedbacks from the interviewers also corroborate this theory. These results suggest that the *Cappuccino* retail environment, from a bank perspective, is not ideal.

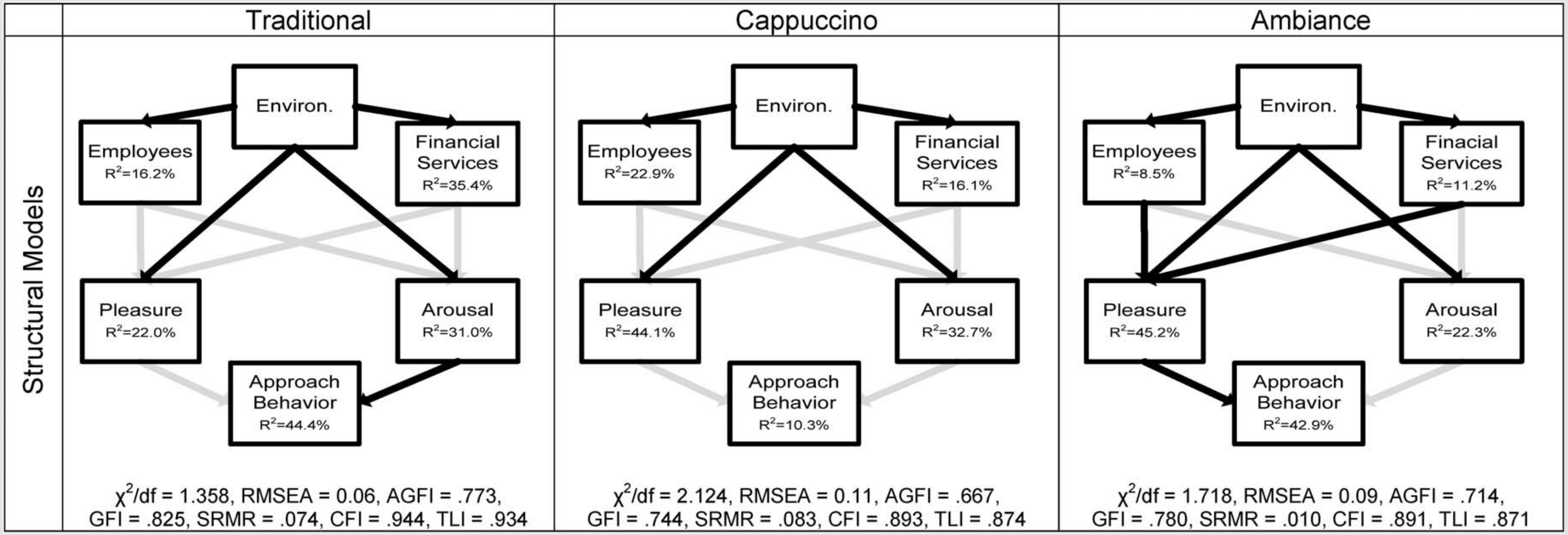
Third, in the *Ambiance* layout, as in the other concepts, the environment influences positively pleasure ($\beta_{\text{std}} = .32$, $t = 2.85$) and arousal ($\beta_{\text{std}} = .27$, $t = 2.08$) as well as quality perception of employees ($\beta_{\text{std}} = .29$, $t = 2.58$) and of financial services ($\beta_{\text{std}} = .33$, $t = 2.83$). Nevertheless, the *Ambiance* concept stands on its own by creating pleasure not only directly from the retail environment but via an improved quality perception of employees ($\beta_{\text{std}} = .18$, $t = 2.12$) and of financial services ($\beta_{\text{std}} = .43$, $t = 4.31$). Therefore, it seems that the *Ambiance* concept is the one that is the most capable of bringing consumers to internalize into emotions their improved cognitive perception of the bank experience constituents: environment, employees and financial services. Later, results show that this well supported consumers' pleasure translates into approach behavior ($\beta_{\text{std}} = .49$, $t = 3.02$).

Based on those results, we can conclude that, as expected in H3, the *Ambiance* concept is better at maximizing customers' positive affect and approach behavior than the *Cappuccino* and *Traditional* concepts. Nevertheless, we have to dismiss H4a and conclude that the *Cappuccino* concept fails to maximize, compared to the *Traditional* branch, customers' positive affect and approach behavior. Indeed, we could even suggest that the *Cappuccino* refurbishment avenue is detrimental to bank customers who seem to react better to the bank as it is (*Traditional*). Therefore, we support the opposed H4b suggesting that keeping a *Traditional* layout is preferable over investing in the *Cappuccino* concept (Table 4).

6. Discussion

This study addresses the refurbishment dilemma that many industries, such as the banking sector, are facing when it comes to attract consumers' attention. To do so, this study evaluates the

Table 4
Structural invariance test.



