

Hong Kong Restaurants' Quality and Customer Loyalty

HKTGG

Chapter 2: Literature Review

The chapter discusses the fundamental concepts of this study, including the three quality dimensions of restaurants, customer perceived value, customer satisfaction, and customer loyalty, previous research studies, and the research gap, and the research hypotheses.

2.1. The Three Quality Dimensions of Restaurants

This section starts with the discussion of the concept of perceived quality. It then proceeds to the concepts of service quality, the three quality dimensions of restaurants including service quality, food quality, and environmental quality, and the service quality of restaurants represented in DINESERV. The second sub-section discusses the concepts of customer satisfaction, customer loyalty, and customer perceived value. They represent the dependent variable and the mediators for this study.

2.1.1. The Concept of Perceived Quality

Perceived quality can be described as the customer's assessment of the overall supremacy or excellence of a good or service compared to alternatives for the intended reason. There are two definitions of perceived quality for products and services. In products, perceived quality is the consumer's judgment about a product's overall excellence or superiority (Tsiotsou, 2006). In services, perceived quality is, first and foremost, a subjective judgment made by consumers (Parasuraman et al., 1985).

Perceived quality is different from objective quality. In short, perceived quality is an assessment of product or service quality with a high level of abstraction and relates to specified consumption settings (Zeithaml, 1988). Objective quality is the actual excellence of the product or service that can be measured and verified (Monroe

and Krishnan, 1985). For example, Garvin (1987) defined seven objective quality dimensions: aesthetics, features, conformance, reliability, performance, durability, and serviceability.

ACSI is an abbreviation for the “American Customer Satisfaction Index”. The ACSI model suggests that perceived quality is one of the antecedents of consumer satisfaction. It represents a large-scale research project to develop market-based success metrics for businesses in different sectors and companies (Fornell et al., 1996). It was updated and renamed after the European Customer Satisfaction Index in subsequent studies (ECSI). There are two dimensions of perceived quality in the ECSI model: human ware and hardware. Perceived quality (human ware) refers to the service’s quality; perceived quality (hardware) refers to the product’s quality; (Johnson et al., 2001). It is recognized that most retail offers are a combination of products and services (Hoffman and Bateson, 2011). As a result, perceived product and service quality also contribute significantly to consumer loyalty. In the restaurant sector, it is believed that the quality of the atmosphere has a significant impact on consumer loyalty (Han and Ryu, 2009). Consumers appreciate the food and service provided by restaurants. The physical atmosphere of the restaurant is an integral part of the dining experience. Thus, restaurant consumer loyalty is measured in terms of food quality (i.e., product quality), service quality, and environmental quality (Ryu and Jang, 2007). The following sections address the concepts of service quality, food quality, and environmental quality.

2.1.2. Perceived Service Quality

Catering service is a service economy. Therefore, instead of focusing on “perceived product quality,” this Thesis focuses on “perceived service quality.”

More importantly, there are two main directions in discussing the service quality model: the Nordic School and its Evolvement and the American’s SERVQUAL Model.

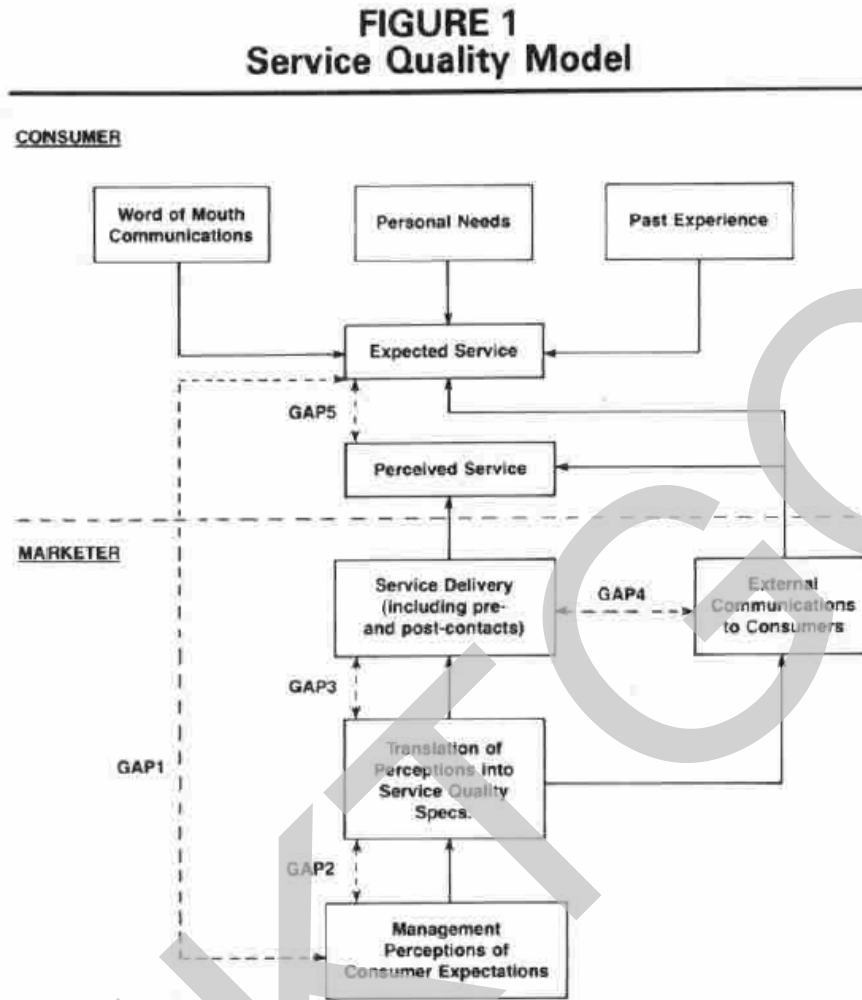
The Nordic School and its Evolvement is selected for this Thesis. It due to its greater comprehensiveness when compared with the SERVQUAL model. Overall, the Nordic School does better in accompanying (1) food quality, (2) service quality by service personnel, and (3) physical environment quality as discussed in Ryu et al. (2012).

2.1.2.1. The American's SERVQUAL model

The American's SERVQUAL model is based on Parasuraman et al. (1988) and finalized in Parasuraman et al. (1994) and Zeithaml et al. (1996a). "Perceived service quality" is referred to as the customer's assessment of the difference between anticipated and perceived services in the American's SERVQUAL model (Parasuraman et al., 1985).

It first began with the GAP model of service quality proposed by Parasuraman et al. (1985). According to the GAP model, the extent of service quality depends on the size of the final service gap (also known as Gap 5, shown in Figure 2-1). Gap 5 serves as a function for the other four gaps, referred to as Gap 1 to Gap 4. Gap 1 is the difference between what consumers want and what service providers' management believes they expect. The gap between management's perceptions of consumer preferences and the firm's service level requirements is called Gap 2. Gap 3 is the discrepancy between service level requirements and the actual service provided to consumers. Gap 4 refers to the discrepancy between the service level provided to customers and the service's external contact. Finally, Gap 5 serves as a function of the preceding four holes (Parasuraman et al., 1988) (See Figure 2-1).