Paths	***Standardized Regression Weights (t-value)***			***$\Delta\chi^2$: Group A = Group B***		
	Traditional	*Cappuccino*	*Ambiance*	Traditional = Cappuccino *$\Delta df = 1$*	Traditional = Ambiance *$\Delta d = 1$*	Cappuccino = Ambiance *$\Delta df = 1$*
Environment → Employees	.403 (3.331)*	.479 (4.505)*	.292 (2.574)*	0.184	0.187	0.272
Environment → Financial Serv	.595 (4.720)*	.402 (3.702)*	.334 (2.834)*	0.573	0.558	1.570
Environment → Pleasure	.352 (2.328)*	.505 (4.508)*	.310 (2.845)*	0.285	0.141	0.002
Environment → Arousal	.395 (2.591)*	.428 (3.480)*	.274 (2.075)*	0.033	0.022	0.158
Employees → Pleasure	−.003 (−0.028)	.172 (1.792)	.184 (2.115)*	1.351	1.439	0.133
Employees → Arousal	.155 (1.390)	.140 (1.312)	.169 (1.651)	0.045	0.026	0.272
Financial Services → Pleasure	.166 (1.228)	.123 (1.340)	.430 (4.305)*	0.232	0.030	2.423
Financial Services → Arousal	.122 (0.921)	.128 (1.266)	.214 (1.862)	0.063	0.022	0.133
Pleasure → Approach Behavior	−.311 (−1.361)	.909 (1.820)	.487 (3.017)*	3.865*	9.448*	0.048
Arousal → Approach Behavior	.887 (3.244)*	−.733 (−1.457)	.230 (1.487)	6.450*	1.453	3.764*
	Significant at *p*-value * ≤0.05			After testing for structural invariance ALL: $\Delta\chi^2 = 40.981$, $\Delta df = 20$, *p*-value ≤0.004		

influence of retail environment on customers using the example of three different environmental concepts implemented in the financial industry. On one hand, it would appear that coming up with a distinct concept, something different from competitors, would help to catch the attention of consumers. On the other hand, keeping a *Traditional* approach should not be disregarded since consumers know what to expect from conventional surroundings. Stakes are high and failure is costly. Our results suggest that due to the utilitarian nature of the financial services industry, modern retail environments that are low-arousing and pleasure-oriented offer strong potential for the maximization of consumers' experience.

This study also calls attention about a possible unadvisable mix of genres. Namely, our results suggest that a highly arousing environment (i.e. the *Cappuccino* branch), even if pleasurable per se, does not appeal to bank customers. In other words, a retail environment made of exciting atmospheric components (e.g. bright colors, fast tempo music and arousing coffee smell) is not appropriate for task-oriented customers such as bank patrons performing complex and important tasks. Even worse, based on this example, it seems that a highly arousing type of orientation might not be as good as a low appealing and low arousing, although familiar, traditional setting. Therefore, it appears unadvisable to promote highly arousing concepts as an optimal refurbishment approach for task oriented businesses such as banks.

In this manner, this study confirms that the type of retail environment and the business orientation have an interactive effect on consumers' cognitive evaluation, affect and behavior. Additionally, this study demonstrates that the success of a retail environment modification is greatly influenced by its congruency with the business mission. Overall, in the present utilitarian services example, a mildly arousing environment appears better suited at maximizing consumers' experience than an over or under arousing one.

6.1. Implications

For researchers, this study provides more than a validation of the PAD approach to the environmental influence on customers integrating the environmental cues as a whole and testing this conceptualization in a real retail setting. Inspired by a recent stream of literature on arousal congruency, this study proposes a theoretical approach to success predictions regarding different types of environmental differentiation strategies. It conceptualizes and promotes the idea that the overall value of different retail environments can be assessed by first measuring their isolated impact quality perception of retail constituents (e.g. employees and services offered). Then, by observing how these impacted perceptions are internalized emotionally. And finally, by monitoring which combination of pleasure and arousal emotions translates into consumers' approach behavior.

For managers, the main contribution of this study to be remembered pertains to the central notion of environmental congruency. Reinventing an existing retail concept can produce a hit or miss situation. Considering the substantial investments required in revamping completely a retail environment, it seems important to at least receive assurance that the expected outcome is rather plausible. Our results suggest that using selection criterions as simple as arousal congruency will enable a better identification of winning retail environments early in the conception stage of the retail strategy. In our example, it appears that a bank by the nature of its utilitarian activities does not share the same ingredients to success as a hedonic coffee shop. However, it's quite possible that some segments be attracted by the *Cappuccino* concept: our sample was too small to possibly identify it.

Moreover, the fact that this study investigates real differentiation approaches readily available to marketing decision-makers allow us to raise concerns about the issue of corporate mimetism in retail strategies (refer to DiMaggio and Powell, 1983). While co-locating with coffee shops might prove successful for book stores, there are few arguments to support that this avenue is suited for banks. This example is only one more warning us of about using a flavor of the day approach instead of carefully planning a marketing strategy adapted to the business specific needs and grounded on established marketing theories.

6.2. Future research and limitations

This study offers numerous opportunities for further improving the theory on environmental differentiation, nevertheless it has a number of limitations. On top of everything else, this study fails to measure the actual impact of investing in a retail environment on consumers' profitability. Moreover, it does not address numerous moderators identified in literature that could help better understanding the role of congruency in the results. For example: age (Baumann et al., 2007; Yoon, 1997), decision-making style (Wesley et al., 2006) and perceived risk (Mitchell and Harris, 2005). Perhaps, the modern and arousing *Cappuccino* concept would perform better in a neighborhood with a high proportion of young, "novelty and fashion conscious" as well as "risk seeking" customers.

Also, future research should address the issue of appropriate corporate image. Would it be possible that certain consumers disregard any kind of upscale environmental enhancements by feeling that those are made at their expenses? Therefore, would these customers prefer retailers displaying a low-key instead of opulent image? The success of certain low cost and low ambiance retailers and service providers (e.g. Costo and EasyJet) as well as banks (e.g. ING Direct) would indicate such direction.

Moreover, several other limitations in the design of this study call for further research. For example, the global environmental evaluation scale used here is only partial, built from a combination of multiple cues. Although it seems to display the necessary reliability and validity characteristics, the results would benefit from a more refined and rich measure. Finally, many insights call for an evolving conception of banking services in consumers' minds. Could it be that unconventional banking concepts such as *Cappuccino* are just too early for their time? Is it possible that in a near future, the majority of the branches will be atypical by today's standards? Such study on consumers' perception would need to be replicate over time.

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