Figure 2-1 Parasuraman et al. (1985)'s service quality model



Source: Parasuraman et al. (1985)

2.1.2.2. The Determinants of “Perceived Service Quality”

It is crucial to identify the determinants of “perceived service quality” since customers and researchers need to define what constitutes good “service quality.” In an initial attempt, Parasuraman et al. (1985) defined ten determinants of service quality by focus group interviews with executives of service firms. They include dependability, responsiveness, integrity, accessibility, courtesy, connectivity, reputation, protection, and a thorough understanding of the customer. Among them are the following:

- Reliability refers to the quality and dependability of which services are performed.
- Responsiveness refers to the timeliness of services and the willingness or readiness of employees to provide the service.
- Competence refers to whether service employees possess the necessary skills and knowledge to provide the services.
- Access refers to how approachable and easy it is to contact the problem in an emergency.
- Courtesy refers to the way service personnel are courteous, respectful, considerate, and polite.
- Communication refers to the willingness of service personnel and service providers to keep customers updated about service information in a language that the customer understands, based on, for example, the customer's level of understanding.
- Credibility refers to the degree of loyalty, confidence, and integrity shown by service workers and businesses in their ability to act in the best interests of their clients.
- Security refers to the extent to which users are free of potentially dangerous situations, risks, or doubts.
- Understanding refers to the extent to which service workers and businesses attempt to grasp the needs of consumers.

- Tangibles refer to the tangible signs of an operation, such as the physical atmosphere, the presence of workers, the tools or facilities used to provide the service, etcetera.

In a later attempt, Parasuraman et al. (1985) narrowed the ten determinants of service quality to five: tangibles, durability, responsiveness, empathy, and confidence. The first three determinants were taken directly from Parasuraman et al. (1985). Empathy and trust are the two new determinants. Empathy refers to the attentive, personalized care that a business provides to its clients. Assurance refers to an employee's awareness and deportment and their capacity to inspire faith and belief in customers (Parasuraman et al., 1988). According to Parasuraman et al. (1988), assurance is a recasting of five previous determinants discussed in the conceptual model of perceived service quality: communication, credibility, security, competence, and courtesy. Empathy is a recasting of two previously defined determinants, namely understanding, and access (Parasuraman et al., 1985).

The five dimensions proposed by the SERVQUAL model are limited by their focus on the service quality related to personnel and the tangible physical environment and the dressing of service personnel (Parasuraman et al., 1985). It has ignored the attribute of service products in influencing the service quality (Rust and Oliver, 1994a). Within the framework of Rust and Oliver (1994a) service quality is determined by the combination of (1) service product, (2) service delivery, and (3) the service environment. Their framework was stemmed from the development of the Nordic Model of Service Quality. Overall, the American model of SERVQUAL was less comprehensive compared with the Nordic Model of Service Quality.

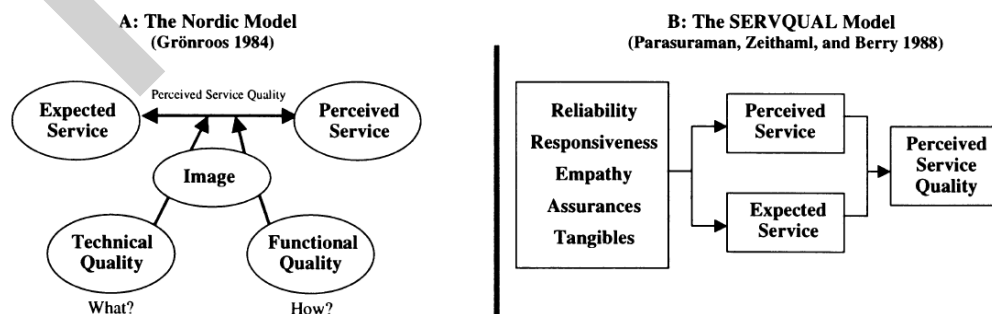
2.1.2.3. The Nordic Model of Service Quality by Grönroos (1984)

Christian Grönroos first developed the Nordic Model of Service Quality in 1984 (Grönroos, 1984). It followed the disconfirmation paradigm in interpreting service

quality. It means that perceived service quality is the comparison between service expectations and perceived service performance. The perceived service quality is affected by the technical and functional attributes of service quality. Technical quality is about what services are offered, the outcome of the service. Functional quality is about how services are offered and the interactions during service delivery (Grönroos, 1984). However, the sub-dimensions constituting the functional quality and technical quality.

The Nordic Model of Service Quality formed the basis of the SERVQUAL model by Parasuraman et al. (1988). They defined that perceived service quality is also the comparison between perceived service and expected service. Perceived service and expected service are determined by the reliability, responsiveness, empathy, and assurance of service personnel, and the tangibles (such as tangible signs of an operation, such as the physical atmosphere, the presence of workers, the tools or facilities used to provide the service). Figure 2-2 shows a graphical depiction of the Nordic Model and the American's SERVQUAL Model. The SERVQUAL Model focuses more on the functional quality and its service environment (as represented in Tangible). There is no focus on technical quality. It is different from the Nordic model's equal focuses on the functional quality and the technical quality.

Figure 2-2 A Graphical Depiction of the Nordic Model and the SERVQUAL Model



Source:(Brady and Cronin Jr., 2001).

2.1.2.4. The Evolvement of the Nordic Model in the 1990s and early 2000s

Unlike the SERVQUAL model, the Nordic Model of Service Quality has equal focuses on how the services are delivered and what services are delivered. SERVQUAL, on the other hand, only focuses on how the services are delivered. However, the original Nordic Model in 1984 by Grönroos did not define any sub-dimensions for the dimensions of technical quality and functional quality. The future models: the three-component model (Rust and Oliver, 1994b) and the multilevel model (Dabholkar et al., 1996) define what these components are.

2.1.2.4.1. From the Disconfirmation Paradigm to Service Performance Measurement Only

Before discussing Rust & Oliver's (1994)'s three-component model and the multi-level model (Dabholkar et al., 1996), a discussion of the disconfirmation paradigm's evolvement is essential. In the disconfirmation paradigm, perceived service quality is derived from comparing expected service and perceived service. They were applied in both the Nordic Model and the SERVQUAL Model. To achieve the expected service and perceived service performance measurements, researchers need to ask respondents to fill in two sections of the questionnaire. There were usually 22 measurable items for service expectations and another 22 same items for perceived service performance (Parasuraman et al., 1988). Therefore, respondents must fill in 44 items for researchers to measure service expectations and perceived service performance. It is not convenient to administer.

In Cronin and Taylor (1992), it was argued and tested that the measurable items for service expectations may not be necessary. Instead, a single scale for perceived service performance ("SERVPERF") has an excellent fit in the four industries tested: banking, dry cleaning, fast food, and pest control. It is contrary to the service

expectation scale, which only has a good fit in two of the industries, including fast food and banking. Therefore, Cronin & Taylor (1992) suggested that SERVPERF is superior to the service expectation scale in measuring service quality. Besides, SERVPERF also has a superior level of correlation with the constructs of the service quality, satisfaction, and purchase intention than the service expectation scale (Cronin and Taylor, 1992).

After the assessment by Cronin & Taylor (1992), Parasuraman, et al. (1994) conducted a re-assessment of the SERVQUAL model suggested in Parasuraman, et al. (1988). They admitted the robustness of the performance only measure in SERVPERF. However, they have a reservation that it has a poor marketing diagnostic function for corporations selling services (Parasuraman et al., 1994). Zeithaml et al. (1996) confirmed these points and emphasized the usefulness of the disconfirmation paradigm from a marketing diagnostic standpoint. Therefore, SERVPERF is a good measurement from academic research but not from a marketing diagnostic standpoint for a corporation.

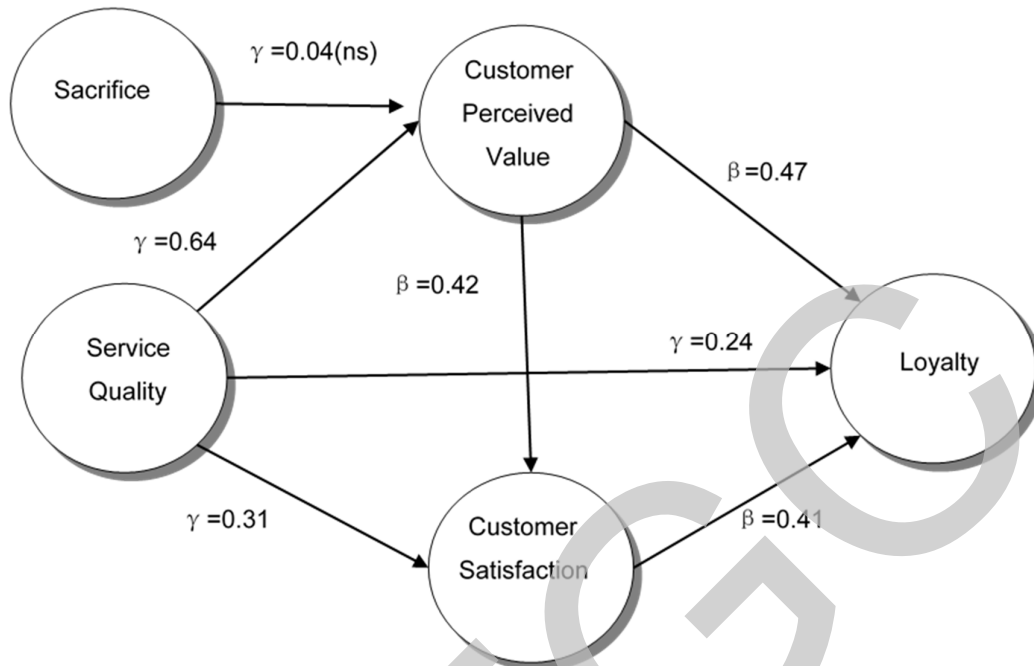
In the application in this research study, the performance-only standpoint was applied for ease of use and convenience. Besides, it has sufficient robustness from an academic study standpoint.

2.1.2.4.2. The Evolvement of the Nordic Model (The Three-Component Model and the Multi-dimensional model by Brady & Cronin Jr. (2001))

The discussion of the three-component model by Rust & Oliver (1994), the multilevel model by Dabholkar et al. (1996), and the latest model by Brady and Cronin Jr. (2001) is discussed in this sub-section. These three models are slightly different, but they all use the performance-only paradigm.

Rust and Oliver (1994) extended Grönroos's model by adding the current dimension of the service environment. According to this model, the consumer's

Figure 2-10 Conceptual Model of Customer Satisfaction by Cronin et al. (2000)



Source: Cronin et al. (2000).

2.5. Discussion of the Theoretical Framework and Research Hypotheses

The theoretical framework are shown in Figure 1-1. The three restaurant-quality dimensions are food quality, service quality, and physical environment quality. According to Baker et al. (1994), food quality, store atmosphere, menu variety, staff service, cleanliness, styling, price, interior design and decoration, professional dressing of staff, and store location were identified as dimensions of store image in the catering industry. These several dimensions can then be classified as food quality, service quality, and physical environment quality.

Zeithaml (1988) described customer perceived value as consumers' overall evaluation of a market utility offering based on their expectations of what they obtain and what they provide. According to Dodds et al. (1991), the "give" component is a financial sacrifice, while the "get" component is service quality. Thus, if the service

company provides higher services to the customer, the customer's overall satisfaction would improve. It is assumed that the premium service provided by Japanese restaurants in Hong Kong would increase customers' perception of value while dining at the restaurant.

Customer satisfaction summarizes psychological state when the emotion surrounding disconfirmed expectation is coupled with the customer's prior feelings about the consumption experience (Oliver, 2015). Given that customer satisfaction is a composite evaluation dependent on prior sales and use (Johnson et al., 2001), service efficiency is a factor in consumer satisfaction. Numerous sectors had empirical data (Cronin et al., 2000). The correlation between service quality and consumer loyalty is well-established (Andaleeb & Conway, 2006). Excellent service efficiency, it is claimed, results in a higher degree of customer loyalty at Japanese restaurants in Hong Kong.

2.5.1. Food Quality and Service Quality

Food quality is an essential element of the restaurant experience. The core of the services in the catering industry is its high food quality. It is because customers may mainly decide to visit a restaurant based on its food quality.

MacLaurin and MacLaurin (2000) became the first to evaluate restaurants using nine food quality measurements. The other components are the theme design, the service level, the menu, the scenery, the comfort, the value, the merchandise, and the price. Indeed, the theme definition and atmosphere components are comparable to the "quality of physical environment" in this research report. Ryu and Jang (2007) used the concept of "quality of food" to assess diners' perceptions of the restaurant's food quality. This study aimed to determine how various aspects of service quality influence diners' behavioural intention to revisit a family-style restaurant. Han and Ryu (2009) discovered that consumers' main three factors at a target restaurant are the

food quality, the service quality, and the quality of restaurant environment. According to Ryu and Han (2010), nutritional quality, service quality, and the physical environment's quality were statistically significant predictors of customer loyalty and behavioural purpose.

It has been demonstrated in studies such as Raajpoot (2002), Sulek & Hensley (2004), Susskind & Chan (2000), and Namkung & Jang (2007). For example, in Namkung & Jang (2007), it was found that food quality is vital in its appearance, number of choices, nutrition, taste, temperature, and freshness. They are consistent with the dimensions of food quality in Ryu and Han (2010). The studies mentioned consistently showed that food quality positively correlates with customer satisfaction and customer perceived value. Therefore, it can be hypothesized that:

H1: Food quality is positively related to customer perceived value and customer satisfaction among consumers of restaurants in HK.

H1a: Food quality is positively related to customer perceived value among consumers of restaurants in HK.

H1b: Food quality is positively related to customer satisfaction among consumers of restaurants in Hong Kong.

As for service quality, high service quality always leaves a good impression on customers and leads to CS and provides value to them. Stevens, Knutson & Patton (1995) designed a scale called DINESERV in measuring service quality in restaurants. DINESERV is consisted of 29 items and is divided into five dimensions. They are reliability, assurance, responsiveness, tangibles, and empathy. It is derived from SERVQUAL developed by Parasuraman et al. (1988) and adapted to the environment of the catering industry. The names of the five dimensions are the same as that in Parasuraman et al. (1988).

Previous studies also showed that service quality is positively related to customer perceived value and customer satisfaction. For example, Brady et al. (2005), Yuan & Wu (2008) supported that service quality is positively related to customer perceived value. Many studies supported that service quality is positively related to customer satisfaction. For example, Bitner (1990) discovered that service quality comes before customer loyalty. Lee et al. (2000) investigated the causal relationship between service quality and customer satisfaction. The survey's findings suggest that it is the level of service that determines customer satisfaction, not the other way around. Ting (2004) has shown that the path coefficient between service quality and consumer satisfaction is higher than the path coefficient between customer satisfaction and service quality in the service sector, implying that service quality would result in customer satisfaction. Hussain et al. (2015) examined Emirates Airlines and concluded that service quality was linked to consumer happiness, which resulted in brand loyalty.

Therefore, it can be hypothesized that:

H2: Service quality is positively related to customer perceived value and customer satisfaction among consumers of Japanese restaurants in Hong Kong.

H2a: Service quality is positively related to customer perceived value among consumers of Japanese restaurants in Hong Kong.

H2b: Service quality is positively related to customer satisfaction among consumers of Japanese restaurants in HK.

2.5.2. Physical Environment Quality

Physical surroundings are also important in influencing customer behaviour in the catering industry (Raajpoot, 2002; Ryu & Jang, 2007; Robson, 1999; Ryu & Han, 2010; Ryu et al., 2012). Good physical surroundings (such as decoration, layout, employee appearance, and lighting) are essential to overall satisfaction and